

## Speymill Group plc (SYG.L) Preliminary Results 2007

Rating Buy  
Price 40.5p

### Share Data

52-wk range (p) 31.75-123  
Market Cap (£m) 32.5  
Shares o/s (m) 58.1  
Free Float 50%  
Dividend Yield 1.2%  
Ticker SYG

### Ord. Shares Perf.

1m perf. +11%  
3m perf. -17%  
12m perf. -58%

### Rel. FTSE All-Share

1m perf. +5%  
3m perf. -13%  
12m perf. -50%

### Rel. FTSE Real Estate

1m perf. +11%  
3m perf. -27%  
12m perf. -22%

### Balance Sheet (2007)

Sh. equity (£m) 5.07  
Net cash (debt) (£m) 1.5

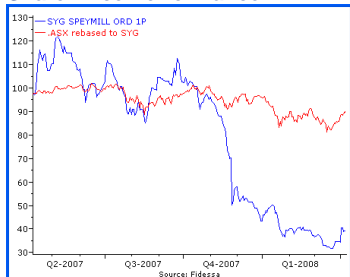
### Key Dates

Financial Year End 31 Dec  
Next Interims (TBC) Sep

### Company Website

www.speymill.com

### Share Price Performance



THIS RESEARCH REPORT IS A "MARKETING COMMUNICATION" This research report has not been prepared in accordance with the FSA Conduct of Business Sourcebook Rules concerning the promotion of research independence and is not subject to any prohibition on dealing ahead of the dissemination of research, although as a matter of policy Lewis Charles Securities Ltd requires its employees not to deal ahead of the dissemination of research. Lewis Charles Securities Ltd is Broker to Speymill Group plc. Please see the "Important Information" section on page 2 for further information.

### Analyst

Nicholas Nicolaidis  
+44 (0)20 7456 9104  
nn@lewischarles.com  
Equity Sales  
+44 (0)20 7456 9488  
Andy Charalambous  
ac@lewischarles.com  
Spencer Krett  
sk@lewischarles.com

### Speymill Group announced 2007 Preliminary Results for the period ending December 2007:

- Turnover up 136% to £52.7m (2006: £22.3m)
- Operating profit (pre share based payments) of £3.09m (2006: £0.6m)
- EPS (pre share based payments) of 5.01p (2006: 1.06p)
- Reported basis EPS of 3.63p (2006: loss of 0.55p)
- No debt, more than doubling of net assets to £5.07m
- Operating cash inflow of £1.93m and year-end cash balance of £1.5m
- Maiden dividend proposed of 0.5p per share

**UK construction and refurbishment:** Turnover of £41.37m came in ahead of our forecast of £39m. Profitability of the division has also improved, increasing to £0.82m for the year compared with operating profit of £0.26m in 2006. Based on the current pipeline of contracts for the year, we are forecasting at least £50m revenue should be achieved in 2008. Speymill sees continuing strength in the budget hotel sector and is committed to delivering turnkey projects on time, on budget and without sacrificing on quality. Since 2004 Speymill has been consistently increasing its forward order prospects, now at over £140m, up from £130m at the end of last year.

**Investment and fund management:** Total fund fees were 3% higher than our forecast with total fee income to SPG of £6.44m. This includes an underwriting fee of £1.275m earned following the €250m SDCC equity raise in May 2007. Macau fee income for the year was £0.84m, ahead of our forecast of £0.73m. We are projecting total management fee income in 2008 of £9m. This figure includes a performance fee of £1.254m from the Macau fund relating to the sale of the purchase rights in the Lot U development as well as an additional brokerage commission of £0.2m.

**Property management:** Consolidated revenue from GOAL's operations came in at £4.89m (excluding inter-segment revenue). This was driven by higher rental income from further notarisations and ongoing refurbishment work of Speymill's German portfolios. GOAL has been awarded contracts with a value of over €60m. We are projecting 2008 consolidated revenue of £6.2m. This will be driven by additional revenue from the ongoing refurbishment programme, higher rental income once refurbished units become available (currently 6% of the portfolio); and further rental administration income plus share of fund management fees as SDCC increases notarised value of properties under management.

**Expenses:** General administrative costs of £9.28m are in line with our expectations. 2007 saw significant investment in staffing and establishment costs to support the current and future development of the business. We still expect costs to increase in 2008. Whilst Speymill has strengthened its teams in preparation for growth of current activity and future plans, we expect further costs should come through as Speymill gets closer to launching new opportunities and continues to make key hires during the year. Our general administrative expense projection for 2008 is £12.6m, representing a 35% increase. The 2008 tax charge remains a significant variable that at present we are unable to quantify and discuss further in the note.

Speymill has returned to profitability and has developed a model and platform for future growth. The outlook for the fundamentals of its core geographical presence remains strong with clear indications to launch new funds once market conditions or the opportunity is appropriate. Speymill's current funds are partially shielded from the effects of credit market uncertainty. We believe there is realistic upside to our 2008, and in particular 2009 forecasts that can come from improving profitability of the UK construction business, further performance fee impact, let alone any short term impact of potential new funds, alliances or joint ventures. We are forecasting profit before tax in 2008 between £4.5m and £5.0m. Depending on assumptions on taxable income for the Group, Speymill now trades on an adjusted 2008 PER multiple of 5.3x. We maintain our Buy recommendation on Speymill Group.

### Figure 1: Forecasts

Financial Year	Revenue (£000s)	EBITDA (£000s)	Reported PBT (£000s)	Adj. PBT <sup>(1)</sup> (£000s)	PBT (Pre FRS20) (£000s)	Shares Out <sup>(2)</sup> (m)	Basic EPS (p)	Adj. EPS <sup>(1)</sup> (p)	DPS (p)	EV/ EBITDA (x)	Adj. PER (x)	Dividend Yield (%)
2005A	15,323	(857)	(1,650)	(981)	(1,540)	38.8	(4.3)	(2.5)	0.0	n/a	n/a	0.0%
2006A	22,305	725	(525)	631	381	56.4	(0.5)	1.5	0.0	30.5	26.9	0.0%
2007A	52,699	3,216	2,259	3,053	3,053	57.5	3.6	5.0	0.5	6.9	8.1	1.2%
2008E <sup>(3)</sup>	67,168	5,490	4,754	5,310	5,310	58.1	6.7	7.6	1.0	4.0	5.3	2.5%
2009E	74,280	4,321	3,746	4,146	4,146	58.1	4.9	5.6	1.0	5.1	7.2	2.4%

(1) Pre exceptional items, share-based payments, impairments and income from disposals

(2) Weighted average

(3) Only 2008E Revenue includes performance fee and commission earned on Macau fund

Source: Lewis Charles Forecasts; Fund management forecasts relate only to existing property funds

### Important Information

This marketing communication ('report') was produced by Lewis Charles Securities Ltd (Lewis Charles) for information purposes only. It has not been prepared in accordance with the FSA Conduct of Business Sourcebook rules concerning the promotion of research independence. It is not intended to address the investment circumstances of any particular individual or entity receiving this report. Opinions, estimates and projections in this report constitute the current judgement of the author as of the date of this report and may be subject to change without notice. We endeavour to update the material in this report on a timely basis, but regulatory, compliance or other reasons may prevent us from doing so. This report should not be construed as an offer to sell or solicitation to buy any security or other financial instrument. Whilst Lewis Charles uses reasonable efforts to obtain information from sources which it believes to be reliable, it makes no representation that the information or opinions contained in this report are accurate, reliable or complete.

Lewis Charles, the directors and employees thereof and/or any connected persons may have an interest in the securities warrants, futures, options derivatives or other financial instrument of any of the companies referred to in this report and may from time-to-time add to or dispose of such interests. Furthermore, this report is not subject to any prohibition on dealing ahead of the dissemination of research, although as a matter of policy Lewis Charles requires its employees not to deal ahead of the dissemination of the report. Lewis Charles may share remuneration in connection with the sale of its research reports through third parties or their associates. In addition, Lewis Charles may act as advisors or lenders to, have positions in and effect transactions in securities of companies mentioned herein on a principal or agency basis and also provide, may have provided, or may seek to provide investment banking services for those companies. Any relationships, circumstances, conflicts of interest or material positions of Lewis Charles, its officers, employees or connected companies with regard to the investment mentioned which may reasonably be expected to impair the objectivity of the research contained in this report are disclosed in the annex to this report. If any of the companies mentioned in this report have a shareholding in Lewis Charles, or any of its connected companies, these details will be disclosed in the annex to this report. Our analysts may have travel expenses etc paid by the company where travel assists in the production of this report. Important disclosures in relation to Lewis Charles' research recommendations can be found in the Research Ratings section at: [www.lewischarles.com](http://www.lewischarles.com). A copy of Lewis Charles Conflicts Policy can be obtained from our Compliance Department.

The research in this report is not intended to provide or be taken as providing any guidance and is not a substitute for professional financial or tax advice based on your own circumstances which you should always seek. Any references to the impact of taxation are made in the context of current legislation and may not be valid should levels or basis of taxation change in the future. When we comment on AIM or PLUS Markets shares, you should be aware that because the rules for those markets are less demanding than the official list of the London Stock Exchange, the risks are higher. Furthermore the marketability of these shares is often restricted. The investments mentioned in this report may not be suitable for all recipients or be appropriate to their personal circumstances and before acting on any advice or recommendations in this report, clients should consider whether it is suitable for their particular circumstances and if necessary seek professional advice.

Past performance is not necessarily a guide to future performance. The value of investments and income arising from them can go down as well as up. Some securities carry a higher degree of risk than others. Clients may not recover the amount invested. Changes in rates of exchange can have an adverse effect on the value, price or income of any non-sterling denominated investments.

This report is not directed to, or intended for distribution to or use by any person who is a citizen or resident of, or located in any locality, state, country or other jurisdiction where by reason of that person's nationality, residence, location or otherwise, such distribution, publication, availability or use is prohibited. Persons or in respect of whom such prohibitions apply should disregard this report. Without prejudice to the generality of this, neither this report, nor any copy of it, may be taken or transmitted into the United States, Canada, Australia, Ireland, Japan or any jurisdiction where it would be unlawful to do so. No part of the material in this report may be duplicated in any form or by any means. Neither should any of the material in this report be altered in any way or redistributed without the prior consent of Lewis Charles. Lewis Charles accepts no liability whatsoever for any loss or damage of any kind arising out of the use of all or any of this material in this report. Lewis Charles is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange.

### Disclosures

Company	Code	Disclosure
Speymill Group	SYG	2, 6
Speymill Deutsche Immobilien Company (ORD)	SDIC	None
Speymill Deutsche Immobilien Company (C)	SDCC	None
Speymill Macau Property Company	MCAU	None

1. Within the past twelve months Lewis Charles has managed or co-managed a public offering for this company, for which it receives fees or the promise of fees
2. Lewis Charles acts as corporate broker to this company
3. Lewis Charles regularly hold trading positions (which may include options) in this company
4. Lewis Charles holds more than 5% of the securities of this company
5. The company holds more than 5% of Lewis Charles
6. Lewis Charles may currently be providing, expects to provide within the next three months, or may have provided within the previous twelve months, investment banking services to this company, which have given rise to payment or the promise of payment
7. The author and/or an individual responsible for production of this has direct ownership of stock in this company
8. The author and/or an individual responsible for production of this report received or purchased shares in the issuer prior to a public offering of shares

### Research Ratings

**Buy** - The Company is profitable, cash generative, with established operations, a credible management team and proven execution of strategy. Absolute share price return expected to increase by more than 10% over the next twelve months.

**Speculative Buy** - The Company has operations that are either early stage or loss-making, and/or there is uncertainty over the management's ability to deliver on its strategy. The valuation appears to reflect risks but could reward shareholders if the operations are successful. Absolute share price return expected to increase by more than 10% over the next twelve months contingent upon success of certain operations.

**Neutral** - Shareholders should await key developments from the company, which may have a positive or negative impact on the company's prospects. Absolute share price return expected to change by between -10% and 10% over the next twelve months.

**Sell** - the Company's share price and/or valuation does not reflect current underlying prospects for the company. The company may require additional funding above what can be reasonably expected to raise or the company has failed to deliver on key operations that now risk the future success of the company. Absolute share price return expected to decrease by more than 10% over the next twelve months.

**Not Rated** - Lewis Charles has either not initiated research on this company or is restricted from publishing a recommendation.

### Analyst Certification

I, Nicholas Nicolaidis, internal analyst employed by Lewis Charles hereby certify that the views expressed in this research report accurately reflect my personal views about the subject company and its securities. I also certify that I have not been and will not be receiving direct or indirect compensation in exchange for expressing the specific recommendations in this report.

## Summary

The table below summarises the preliminary results down to the operating profit level and compares them with our previous forecasts and with our forecasts for 2008.

**Figure 2: Forecast Comparison**

	Previous FY 2007E forecast (£000)	FY 2007A (£000)	Actual vs Forecast	New FY 2008E forecast (£000)	2008E vs 2007A	Comment
Speymill Contracts Ltd: Construction and refurbishment	39,000	41,372	+6.1%	52,000	+26%	Guidance of at least £50m target based on current contracts and pipeline
Speymill Property Group Ltd: Investment and fund management	6,256	6,436	+2.9%	8,998	+40%	Impact of all funds expected to be fully invested; £1.254m performance fee & £0.2m commission relating to Macau fund; reduction in SDIC management fee assuming early merger of Ord and C portfolios
GOAL Service GmbH: Property management	3,716	4,891	+31.6%	6,170	+26%	Higher rental income from further notarisations & availability of refurbished units; completion of refurbishments programme for German portfolio
<b>Group Turnover</b>	<b>48,972</b>	<b>52,699</b>	<b>+7.6%</b>	<b>67,168</b>	<b>+27%</b>	
Cost of sales	(36,412)	(39,938)	+9.7%	(49,214)	+23%	10% gross margin for Speymill Contracts plus GOAL costs for subcontracted services
<b>Gross profit</b>	<b>12,560</b>	<b>12,761</b>	<b>+1.6%</b>	<b>17,954</b>	<b>+41%</b>	
Gross profit Margin	25.6%	24.2%		26.7%		Macau performance fee impact on gross margin; Underlying 25% gross margin excluding any performance fees
General administrative expenses	(9,203)	(9,275)	+0.8%	(12,645)	+36%	Higher costs relating to GOAL overheads and continuing strengthening of management
Share based payments	(886)	(794)	-10.4%	(555)	-30%	No more share option grants assumed; Shares vesting in 2008 of £450k plus bonus-related share based payments deferred charge of £105k relating to 2007 award
One-off re-incorporation costs	(400)	(394)	-1.5%	0		Isle of Man re-incorporation costs are a one-off charge
<b>Operating Profit</b>	<b>2,070</b>	<b>2,298</b>	<b>+11.0%</b>	<b>4,754</b>	<b>+107%</b>	
Operating profit Margin	4.2%	4.4%		7.1%		
Net Interest	31	(39)		0		2007: All remaining debt extinguished with the improvement in cash balance towards the back-end; 2008: Nominal net interest income assuming a requirement for cash resources for investment in new fund setups
<b>Profit Before Tax</b>	<b>2,101</b>	<b>2,259</b>	<b>+7.5%</b>	<b>4,754</b>	<b>+110%</b>	<b>2008E estimate of £4.5m - £5.0m</b>

Source: Company, Lewis Charles Forecasts

## Speymill Contracts Ltd: Construction and refurbishment

### Continuing growth in forward order prospects

Turnover of £41.37m came in 6% ahead of our forecast of £39m. This is a positive result with H2 turnover exceeding that of H1 by £7.3m. We are not so surprised that our forecast has been exceeded but H2 performance was better than expected. Profitability of the division has also improved, increasing to £0.82m for the year compared with operating profit of £0.26m in 2006. Based on the current pipeline of contracts for the year, we are forecasting £52m revenue in 2008.

Since 2004 Speymill has been consistently increasing its forward order prospects, now at over £140m, up from £130m at the end of last year. Speymill is committed to delivering turnkey projects on time, on budget and without sacrificing on quality. Recent major contract wins announced recently include Premier Inn, Holiday Inn, Ramada Encore and Days Inn in various cities in England, in addition to other existing contracts for Accor Hotels and Park Inn. Gross margins remain in the region of 10%. In order to cope with higher activity the costs have undoubtedly had to keep up through additional key hires however the business can now leverage this investment to focus on margin improvement in 2008.

Speymill has now established itself with most, if not all, of the UK leisure and hotel operators and continues to expand its clients. Management does not see signs of slowdown in the sector also being driven by momentum provided by the forthcoming Olympic games. Whitbread recently announced intention to open six new Premier Inn hotels in London (1,200 rooms) over the next three years with an investment equivalent to £100m.

## **Speymill Property Group Ltd: Investment and fund management**

### **Maintained asset valuations**

The significant market turmoil over the past few months in the property sector, notwithstanding the worsening credit squeeze has undoubtedly had a negative impact on sentiment, ultimately resulting in poor share price performance for Speymill's underlying listed funds. Nevertheless it is important to highlight that the underlying asset valuations of the funds have held up.

Total fund fees were 3% higher than our forecast with total fee income to SPG directly of £6.44m. This includes an extraordinary underwriting fee of £1.275m earned following the €250m SDCC equity raise in May 2007. Fee income from the German funds has also been benefitting from the EUR/GBP exchange rate since fee income is earned in euros. Macau fee income for the year was £0.84m, ahead of our forecast of £0.73m.

### **Performance and commission fee in 2008 on sale of purchase rights of development in Macau**

We are projecting total management fee income in 2008 of £9m. This figure includes two separate additional fees relating to the Macau fund:

- Performance fee earned from the Macau fund, although we do not include any other performance fees in our model. Speymill Macau Property Company (MCAU) made a provision for \$5.013m for performance fees. Speymill Group will be entitled to its portion of this entire provision given that the sale of the purchase rights in the Lot U development was made within the first 3 months after the end of the year. After 50% is shared with the Adviser, SPG will record £1.254m in performance fees in its 2008 P&L.
- One-off 'brokerage' fee of 0.5% of the sales proceeds from the sale of Lot U awarded to SPG by the fund resulting in approximately £0.2m (disclosure in notes to MCAU results for the period ending December 2007).

### **Underlying fee growth**

Excluding the Macau performance and brokerage fees, the underlying total projected management fee to SPG of £7.5m represents an increase of 17% over 2007. This is driven by the impact of SDCC and MCAU reaching a fully invested status by the end of Q2 this year, as well as continued underlying asset valuation improvements in Macau.

The SDIC fund is currently the largest contributor of management fee income to Speymill Property Group. We highlight some of the key drivers for growth:

- Rent: is currently set at or below market level - upside should come for potential market rent increases as well as completion of the refurbishment programme (approximately 6% of total units) to impact on GOAL Service revenues.
- Vacancy reduction: The current 12% overall vacancy level will come down once the refurbishment programme is complete.
- Operating costs: There is potential for cost reductions once the portfolios are merged.
- Privatisations: SDIC's stated target is to sell 1% of the portfolio each year (relating to approximately 200 units).

**Lower management fee upon merger of SDIC portfolios**

Upon merger of the Ordinary and C share portfolios (legally June 2009 at the latest), Speymill Property Group will earn a lower management fee. We are assuming this could occur during this calendar year. We understand the funds' shareholders are generally in favour of a merger as soon as possible as well as a preference for a reduction in leverage in the current environment (potentially from 82% loan to value to 75%). Our view is that this could happen within 12 months and possibly 6 months and would therefore have an earlier impact on fee income to Speymill with the reduction of the total Ordinary share portfolio fee paid out by the fund from 85bp to 65bp. Our forecasts for 2008 assume an average management fee of 80bp over the calendar year. Nevertheless advantages are that strategic options for the fund are enhanced to take advantage of potential distressed sellers, enhanced liquidity and a larger resulting portfolio. It is worth noting that the resulting value for the free float of the combined fund will be amongst the largest in terms of value and percentage among the listed German residential sector.

**Underlying fundamentals are still positive**

Once all of Speymill's funds are fully invested it will have over \$3 billion in gross assets under management. Speymill is researching a number of new fund opportunities with the intention of launching once market conditions are appropriate. We expect that these opportunities could be in both Asia (we believe China or Hong Kong are potential opportunities) and Germany. Speymill has strengthened its local teams in both Hong Kong and Berlin providing two strong bases upon which to leverage.

Despite current sentiment and market conditions, the fundamentals for both the German and Asian property markets remains in a relatively strong position.

- **Germany:** The residential property sector remains one of the most attractive within Europe. Acquisition prices are significantly below the cost of new construction - a concept that is alien to almost all other real estate markets. Valuations in Germany have remained stable during recent years, and SDIC's results demonstrate flat asset valuations during the last year of its underlying assets. However, we view the downside risk of a fall in valuations significantly lower than that of, say, the UK market, whose prices have seen a threefold increase over the last 15 or so years. Speymill has a 5-7 year outlook for residential values to start converging with replacement cost, with the support from GDP growth, falling unemployment and recent liberalisation of the mortgage market.
- **Macau:** Speymill's Macau fund has recorded NAV growth of over 28% on net placing proceeds, with underlying property value growth of over 35%. The outlook for the Macau economy shows little signs of any significant slowdown, driven by rising income and low unemployment. Macau's GDP per capita is now the highest in Asia with GDP growth up 27% in 2007 to US\$19.2bn. Further opportunities exist for Speymill given that existing stock is low quality and high average household size should stimulate demand through upgrading sites, driven by more demand from the indigenous population growth and immigration.

## **GOAL Service GmbH: Property management**

Consolidated revenue from GOAL's operations came in at £4.89m (excluding inter segment revenue). This was driven by higher rental income from further notarisations and ongoing refurbishment work of Speymill's German portfolios. GOAL has been awarded contracts with a value of over €60m.

We are projecting 2008 consolidated revenue of £6.2m. We expect this to be driven by a number of factors:

- Revenue from ongoing refurbishment programme;
- higher rental income once refurbished units become available (of the 12% vacancies approximately 6% are unavailable due to ongoing refurbishment); and
- further rental administration income plus share of fund management fees as SDCC increases notarised value of properties under management since December 2007.

Operating profit for this business is significantly lower than that of investment and fund management at just £0.83m. 2007 saw significant recruitment and development of systems and processes to cope with the influx of properties under management. GOAL is responsible for over 31,000 units in Germany (directly in Berlin and through partners for those outside Berlin).

### **Expenses**

#### **Continuing increase in general admin costs**

General administrative costs of £9.28m are in line with our expectations. 2007 saw significant investment in staffing and establishment costs to support the current and future development of the business. We still expect costs to ramp up in 2008 although not as much as the increase last year.

Whilst Speymill has strengthened its teams in preparation for growth of current activity and future plans, we expect further costs should come through as Speymill gets closer to launching new opportunities. Our general administrative expense projection for 2008 is £12.6m (excluding share based payments), representing a 25% increase over 2007.

Total employee costs in 2007 (excluding cash and share bonus payment) were approximately £6.8m. Our 2008E forecast increases by 28% to £8.6m, encompassing further recruitment within Contracts, SPG and head office.

We estimate that the cash bonus payout (excluding NI contributions) in 2007 was approximately £465k and the equivalent estimated payout in 2008, based on our projected PBT estimate, will be approximately £1.1m.

We have reduced the total share based payments charge in 2008 to £0.56m. This is made up of £450k for shares vesting in the year and a charge of £105k relating to deferred 2007 bonus award. We have not included any additional charges relating to new share option grants although recognise this may well occur should key hires occur during the year.

## Tax

### Tax treatment uncertainty for SPG in 2008

The 2008 tax charge remains a significant variable that at present we are unable to quantify. Profits from GOAL are still taxable. Speymill Contracts is still benefitting from losses brought forward. However, even though Speymill Property Group is an Isle of Man company, it is not obvious how it will be taxed by the UK authorities since certain employees also work out of the UK. We have assumed that at least half of SPG's profits will be taxable in the UK, resulting in an overall effective tax rate of 19% for the Group.

Without further clarity our EPS estimates could be significantly affected and until such a time as this is made clear, focus should remain on profit before tax.

## Speymill Goodman Retirement Villages JV

14 potential sites are currently being considered. In parallel, the partners have completed the investment model and the operational model is in the final stages of development. Goodman's experience is focused on the US market and both partners need to ensure that this service is tailored correctly for the UK.

We do not expect revenue generation until late 2009 or early 2010 at the earliest.

## Dividend

### Progressive dividend policy

A maiden dividend of 0.5p per share has been proposed. This represents a pay-out of 14% on 2007 net income, and although this does not initially appear high, Speymill Group now stands out from the majority of AIM listed companies as a dividend payer.

Speymill Group intends to implement a progressive dividend policy and we expect this to start with the 2008 interim dividend to be paid in Q4 this year, assuming no immediate requirement for current cash reserves. Should significant performance fees be earned, management has indicated that special dividends could be paid.

## Projections for 2008 and 2009

Overall, we are confident that our 2008 forecast group revenue of £67m can be achieved. Venturing into 2009 is far trickier at this stage. Some growth can come from the construction business and existing funds such as Macau, however we believe there exists significant upside opportunity for revenue from new funds that management is alluding to, as well as new ventures such as the retirement village JV with Goodman.

Our 2009 forecast of £74m at this stage is more indicative of what could be achieved rather than an absolute projection. This forecast excludes potential performance fees that would not be prudent to include at this stage as well as new ventures that may come to fruition.

## Construction and refurbishment

We believe that £50m revenue in 2008 for Speymill Contracts has some scope to be exceeded. The underlying growth of the company's order prospects, currently at £140m is also positive and demonstrates both the strength of the sector and Speymill's already improved reputation. We do not expect, however, the impressive rate of growth in revenue seen since the end of 2005 can be maintained without sacrificing quality of work undertaken. Our revenue forecast from 2009 is at £60m. Whether this is achieved or exceeded depends more on Speymill's willingness coupled with a corresponding increase in investment, rather than supply of available work.

### **Investment fund management**

We have taken a consistent approach of including in our forecasts fees and income from existing funds only. Performance fees are only included once they have been accrued and confirmed by the underlying funds. Therefore our 2008 forecasts include a performance fee and a declared 'brokerage' fee payable by MCAU to Speymill Property Group in the year. As such, our 2009 forecasts may be understated should further performance fees be payable.

### **Property management**

Our 2008 forecast for GOAL's consolidated property management includes its share of management fee income, rental management income as well as income from the ongoing contract awarded for the refurbishment programme relating to SDIC's portfolio. We have not assumed that this will continue during 2009 and therefore our projections for income in that year are lower than in 2008.

**Figure 3: Speymill Group Model**

Year to 31 December (£000s)	2004A	2005A	2006A	2007E	2008E <sup>(1)</sup>	2009E
<b>Profit &amp; Loss</b>						
Construction and refurbishment	11,534	13,248	18,143	41,372	52,000	60,000
Investment fund management	0	22	2,745	6,436	8,998	8,419
Property management	0	64	1,417	4,891	6,170	5,861
Discontinued activities	6,644	1,988	0	0	0	0
<b>Group Revenue</b>	<b>18,178</b>	<b>15,323</b>	<b>22,305</b>	<b>52,699</b>	<b>67,168</b>	<b>74,280</b>
<b>Gross Profit</b>	<b>689</b>	<b>1,674</b>	<b>5,467</b>	<b>12,761</b>	<b>17,954</b>	<b>17,805</b>
<i>Gross margin</i>	3.8%	10.9%	24.5%	24.2%	26.7%	24.0%
<b>EBITDA</b>	<b>(3,173)</b>	<b>(857)</b>	<b>725</b>	<b>3,216</b>	<b>5,490</b>	<b>4,321</b>
<i>EBITDA margin</i>	-17.6%	-5.6%	3.3%	6.1%	8.2%	5.8%
Depreciation	(217)	(89)	(86)	(124)	(180)	(175)
Amortisation	(2,636)	(56)	0	0	0	0
Exceptionals	(3,026)	(613)	(1,156)	(794)	(555)	(399)
<b>Operating Profit</b>	<b>(6,612)</b>	<b>(1,615)</b>	<b>(516)</b>	<b>2,298</b>	<b>4,754</b>	<b>3,746</b>
<b>Operating Profit (Adjusted)</b>	<b>(3,390)</b>	<b>(946)</b>	<b>640</b>	<b>3,092</b>	<b>5,310</b>	<b>4,146</b>
<i>Adj. Operating margin</i>	-18.6%	-6.2%	2.9%	5.9%	7.9%	5.6%
Gain on Disposals	0	104	0	0	0	0
Net Interest	(181)	(139)	(9)	(39)	0	0
<b>Profit Before Tax</b>	<b>(6,793)</b>	<b>(1,650)</b>	<b>(525)</b>	<b>2,259</b>	<b>4,754</b>	<b>3,746</b>
<b>Profit Before Tax (Pre FRS20)</b>	<b>(6,793)</b>	<b>(1,540)</b>	<b>381</b>	<b>3,053</b>	<b>5,310</b>	<b>4,146</b>
<b>Profit Before Tax (Adjusted)</b>	<b>(3,571)</b>	<b>(981)</b>	<b>631</b>	<b>3,053</b>	<b>5,310</b>	<b>4,146</b>
Tax	88	(3)	217	(168)	(888)	(896)
Minorities	0	0	0	0	0	0
<b>Net Income to Shareholders</b>	<b>(6,705)</b>	<b>(1,653)</b>	<b>(308)</b>	<b>2,091</b>	<b>3,866</b>	<b>2,850</b>
Average Shares - Weighted (m)	8.9	38.8	56.4	57.5	58.1	58.1
Average Shares - Diluted (m)	8.9	47.1	56.4	63.5	64.1	64.1
EPS - Basic (p)	(75.11)	(4.26)	(0.55)	3.63	6.65	4.90
<b>EPS - Adjusted (p)</b>	<b>(39.02)</b>	<b>(2.53)</b>	<b>1.50</b>	<b>5.01</b>	<b>7.61</b>	<b>5.59</b>
EPS - Adjusted & Diluted (p)	(39.02)	(2.09)	1.50	4.54	6.90	5.07
DPS (p)	0.00	0.00	0.00	0.50	1.00	0.98
<b>Balance Sheet</b>						
<b>Fixed Assets</b>	<b>1,756</b>	<b>1,024</b>	<b>1,396</b>	<b>2,142</b>	<b>2,610</b>	<b>2,505</b>
Intangible Fixed Assets (Goodwill)	1,000	944	944	944	944	944
Tangible Assets	756	80	197	486	358	253
<b>Current Assets</b>	<b>3,118</b>	<b>4,424</b>	<b>8,111</b>	<b>19,480</b>	<b>26,789</b>	<b>32,382</b>
Stocks	59	11	33	43	54	62
Debtors	3,059	3,283	7,431	17,934	22,541	26,009
Cash	0	1,130	647	1,503	4,194	6,311
<b>Total Assets</b>	<b>4,874</b>	<b>5,448</b>	<b>9,507</b>	<b>21,621</b>	<b>29,399</b>	<b>34,887</b>
<b>Current Liabilities</b>	<b>5,422</b>	<b>3,696</b>	<b>7,263</b>	<b>16,524</b>	<b>20,186</b>	<b>23,005</b>
Borrowings	1,071	155	49	11	11	11
Other Current Liabilities	4,351	3,541	7,214	16,513	20,175	22,994
<b>Long Term Liabilities</b>	<b>1,426</b>	<b>190</b>	<b>39</b>	<b>31</b>	<b>31</b>	<b>31</b>
<b>Total Liabilities &amp; Provisions</b>	<b>6,848</b>	<b>3,886</b>	<b>7,302</b>	<b>16,555</b>	<b>20,217</b>	<b>23,036</b>
<b>Net Assets</b>	<b>(1,974)</b>	<b>1,562</b>	<b>2,205</b>	<b>5,066</b>	<b>9,181</b>	<b>11,851</b>
<b>Cash Flow</b>						
EBIT	(6,612)	(1,615)	(516)	2,298	4,754	3,746
Tax	86	(3)	213	(171)	(888)	(896)
<b>NOPLAT</b>	<b>(6,526)</b>	<b>(1,618)</b>	<b>(303)</b>	<b>2,127</b>	<b>3,866</b>	<b>2,850</b>
Depreciation & Amortisation	2,853	145	86	124	180	175
<b>Cash from Earnings</b>	<b>(3,673)</b>	<b>(1,473)</b>	<b>(217)</b>	<b>2,251</b>	<b>4,046</b>	<b>3,025</b>
Change in Working Capital	551	(986)	(497)	(1,214)	(956)	(657)
Net Capital Expenditure	(330)	(31)	(203)	(396)	(70)	(70)
<b>Cash before Financing (FCF)</b>	<b>(3,452)</b>	<b>(2,490)</b>	<b>(917)</b>	<b>641</b>	<b>3,021</b>	<b>2,298</b>
Dividends	0	0	0	0	(291)	(580)
Post Tax Interest and Financing Costs	(179)	(35)	(5)	(36)	0	0
Change in Investments & Deferred tax	0	0	(255)	(457)	(596)	0
Change in Debt	375	(2,152)	(257)	(46)	0	0
Capital, Reserves and Provisions	2,678	5,189	729	771	557	399
Disposals / (Acquisitions)	165	619	0	(17)	0	0
Transfers	0	1	222	0	0	0
<b>Change in Cash</b>	<b>(413)</b>	<b>1,130</b>	<b>(483)</b>	<b>856</b>	<b>2,691</b>	<b>2,117</b>

(1) Revenue includes performance and brokerage fee earned on Macau fund

Source: Lewis Charles Forecasts

# Lewis Charles

---

## Securities

LCS House  
44 Worship Street  
London  
EC2A 2EA

**TEL** +44 (0) 20 7456 9100  
**FAX** +44 (0) 20 7456 9106  
**EMAIL** [info@lewischarles.com](mailto:info@lewischarles.com)  
**WEB** [www.lewischarles.com](http://www.lewischarles.com)