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CAPCON HOLDINGS plc

Response to Offer by Paul Jackson for the whole of the issued ordinary share capital of Capcon Holdings plc

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The sources and bases for information in this document are set out in Part 4 (Presentation of Information, Bases and Sources) of this document.

Part 1

LETTER FROM THE INDEPENDENT DIRECTOR OF CAPCON HOLDINGS PLC

(Registered in England and Wales with registered number 4196004)

Directors

K P Dulieu – *Executive Chairman*
C J Cavender – *Finance Director*
P F Jackson – *Non Executive Director*
M A Borrelli – *Non Executive Director**

Registered Office

10 Chiswell Street
London
EC1Y 4UQ

10 August 2009

* Independent Director

To: Capcon Shareholders and, for information only, holders of Share Options

Dear Capcon Shareholder,

Mandatory offer for Capcon Holdings plc under Rule 9 of the City Code on Takeover and Mergers

1. Introduction

On 1 July 2009, Kenneth Dulieu, Clifford Cavender and Paul Jackson (each a director of the Company) and Paul Ashton announced the terms of a cash offer to be made, as required under Rule 9 of the City Code, by the Concert Party (either individually, collectively or through a newly incorporated limited liability vehicle) to acquire the entire issued and to be issued ordinary share capital of the Company, other than any Capcon Shares already owned by the Concert Party, at a price of 6 pence per share. As at the date of that announcement, the Concert Party held in aggregate amongst them 4,629,216 Capcon Shares, representing approximately 39.6 per cent. of the issued shares in the capital of the Company.

On 28 July 2009, Paul Jackson, a member of the Concert Party, electronically published a document setting out the full, formal terms of the Offer and sent written notice to the Capcon Shareholders of the location of the website at which the Offer Document may be viewed online. The written notification was accompanied by and, where applicable, the Offer Document should be read in conjunction with a Form of Acceptance for use by Capcon Shareholders who hold their Capcon Shares in certificated form. The Offer Document, and the information incorporated by reference to other sources specified in such document, may be viewed at:

www.vantisplc.com/ClientRegulatoryAnnouncements

and may be accessed by going to that website and clicking on the link to “Offer by Paul Jackson under Rule 9 of the City Code for Capcon Holdings plc”.

For the purposes of the City Code, Kenneth Dulieu, Clifford Cavender and Paul Jackson, who are each both members of the Concert Party and directors of the Company, are deemed to have a conflict of interest. For this reason, the Board has established a committee comprised solely of myself, as the only director of the Company who is independent of the Offer, to consider the Offer and to make such recommendations to Capcon Shareholders as I consider appropriate, having regard to advice received from CV Capital LLP, the financial adviser to the Company in relation to the Offer.

The purpose of this letter is to explain the background to the Offer and the reasons why I consider, in the absence of a higher cash offer, the Offer to be fair and reasonable and, accordingly, recommend it to Capcon Shareholders.

2. The Offer

The Offer is being made by the Offeror, as required under Rule 9, following a determination by the Panel that the members of the Concert Party were acting in concert at the time of the allotment by the Company to Paul Ashton of 1,523,516 Capcon Shares at a price of 3.875 pence per share on 30 April 2008.

The Offer is being made on the following basis:

for each Capcon Share 6 pence in cash

The Offer is made in respect of all issued Capcon Shares which are not held by the Concert Party and any further Capcon Shares which are unconditionally allotted and/or issued, fully paid before the Offer closes or expires (including pursuant to the exercise of any outstanding Share Options granted by the Company to directors and employees of the Group) and will remain open for acceptance, subject to the provisions of Appendix 1 to the Offer Document, until 1.00 p.m. on 19 August 2009.

The Offer Price is equal to the highest price paid by any member of the Concert Party, other than by one member of the Concert Party to another, for any Capcon Shares in the twelve months prior to 30 April 2008, being the date Paul Ashton was allotted shares by the Company, as mentioned above, and during the period from that date to the date of publication of the Offer Document.

As the exercise price of all the outstanding Share Options is 6 pence per share (i.e. the same as the Offer Price), the Panel have confirmed to Vantis Corporate Finance Limited (the Concert Party's financial advisors) that the Offeror will not be required to make an equivalent offer to the holders of the outstanding Share Options.

The Offer values the total issued share capital of Capcon at approximately £700,818, based on the 11,680,292 Capcon Shares in issue at the date of this letter.

3. Rule 9 of the City Code

Rule 9 requires that any person or group of persons acting in concert that acquires an interest in shares which, when taken together with shares in which that person or persons acting in concert are interested, carry 30 per cent. or more of the voting rights of a company to which the City Code applies (which includes the Company) is normally required to make a general offer to the shareholders of that company.

Rule 9 also states that if any person or group of persons acting in concert holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of a company which is subject to the City Code, and he or they acquire any further shares in the company, such person, or any person acting in concert with such person is normally obliged by the Panel to make a general offer to all shareholders.

An offer under Rule 9 must be in cash and at the highest price paid, within the preceding 12 months, for any interest in shares in the company by the person required to make the offer or any person acting in concert with him.

It is a condition of the Offer that the Offeror receives acceptances in respect of Capcon Shares which, together with the Capcon Shares acquired or agreed to be acquired before or during the Offer, will result in the Offeror and the Concert Party and any person acting in concert with the Offeror and the Concert Party holding Capcon Shares carrying more than 50 per cent. of the voting rights then normally exercisable at general meetings of Capcon.

Following completion of the Offer and assuming the Acceptance Condition (described above) is satisfied:

- (a) **the members of the Concert Party will, between them, hold more than 50 per cent. of the Company's voting share capital and (for so long as they continue to be treated as acting in concert) may, accordingly, be able to increase their aggregate shareholding without incurring any further obligation under Rule 9 to make a general offer. However, individual members of the Concert Party will not, subject to paragraph (b)(ii) below, be able to increase their percentage shareholding further through a Rule 9 threshold after the closing or expiry of the**

Offer without Panel consent without incurring a further obligation under Rule 9 to make a general offer;

- (b) and dependent upon the level of acceptances under the Offer, the Offeror may hold:**
- (i) 30 per cent. or more of the Company's voting share capital, though he will not, subject to paragraph (b)(ii) below, be able to increase his percentage shareholding further through a Rule 9 threshold after the closing or expiry of the Offer without Panel consent without incurring a further obligation under Rule 9 to make a general offer; or**
 - (ii) more than 50 per cent. of the Company's voting share capital and may, accordingly, be able to increase further his aggregate shareholding without incurring any further obligation under Rule 9 to make a general offer.**

4. Background to and reasons for recommending the Offer

Capcon is a UK incorporated public company whose shares are admitted to trading on AIM. The principal activities of the Group are the provision of audit, stocktaking and investigation services to the leisure sector (primarily pubs and hotel groups) through its "Audit, Stocktaking and Investigations" division and other investigation services to non-leisure clients through its "Other Investigations" division.

Group turnover has reduced from £6.93 million in the year ended 30 September 2005 to £3.83 million in the year ended 30 September 2008 and to £1.97 million (unaudited) in the six month period ended 31 March 2009. The main reasons for the large reduction in turnover have been in the Other Investigations division and include:

- poor financial performance within its specialist insurance investigations business, which led to a withdrawal from this sector during the year ended 30 September 2006; and
- the significant loss of business attributed to the departure of a key executive from the division in September 2006.

There have been early signs of a modest improvement in the Other Investigations division, with turnover increasing from £368,000 in the year ended 30 September 2008, to £396,500 (unaudited) reported in the unaudited interim results for the six month period ended 31 March 2009, though historically this division experiences volatility in its performance.

In the year ended 30 September 2005 the Group reported a loss before tax of £2.28 million which included goodwill amortisation and impairment charges of £1.98 million and a profit on the disposal of the Company's interest in Argen GmbH of £0.25 million. Substantial cost reductions have reduced the loss to £105,000 for the year ended 30 September 2008 and a profit of £34,000 was reported in the unaudited accounts of the Group for the six months ended 31 March 2009. Whilst the Company reported operating profits in the years ended 30 September 2007 and 2008 and in the unaudited accounts for the six months ended 31 March 2009, interest charges have mainly offset these profits, reflecting the increased borrowings that were assumed to fund the losses in the years ended 30 September 2005 and 2006.

I have retained CV Capital LLP to advise me in relation to the Offer.

I have taken note of the following factors in considering the Offer:

- the Offer Price of 6 pence per Capcon Share is a premium of 6.6 per cent. to the mid-market price of 5.625 pence per share as at the close of dealings on the business day immediately prior to the announcement of the intention of the Concert Party to make an Offer on 1 July 2009;
- the historic limited liquidity in the market for Capcon Shares;
- the limited scope for the emergence of another bidder, given the size of the Concert Party's shareholding; and

- the weak financial position of the Company and its dependence on lenders who are directors of the Company and also members of the Concert Party and so integral to Capcon's success.

In the light of these factors and in the absence of a higher cash offer, I recommend that Capcon Shareholders accept the Offer.

5. Current trading

Capcon's recent financial performance is summarised below:

| | <i>Year ended 30 Sept (audited) 2007 £000</i> | <i>Year ended 30 Sept (audited) 2008 £000</i> | <i>6 months ended 31 March (unaudited) 2009 £000</i> |
|---|---|---|--|
| Turnover: | | | |
| Auditing, Stocktaking and Investigations – leisure division | 3,406 | 3,461 | 1,570 |
| Other Investigations division | 650 | 368 | 396 |
| | <u>4,056</u> | <u>3,829</u> | <u>1,966</u> |
| Profit/(loss) before exceptional items | <u>(78)</u> | <u>(5)</u> | <u>34</u> |
| Profit/(loss) after exceptional items | <u>587</u> | <u>(106)</u> | <u>34</u> |

The exceptional items related to costs incurred in defending legal proceedings brought by the vendors of Argen Limited, which was acquired by the Company in January 2003, alleging entitlement to further purchase consideration in respect of such acquisition. Due to the significant and unusual nature of these expenses, the Directors did not consider that these costs should be regarded as part of usual operating activity and disclosed them as exceptional. In 2007, exceptional income arose from the release of a provision for the contingent consideration payable to the vendors of Argen Limited which the Directors considered to be unlikely to be due.

| | <i>Year ended 30 Sept (audited) 2007 £000</i> | <i>Year ended 30 Sept (audited) 2008 £000</i> | <i>6 months ended 31 March (unaudited) 2009 £000</i> |
|------------------------------------|---|---|--|
| Earnings/(loss) per share: | | | |
| – Before exceptional items | (0.8)p | 0.0p | 0.3p |
| – After exceptional items | 5.8p | (0.1)p | 0.3p |
| Net liabilities at year/period end | £690,000 | £736,000 | £702,000 |

Kenneth Dulieu, the Chairman of the Company, commented in his statement accompanying the announcement of the unaudited interim results for the six months ended 31 March 2009, as follows:

“Despite the extremely harsh economic climate which has added to existing industry issues for our leisure clients, we have succeeded in increasing operating profit and profit before tax, when compared with the same period last year. The action taken by the Directors over the past two years to improve operating efficiency and reduce overheads has placed the Group in a strong position to continue to compete for market share during this period of challenging market conditions”

“Trading in the second half of this financial year to date has continued in line with expectations.”

Save for matters which have been publicly announced by Capcon, the Board is not aware of any material changes in the financial or trading position of Capcon since the last published audited accounts of Capcon.

The attention of Capcon Shareholders is drawn to the sources of financial information relating to Capcon set out in Appendix II to the Offer Document.

6. Irrevocable undertakings

The Offeror has confirmed that no undertakings to accept (or procure acceptance) of the Offer have been obtained by the Offeror or any other member of the Concert Party.

7. Offeror's intentions regarding Capcon and its business, employees and trading on AIM

The Offer Document confirms that the Offeror:

- intends to continue the existing policies and practices of the Board and has no plans to change the composition of the Board or to move the place of business of Capcon;
- has no current strategic plans for Capcon and no current intentions regarding the redeployment of the fixed assets of Capcon;
- intends that the existing rights, including pension and employment rights of the management and employees of Capcon and its subsidiaries, will not be affected by the Offer;
- intends to maintain the admission of the Capcon Shares to trading on AIM; and
- does not intend to exercise any rights which may arise pursuant to the provisions of sections 979 to 982 (inclusive) of the Companies Act 2006 to acquire compulsorily any outstanding Capcon Shares following the closing of the Offer.

8. Taxation

Your attention is drawn to paragraph 10 of the Offer Document. Although the Offer Document contains tax-related information, if you are in any doubt about your tax position, or you are subject to taxation in any jurisdiction outside the UK, you are strongly advised to seek appropriate independent professional advice immediately.

9. Action to be taken to accept the Offer

Your attention is drawn to the letter from the Offeror on pages 3 to 7 of the Offer Document, the Appendices to the Offer Document and, for Capcon Shareholders who hold their Capcon Shares in certificated form, the Form of Acceptance. In particular, your attention is drawn to the procedure for accepting the Offer set out in paragraph 11 of the letter from the Offeror contained in the Offer Document. Your decision as to whether to accept the Offer will depend upon your individual circumstances. If you are in any doubt as to the action you should take, you should seek your own independent financial advice.

Capcon Shareholders should read the procedures for acceptance of the Offer set out in paragraph 11 of the letter from the Offeror set out in, and Parts B and C of Appendix I of, the Offer Document and (in the case of Capcon Shareholders who hold their Capcon Shares in certificated form) the Form of Acceptance.

10. Recommendation

I, having been so advised by CV Capital LLP, consider the terms of the Offer, in the absence of a higher cash offer, to be fair and reasonable and in the best interests of Capcon Shareholders as a whole and, therefore, I recommend the Offer. In providing advice to me, CV Capital LLP has taken into account my commercial assessments.

Yours faithfully

M.A. Borrelli
Independent Director

Part 2

Additional Information

1. Responsibility

- 1.1 The Directors (whose names are set out in paragraph 2.1 below) accept responsibility for the information contained in this document (other than the views, opinions and recommendation in respect of the Offer contained in the letter from the Independent Director of Capcon set out in Part 1 of this document, for which the Independent Director accepts responsibility). To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information for which they accept responsibility is in accordance with the facts and does not omit anything likely to affect the import of such information
- 1.2 The Independent Director, (whose name is set out in paragraph 2.2 below) accepts responsibility for his views, opinions and recommendation contained in the letter from the Independent Director set out in Part 1 of this document. To the best of the knowledge and belief of the Independent Director (who has taken all reasonable care to ensure that such is the case), the information contained in this document for which he is responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

- 2.1 The Directors of Capcon and their respective positions are as follows:

| <i>Name</i> | <i>Position</i> |
|--------------|-------------------------------|
| K P Dulieu | <i>Executive Chairman</i> |
| C J Cavender | <i>Finance Director</i> |
| P F Jackson | <i>Non Executive Director</i> |
| M A Borrelli | <i>Non Executive Director</i> |

- 2.2 The Independent Director of Capcon is as follows:

| | |
|--------------|-------------------------------|
| M A Borrelli | <i>Non Executive Director</i> |
|--------------|-------------------------------|

3. Disclosure of Interests and Dealings in Relevant Securities

- 3.1 For the purposes of this paragraph 3:

3.1.1 “acting in concert” has the meaning attributed to it in the Code;

3.1.2 “arrangement” includes any indemnity or option agreement and any agreement or understanding, formal or informal, of whatever nature relating to relevant securities which may be an inducement to deal or refrain from dealing;

3.1.3 “associate” of any company includes:

- (i) its parent, the subsidiaries and fellow subsidiaries, and their associated companies and companies of which any such companies or associated companies are associated companies. For this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is the test of associated company status (a “paragraph 1 associate”);
- (ii) a connected adviser and persons controlling, controlled by or under the same control as a connected adviser;
- (iii) the Directors or the directors of any company covered in (i) above (together in each case with their close relatives and related trusts);

- (iv) the pension funds of the Company or of any company covered in (i) above;
 - (v) any investment company, unit trust or other person whose investments an associate manages on a discretionary basis, in respect of the relevant investment accounts;
 - (vi) an employee benefit trust of the Company or any company covered in (i) above; and
 - (vii) a company having a material trading arrangement with the Company;
- 3.1.4 “Capcon relevant securities” means Capcon Shares and other equity share capital of Capcon (or derivatives referenced thereto) and securities convertible into, rights to subscribe for, and options (including traded options) in respect of, Capcon Shares;
- 3.1.5 “connected adviser” has the meaning attributed to it in the Code;
- 3.1.6 “connected person” has the meaning attributed to it in sections 252 to 255 of the Companies Act 2006;
- 3.1.7 “control” means an interest or aggregate interests in shares carrying 30 per cent. or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or aggregate holding give(s) de facto control;
- 3.1.8 “dealing” or “dealt” includes:
- (i) acquiring or disposing of securities or the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to securities, or of general control of securities;
 - (ii) taking, granting, acquiring, disposing of, entering into, closing out, terminating, exercising (by either party) or varying an option (including a traded option contract) in respect of any securities;
 - (iii) subscribing or agreeing to subscribe for securities;
 - (iv) exercising or converting, whether in respect of new or existing securities, of any securities carrying conversion or subscription rights;
 - (v) acquiring, disposing of, entering into, closing out, exercise (by either party) of any rights under, or varying, a derivative referenced, directly or indirectly, to securities;
 - (vi) entering into, terminating or varying the terms of any agreement to purchase or sell securities; and
 - (vii) any other action resulting, or which may result, in an increase or decrease in the number of securities in which a person is interested or in respect of which he has a short position;
- 3.1.9 “derivative” includes any financial product whose value, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;
- 3.1.10 “disclosure period” means the period commencing on 1 July 2008 and ending on 7 August 2009, being the latest practicable date prior to the publication of this document;
- 3.1.11 “exempt fund manager” has the meaning given to it in the Code;
- 3.1.12 “exempt principal trades” has the meaning given to it in the Code;
- 3.1.13 reference to a person having an “interest” or who is “interested” in relevant securities includes where a person:
- (i) owns relevant securities;

- (ii) has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or has general control of them;
- (iii) by virtue of any agreement to purchase, option or derivative, has the right or option to acquire relevant securities or call for their delivery or is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise;
- (iv) is party to any derivative whose value is determined by reference to the price of relevant securities and which results, or may result, in his having a long position in them; or
- (v) has a long economic exposure (whether conditional or absolute) to changes in the price of securities (but a person who only has a short position in relevant securities is not treated as interested in those relevant securities);

3.1.14 references to Directors having an interest in relevant securities are to be interpreted in accordance with Part 22 of the Companies Act 2006;

3.1.15 “paragraph 1 associate” means the subsidiaries and associated companies of the Company and companies of which any such subsidiaries or associated companies are associated companies. For this purpose, ownership or control of 20 per cent. or more of the equity share capital of a company is the test of associated company status;

3.1.16 references to a pension fund of Capcon or of a company which is a paragraph 1 associate do not include any such pension funds which are managed under an agreement or arrangement with an independent third party in the terms set out in Note 7 of the definition in the Code of “acting in concert”;

3.1.17 “relevant securities” means Capcon relevant securities;

3.1.18 “short position” means any short position (whether conditional or absolute and whether in the money or otherwise) including any short position under a derivative, any agreement to sell or any delivery obligation or right to require another person to purchase or take delivery.

3.2 As at the close of business on 7 August 2009 (being the latest practicable date prior to the publication of this document):

3.2.1 the interests of the Directors (and persons connected with them) in Capcon relevant securities were as follows:

| <i>Name</i> | <i>Capcon Shares</i> | <i>Number of unissued Capcon Shares subject to Share Options</i> |
|-----------------------|----------------------|--|
| Kenneth Dulieu | 2,658,200 | 100,000 |
| Clifford Cavender | 270,000 | 418,350 |
| Paul Jackson | 743,604 | nil |
| M. Alexander Borrelli | nil | nil |

Kenneth Dulieu’s son (Robert Kenneth Dulieu), an employee within the Group, holds Share Options, not taken into account above as part of Kenneth Dulieu’s interest, over a total of 223,750 unissued Capcon Shares. One such Share Option, in respect of 68,750 unissued Capcon Shares, is capable of being exercised as at the date of this document.

Clifford Cavender’s Share Options include a Share Option in respect of 193,750 unissued Capcon Shares which is exercisable as at the date of this document. The Offeror has stated in the Offer Document that Clifford Cavender will exercise this Share Option before the Offer closes or expires, if the Acceptance Condition is unlikely to be met and the exercise of this Share Option will enable the Acceptance Condition to be met.

A Share Option in respect of a further 68,750 unissued Capcon Shares is held by an employee of the Group other than the Directors and their relations and is currently exercisable.

The Share Options have an exercise price of 6 pence, which is the same as the Offer Price. Some of the Share Options are subject to a performance condition that need to be satisfied before they can be exercised and has not been satisfied as at the date of this document.

The option exercise period for the Share Option held by Kenneth Dulieu is 31 March 2006 to 30 March 2013 (inclusive). The option exercise periods for the Share Options held by Clifford Cavender are 17 May 2004 to 16 May 2011 (inclusive) in respect of 193,750 unissued Capcon Shares and 31 March 2006 to 30 March 2013 (inclusive) in respect of a further 224,600 unissued Capcon Shares. The option exercise periods for the Share Options held by Ken Dulieu's son are 17 May 2004 to 16 May 2011 (inclusive) in respect of 68,750 unissued Capcon Shares, 31 March 2006 to 30 March 2013 (inclusive) in respect of 80,000 unissued Capcon Shares and 7 April 2007 to 6 April 2014 (inclusive) in respect of 75,000 unissued Capcon Shares.

- 3.2.2 no paragraph 1 associates had any interest or right to subscribe for Capcon relevant securities;
 - 3.2.3 no pension fund of Capcon or of any company which is a paragraph 1 associate had interests in, or rights to subscribe for, Capcon relevant securities;
 - 3.2.4 no employee benefit trust of Capcon or of any company which is a paragraph 1 associate had any interests in, or rights to subscribe for, Capcon relevant securities;
 - 3.2.5 no connected advisers and any person controlling, controlled by or under the same control as any such adviser (except for an exempt principal trader or an exempt fund manager) had an interest in Capcon relevant securities;
 - 3.2.6 neither the Company nor any person acting, or presumed to be acting, in concert with the Company had borrowed or lent any Capcon relevant securities (save for any borrowed shares which have either been on-lent or sold).
- 3.3 Save as set out below, during the disclosure period there have been no dealings in Capcon relevant securities by the Directors, their immediate families and related trusts and companies:

| <i>Name</i> | <i>Dealing</i> | <i>Date</i> | <i>Number and type of Capcon relevant securities</i> | <i>Price per Capcon Share</i> |
|----------------|----------------|---------------|--|-------------------------------|
| Paul Jackson | Sale* | 24 April 2008 | 1,235,350 Capcon Shares | 6.75p |
| Kenneth Dulieu | Purchase* | 24 April 2008 | 1,235,350 Capcon Shares | 6.75p |
| Paul Ashton | Subscription | 30 April 2008 | 1,523,516 Capcon Shares | 3.875p |
| Paul Jackson | Purchase | 9 July 2009 | 173,912 Capcon Shares | 6p |
| Paul Jackson | Purchase | 16 July 2009 | 94,693 Capcon Shares | 6p |
| Paul Jackson | Purchase | 23 July 2009 | 300,000 Capcon Shares | 6p |

*These were dealings between members of the Concert Party

- 3.4 During the disclosure period:
- 3.4.1 no paragraph 1 associate dealt in Capcon relevant securities;
 - 3.4.2 no pension fund of the Company or of any company which is a paragraph 1 associate dealt in Capcon relevant securities;
 - 3.4.3 no dealings in Capcon relevant securities took place by any employee benefit trust of the Company or of a company which is a paragraph 1 associate.

- 3.5 As at the close of business on 7 August 2009 (being the last practicable date prior to the publication of this document, the Company has not redeemed or purchased any of its own shares during the period commencing twelve months prior to the Offer Period.
- 3.6 Save as disclosed above, neither the Company nor the Directors:
- 3.6.1 had an interest in or a right to subscribe for relevant securities as at the close of business on 7 August 2009 (being the latest practicable date prior to the publication of this document);
- 3.6.2 engaged in any dealing in relevant securities during the disclosure period; or
- 3.6.3 had any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of, relevant securities as at the close of business on 7 August 2009 (being the latest practicable date prior to the publication of this document).
- 3.7 Save as disclosed above, (so far as the Directors are aware having made due and careful enquiry) no paragraph 1 associate of the Company, nor any pension fund of the Company, or of any company which is a paragraph 1 associate, nor any employee benefit trust of the Company, or of any company which is a paragraph 1 associate, nor any connected adviser or any person controlling, controlled by or under the same control as any such adviser (except for an exempt principal trader or an exempt fund manager), nor any person with whom the Company, or any associate of the Company, has an arrangement in relation to relevant securities:
- 3.7.1 had an interest in or a right to subscribe for relevant securities as at the close of business on 7 August 2009 (being the latest practicable date prior to the publication of this document);
- 3.7.2 engaged in any dealing in relevant securities during the disclosure period; or
- 3.7.3 had any short position in, was party to any agreement to sell, or subject to any delivery obligation in respect of, or had the right to require another person to purchase or take delivery of, relevant securities as at the close of business on 7 August 2009 (being the latest practicable date prior to the publication of this document).
- 3.8 As at the close of business on 7 August 2009 (being the latest practicable date prior to the publication of this document, neither the Company, nor any person acting, or presumed to be acting, in concert with the Company had borrowed or lent any relevant securities (save for any borrowed shares which have either been on-lent or sold).
- 3.9 Neither Kenneth Dulieu nor Clifford Cavender intends to accept the Offer in respect of his own beneficial holdings in Capcon Shares.

4. Arrangements in Relation to Dealings

No arrangement relating to relevant securities exists between the Company or any associate of the Company and any other person.

5. Directors' Service Agreements and Letters of Appointment

- 5.1 The services of the following Directors are retained pursuant to service agreements entered into by each of them with the Company on 23 May 2001. The following particulars of such service agreements (as amended from time to time since execution and in particular by several agreements dated 3 March 2006 and by resolution of the remuneration committee of the Board)

| | | |
|-----------------------------|----------------------|----------------------|
| <i>Name</i> | K P Dulieu | C J Cavender |
| <i>Basic Salary</i> | £50,000 per annum | £10,000 per annum |
| <i>Pension contribution</i> | Nil | £1,500 per annum |
| <i>Notice</i> | 12 months either way | 12 months either way |

In addition to his fixed salary entitlement, Mr. Dulieu has been entitled since 6 May 2008 to further remuneration at a daily rate of £435 up to a maximum of £100,000 per annum for specific work undertaken on behalf of the Group. Mr. Dulieu has agreed with the Company to defer payment of his salary and additional remuneration to the extent that it exceeds the sum of £15,000 in any year for the time being. The accrued amount of the salary and additional remuneration deferred as at 31 July 2009 (together with interest thereon at a rate of 10 per cent. per annum) was £132,134.

In addition to his fixed salary entitlement, Mr. Cavender has been entitled since 6 May 2008 to further remuneration at a daily rate of £50 per hour up to a maximum of £500 per day for specific work undertaken on behalf of the Group. Mr. Cavender agreed with the Company to defer payment of this additional remuneration up to and including the end of February 2009, since which time it has been paid on a monthly basis. The accrued amount of the additional remuneration deferred to the end of February 2009 (together with interest thereon at a rate of 10 per cent. per annum) and which remains unpaid at the date of this document is £8,407.

On 6 May 2008, the remuneration committee of the Board agreed to pay to each of Mr. Dulieu, Mr. Cavender and Mr. Jackson a bonus related to the outcome of the proceedings brought against the Company by the vendors of Argen Limited, which was acquired by the Company in January 2003, and the counterclaim made in those proceedings by the Company. The bonus became payable on the formalisation of the settlement of those proceedings on 3 October 2008. The total amount of such bonus is £23,380 and is payable to the said directors in equal shares. £20,000 of the said bonus has been paid to date and a further £3,380 remains outstanding as at the date of this document.

Each of Mr. Dulieu and Mr. Cavender, along with the other Directors and senior executives of the Group determined by the remuneration committee of the Board (in its absolute discretion), are entitled to participate in the Group's Exit Bonus Plan 2005, though no awards have been made under that scheme to date.

Each of the service agreements contains restrictions governing the relevant Director's involvement in activities competing with those of the Group both during the term of the agreement and for a period of 1 year following of the later of the cessation of his office as a director or employee of the Group.

In addition to the reimbursement of reasonable travelling, hotel, entertainment and other expenses incurred in the performance of his duties, Mr Dulieu is entitled to the provision of a motor car and the Company bears the cost of insuring, tax and fuel.

- 5.2 Pursuant to a letter from the Company dated 23 May 2001, Paul Jackson was appointed to office as a non-executive director of the Company and the current fee payable pursuant thereto is £10,000 per annum, which fee has to the date of this document been waived by Mr. Jackson. The appointment is terminable by either party giving not less than 3 months' notice and the appointment will cease immediately if Mr. Jackson is not re-elected to office at any annual general meeting of the Company at which his re-election to office is to be considered.
- 5.3 In addition to the letter of appointment referred to in paragraph 5.2 above, on 23 May 2001 Paul Jackson entered into a consultancy agreement with the Company pursuant to which he agreed to provide his services with regard to supply of advice and guidance of a general nature in respect of the development and growth of the Group's business, to include research, due diligence and negotiation with respect of acquisitions and that he would also manage all potential acquisitions for and on behalf of the Group. Mr Jackson is entitled to a fee at a rate of £1,500 per month (together with V.A.T. thereon) for up to 25 hours per month, which fee has to the date of this document been waived by Mr. Jackson. The consultancy agreement was for an initial term of one year and is terminable on 3 months' written notice from either party to the other.
- 5.4 Pursuant to a letter from the Company dated 26 June 2009, M. Alexander Borrelli was appointed to office as a non-executive director of the Company from 29 June 2009. The current fee payable to Mr. Borrelli under this agreement is £2,000 per month until 31 August 2009. Thereafter the fee shall be such amount, not being less than £1,000 per month, as shall be agreed with the Board. The

appointment is terminable by Mr. Borrelli giving not less than 60 days' notice and the appointment will cease immediately if Mr. Borrelli is not re-elected to office at any annual general meeting of the Company at which his re-election to office is to be considered.

5.5 Save as provided above:

5.5.1 there are no service agreements in existence between any of the Directors and the Company that cannot be determined by the Company without payment of compensation (other than statutory compensation) within one year;

5.5.2 Save in relation to the appointment of M. A. Borrelli, none of the service agreements or letters of appointment described above were entered into during the six months preceding the date of this document nor have there been any amendments to such documents during that period.

6. Consent

CV Capital LLP has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

7. Material contracts

7.1 By a deed dated 2 October 2008 and made among Jonathan Brenig Edwards (1), Deborah Mary Edwards (2), Richagent Limited (3) (such first 3 parties hereinafter referred to as the “**Argen Vendors**”), Gwenneth Imelda Fairer-Smith (4), the Company (5), Capcon Argen Limited (6) and Capcon Golf Limited (7) (such latter two parties being members of the Group) entered into as required under the terms of a consent order dated 3 October 2008 in proceedings before the High Court in London, settlement of such proceeding brought by the Argen Vendors was formerly and finally agreed. The said deed provided for the payment by the Argen Vendors of the sum of £36,000 as a contribution towards the costs incurred by the Company in relation to such proceedings together with a further sum, to be determined by reference to the value at the date of sale of 473,912 Capcon Shares then held by the certain of the Argen Vendors or their associated parties. Such shares were sold as to 173,912 on 9 July 2009 and as to the balance on 23 July 2009, in each case to the Offeror at a price of 6 pence per share (£28,434.72 in aggregate). £10,434.72 of such sale proceeds has been paid to the Company and demand has been made on behalf of the Company for payment of the balance of £18,000.

7.2 Save for the deed referred to in paragraph 7.1 above, no contracts, other than contracts entered into in the ordinary course of business, have been entered into by the Company or its subsidiaries, within the last two years which are, or may be, material.

8. Financial and other information

Save as disclosed in this document, the Directors are not aware of any material change in the financial or trading position of the Company subsequent to 30 September 2008.

9. Documents on display

9.1 Copies of the following documents are available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of DMH Stallard LLP, 6 New Street Square, London EC4A 3BF until the end of the Offer Period:

9.1.1 the current Memorandum and Articles of Association of the Company;

9.1.2 the audited consolidated accounts of the Company for the two financial years ended 30 September 2008 and 30 September 2007;

9.1.3 the service agreements and the letters of appointment of each of the Directors referred to in paragraph 5 above; and

9.2 A copy of the consent letter referred to in paragraph 6 above is available for inspection during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) at the offices of Duane Morris, 10 Chiswell Street, London EC1Y 4UQ until the end of the Offer Period.

Part 3

Definitions

The following definitions apply throughout this document unless the context otherwise requires:

| | |
|---------------------------------------|--|
| “Acceptance Condition” | the condition specified in the Offer Document that the Offeror receive acceptances in respect of Capcon Shares which, together with the Capcon Shares acquired or agreed to be acquired before or during the Offer, will result in the Offeror and the Concert Party and any person acting in concert with the Offeror and the Concert Party holding Capcon Shares carrying more than 50 per cent. of the voting rights then normally exercisable at general meetings of Capcon; |
| “acting in concert” | has the meaning attributed to it in the City Code; |
| “AIM” | the AIM Market of the London Stock Exchange; |
| “Australia” | Commonwealth of Australia, its states, territories or possessions; |
| “Board” or “Directors” | the board of directors of Capcon; |
| “Canada” | Canada, its provinces, territories and all areas subject to its jurisdiction and any political sub-division thereof; |
| “Capcon” or “Company” | Capcon Holdings plc, registered in England and Wales under registered number 4196004; |
| “Capcon Share Option Scheme” | the arrangements for the grant of options to employees of the Company and its subsidiaries over unissued shares in the capital of the Company approved by a special resolution of the Company passed on 17 May 2001; |
| “Capcon Shareholder(s)” | holders, from time to time, of Capcon Shares; |
| “Capcon Shares” | ordinary shares of £0.01 each in the capital of Capcon; |
| “certificated” or “certificated form” | in relation to a share or other security, a share or other security title to which is recorded in the relevant register of the share or other security as being held in certificated form (that is, not in CREST); |
| “City Code” | the City Code on Takeovers and Mergers; |
| “Concert Party” | together, Kenneth Dulieu, Clifford Cavender and Paul Jackson (each a director of the Company) and Paul Ashton; |
| “Form of Acceptance” | form of acceptance and authority relating to the Offer; |
| “Group” | together, the Company and its subsidiaries; |
| “Japan” | Japan, its cities, prefectures territories and possessions; |
| “London Stock Exchange” | London Stock Exchange plc; |
| “Offer” | the mandatory Offer by the Offeror to acquire all of the Capcon Shares not already owned by the Concert Party (excluding treasury shares) on the terms set out in the Offer Document and in the Form of Acceptance including, where the context requires, any subsequent revision, variation, extension or renewal of such offer; |

| | |
|--------------------------|--|
| “Offer Document” | the document published electronically by the Offeror on 28 July 2009 setting out the full, formal terms of the Offer; |
| “Offer Period” | period commencing on (and including) 11.59 p.m. on 28 July 2009 and ending on 19 August 2009 or, if later, the date on which the Offer actually closes; |
| “Offeror” | Paul Jackson |
| “Offer Price” | 6 pence per Capcon Share; |
| “Panel” | the Panel on Takeovers and Mergers; |
| “Share Options” | together: <ul style="list-style-type: none"> (1) the options granted by Capcon by several deeds dated 17 May 2001 (as amended by agreement between Capcon and each of the option holders dated 20 December 2007); and (2) share options issued under the Capcon Share Option Scheme on 31 March 2003 and 7 April 2004; |
| “United Kingdom” or “UK” | the United Kingdom of Great Britain and Northern Ireland; and |
| “United States” | the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction. |

Part 4

Presentation of Information, Bases and Sources

A. Forward-Looking Statements

This document contains statements that are or may be “forward-looking” with respect to the financial condition, results of operations and businesses of the Group. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “forecasts”, “plans”, “prepares”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or variations or comparable terminology. Such forward-looking statements involve known and unknown risks, uncertainties and other factors, which may cause the actual results, performance or achievements of the Group, or the industry in which it operates, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements.

B. Presentation of Financial and Operating Information

Unless otherwise stated, the financial information concerning the Group has been extracted from published interim and annual reports and accounts of the Company for the relevant periods and other information made publicly available by Capcon. Financial information is reported under International Financial Reporting Standards as adopted by the European Union.

C. Third Party Sources

The Company confirms that the information in this document obtained from third-party sources has been correctly and fairly reproduced. So far as the Company is aware and has been able to ascertain from information published by such third parties, no facts have been omitted which would render the reproduced information inaccurate or misleading. The Company does not have access to the facts and assumptions underlying the data extracted from publicly available sources. As a result, the Company is unable to verify such.

D. Rounding

Percentages stipulated and certain financial data contained in this document have been rounded. As a result of this rounding, the totals of percentages and data presented in this document may vary slightly from the actual arithmetic totals of such percentages and data.

E. Sources and Bases

Unless otherwise stated, information regarding the Offer is sourced from the Offer Document and other material made publicly available by the Offeror or other person(s) mentioned in the Offer Document.

The closing prices of a Capcon Share referred to in this document represent the closing middle market price for such a share on the relevant date(s) as derived from the Daily Official List.

