



7 April 2008

AIM:SYG

## **SPEYMILL GROUP plc**

### **Preliminary Results 2007**

Speymill Group plc, the property service business specialising in real estate investment management, property construction and property management, announces preliminary results for the year ended 31 December 2007, a year of considerable progress.

During the year the Company was reincorporated to the Isle of Man and these results are the first full year results prepared and reported under International Financial Reporting Standards (IFRS).

#### **Financial Highlights**

- Turnover up 136% to £52.7m (2006: £22.3m)
- Profit from operations, before share based payments, of £3.09m (2006: £0.39m)
- Earnings per share, before share based payments, of 5.01p (2006: 1.06p)
- Outstanding debt extinguished in July 2007
- Net assets £5.07m (2006: £2.21m)
- Operational cash inflow £1.93m (2006: outflow £0.01m) and year-end cash resources of £1.50m (2006: £0.65m)
- Maiden dividend of 0.5p per share

#### **Speymill Property Group Ltd**

- Additional equity raised for SDIC and Macau
- Over US\$3bn of projected gross assets under management
- Prudent approach to the issues of market turmoil

#### **Speymill Contracts Ltd**

- Significant growth and opportunity, with an improvement in profitability
- Forward order prospect over £140m

#### **GOAL Service GmbH**

- Development and consolidation of systems and processes
- Refurbishment programme progressing well

#### **Speymill Goodman Retirement Villages Ltd**

- Progressing with site assessment and funding models

#### **Concerning prospects, Jim Mellon, Non-Executive Chairman, said:**

"We now have proven effective and robust business models which provide an excellent basis for the Group to make further strong progress and to meet the challenges which the changing economic climate is presenting."

#### **Speymill Group PLC**

Bob MacDonald, Chief Executive Officer  
Andrew Latham, Managing Director  
Keith Lees, Finance Director  
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## **Chairman's Statement**

### **Introduction**

I am very pleased to be able to make my first full year report to you as your Chairman, following the re-incorporation of the Company in the Isle of Man in September 2007.

We have made considerable further progress in developing our businesses during the year. In my 2007 interim statement I was able to report that our half year results showed a substantial increase in turnover and profitability for both our investment management and contracting activities, and we have maintained that progress during the second half of the year. From a financing perspective, our debt free balance sheet has significantly mitigated our exposure to the credit crunch impact, and our business models provide us with the strength and flexibility to pursue new opportunities arising in various geographies in the current economic climate.

During 2007 we raised additional equity for both Speymill Deutsche Immobilien Company plc (SDIC) and Speymill Macau Property Company plc (Macau). GOAL Service GmbH, our property services joint venture in Germany also made good progress on both its property management activity and in initiating a significant refurbishment programme. Furthermore, our UK contracting business more than doubled its turnover, with a substantial improvement in profitability, and also further increased the value of its pipeline of order prospects.

### **Results**

2007 is the first year that the Group's results are prepared and reported under International Financial Reporting Standards (IFRS). This means changes in the accounts format and requires some adjustments to comparative figures, as disclosed in the accounts.

Group turnover for the year was £52.70m (2006: £22.31m), giving a significant increase of 136%. The major contributor to the value increase was our contracting business where turnover rose to £41.37m (2006: £18.14m), an improvement of 128%. Investment management turnover benefitted from full commitment to investment of the SDIC ordinary shares funds by the end of the second quarter, and also from fees generated by the additional equity raised in the first half of the year for both SDIC C shares and for our Macau fund. Investment management turnover for the year rose to £11.33m (2006: £4.17m), an increase of 171%, which reflects the excellent progress made in our fund business.

Encouragingly, overall gross margin percentage for the Group remained fairly constant, with 24.2% in 2007 against 24.5% in 2006.

The substantial increase in Group turnover and the input required into ongoing business development have inevitably required a considerable further investment in staff and establishment costs. Despite this, in 2007 total general administrative expenses of £9.27m (2006: £5.08m) as a percentage of turnover represent a reduction to 17.6% (2006: 22.7%). This reflects a combination of ongoing cost control and the initial impact of the previously reported staff increases incurred in the second half of 2006 in advance of increasing activity levels in 2007.

Share based payment costs, charged in accordance with IFRS 2, were £0.79m (2006: £0.91m), including £0.44m for the full cost of certain share issues and share options which arose and vested within the year. In addition, a one-off charge of £0.39m was incurred in respect of the re-incorporation of the holding company to the Isle of Man and was fully expensed. This charge will not be repeated this year.

Profit from operations was £2.30m (2006: loss £0.52m), and profit before tax was £2.26m (2006: loss £0.53m). On a segmental basis, profit before tax comprised fund management £2.07m, contracting £0.82m and property management £0.83m less group costs of £1.07m and reincorporation costs of £0.39m. A segmental analysis is shown in note 2 to the accounts.

## **SPEYMILL GROUP plc**

The taxation charge of £0.17m (2006: tax credit £0.22m) represents only 7.5% of pre-tax profits because of the benefit of brought forward losses.

Undiluted earnings per share were 3.63p (2006: loss per share 0.55p). Before share based payment costs, earnings per share were 5.01p (2006: 1.06p).

### **Performance Related Awards**

With effect from the 2007 financial year, the Board has introduced a new incentive scheme for executives and staff in line with normal standards and practices for our types of businesses. I and the Board regard this as being at the appropriate level to attract, incentivise, motivate and retain the required calibre of staff and we believe such a scheme will be beneficial to the Group's ongoing development.

The non-executive directors, including myself do not participate in any way in this scheme.

### **Dividend**

The Board has previously indicated that the Company would commence payment of dividends as from the 2007 annual results and that commitment is being met with a proposed final dividend of 0.5p per share for 2007. Furthermore, subject to trading performance, it is anticipated that increasing levels of dividends will be paid in future, commencing with a more substantial 2008 interim payment in the last quarter of this year.

### **Restructuring**

The reincorporation of the holding company to the Isle of Man became effective on 19<sup>th</sup> September 2007. The Scheme of Arrangement under which this was effected involved the creation of a new Isle of Man registered holding company and resulted in some changes to the composition of the Board. I became Non Executive Chairman, with Bob MacDonald and Andrew Latham taking up the roles of Group Chief Executive and Group Managing Director respectively, and Keith Lees remaining as Finance Director. The only other change was that Howard Flight did not join the new company's Board, but he has continued as Chairman of Speymill Property Group Limited and continues to provide strategic advice to the Board where appropriate.

In December 2007 we changed the name of Speymill Property Managers Limited to Speymill Property Group Limited to more clearly reflect the broad role that the business has.

### **Future Prospects**

The Group has continued to make considerable progress during the year which continues in 2008.

The fund management team are exploring and pursuing appropriate opportunities which are still likely to come to fruition in the current market. These will primarily be in geographical areas where we are already active and also in new areas to expand our breadth of operations and move closer to a truly multinational business. Our German property management joint venture is exploring possibilities to broaden its client base, using the support of sub-contracted property management partners.

Our contracting business has been a progressive success story over the last three years and the current signs are that there are further improvements in activity levels and profitability to be achieved going forward.

We now have proven effective and robust business models which provide an excellent basis for the Group to make further strong progress and to meet the challenges which the changing economic climate is presenting. We are therefore expecting further significant growth in turnover and profitability during this current year.

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Our ongoing intense pursuit of real and significant growth across our business activities continues to place our employees under considerable pressure to achieve the required performance. On behalf of the Board I would like to thank all members of our team for their hard work and determination in striving to achieve our goals. We remain committed to being a leading specialist global property management group within five years.

**Jim Mellon**

Non Executive Chairman

## **Chief Executive's Review**

Having moved into the position of Group Chief Executive following the Isle of Man reincorporation in September 2007, I now present my report on a year which has seen further development of our businesses despite an increasingly challenging economic environment.

Our 2007 results show significant turnover growth of 136% and a move from a 2006 operating loss of £0.52m to a 2007 operating profit of £2.30m, combined with net operational cash inflow of £1.93m. Our investment management business entered the year with the Epicure fund fully invested and the SDIC ordinary shares and Macau fund investment well on the way towards their fully invested targets. The SDIC ordinary shares investment reached an 85% notarisation milestone at the end of the first quarter, achieving a leveraged value at that time of €902m. On the back of this performance, and with markets still showing an appetite for further investment in property funds, the opportunity was taken during the second quarter to raise a further €250m of equity for SDIC through the C share issue, plus a second tranche of US\$70m for the Macau fund. The C share equity was also supported by the negotiation of a financing facility of €500m at a rate below 5%, which was put in place prior to the deterioration of loan markets later in the year.

Through a combination of value uplifts, asset management activity and refurbishment programmes during 2007, by the end of the year the value of the SDIC ordinary share portfolio had increased to €980m and Epicure to €380m, while the SDIC C shares notarised property value was at €373m.

The Macau second tranche was conditionally committed to a development property investment within the 'Bel Lago' development, but protracted issues surrounding building permit applications resulted in subsequent withdrawal from that investment. Despite this, the significant increase in value of the properties acquired with the first tranche of equity resulted in a Macau fund net asset value at the end of 2007 of US\$183m.

In July 2007 Thomas Sipos was appointed as head of our Asian operations, based at our Hong Kong subsidiary, Speymill Property Group (Far East) Limited. As well as working with our property advisers to seek potential investments for the Macau fund, Thomas has been developing our local network to identify and pursue new investment opportunities. He also took the lead in negotiating the disposal of the Lot U investment which was announced early in 2008, achieving a 125% return on equity and crystallising the associated performance and disposal fees for Speymill Group of c.£1.6m.

The overall progress in investment management activities during the year resulted in total assets under management as at the end of 2007 of over US\$2.7 billion. This will increase in the first half of 2008 through further investment of the SDIC C share funds. The current market climate presents a more challenging environment for raising new funds, but our fund management team are continually pursuing new opportunities in various geographical areas and we are confident that we can drive further increases in assets under management.

At GOAL Service, our Berlin based property management joint venture, activity for the year included a combination of further growth in the number of properties under management arising from continuing German fund investment, plus commencement of major refurbishment programmes for both Epicure and SDIC. Several additional senior managerial appointments were made during the year, and a comprehensive operational review was undertaken which resulted in various organisational changes to further improve efficiency and service levels. Further investment has also been made in IT systems to enhance management and control of the high transaction volumes now being handled. The continuing investment by the German property funds resulted in a total of 27,710 units under management at the end of the year.

Speymill Contracts set a target of strong growth for 2007 and I am very pleased to report that this was fully achieved, with turnover growth of 128% achieved in conjunction with maintenance of normal margins. As previously reported the strategy for the company has been developed and focussed around new build turnkey projects and major extension programmes, both for established customers and for new private developers and leisure operators. This growth has required a further programme of key staff recruitment during the year and the business now has the quantity and quality of resources to effectively handle further

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increases in activity. In December 2007 the company moved into larger, purpose built premises, still within the Huntingdon area.

The continuing increase in the value of the company's pipeline of order prospects, which currently exceeds £140m, provides a strong platform for achieving the further growth targeted for 2008 onwards. Major hotel orders recently won include 154 bed Premier Inn in Cambridge, 120 bed Holiday Inn in Stevenage, 112 bed Ramada Encore in Derby and 80 bed Days Inn in Folkestone.

Initial activity has commenced on the joint venture with The Goodman Group LLC of the USA ('Goodman'), formed during mid 2007 to investigate the potential development of retirement villages in the UK. Goodman has been operating these types of facilities in the USA for more than 40 years, has over 60 communities in 10 states, and is a recognised market leader. Over the last few months a number of potential sites have been identified in the UK with a view to making an initial acquisition later in 2008. Considerable work has been carried out on modelling the financial structure in preparation for fundraising presentations by Speymill Property Group to both public and private investors. This should commence later this year when market conditions are right.

The global economic climate in which we operate is becoming more demanding in terms of identifying products and opportunities to enable future business expansion. Each of our businesses has been further strengthened during the year in terms of both resources and structure and I firmly believe that we have a sound basis to continue to progress the Group's development.

**Bob MacDonald**

Chief Executive Officer

**SPEYMILL GROUP plc****Consolidated Income Statement**

For the year ended 31 December 2007

|  | 2007<br>£'000   | 2006<br>£'000 |
|--|-----------------|---------------|
| <b>Turnover</b>                          | <b>52,699</b>   | 22,305        |
| Cost of sales                            | <b>(39,938)</b> | (16,838)      |
| <b>Gross profit</b>                      | <b>12,761</b>   | 5,467         |
| General administrative expenses          | <b>(9,275)</b>  | (5,077)       |
| Share based payments                     | <b>(794)</b>    | (906)         |
| Re-incorporation costs                   | <b>(394)</b>    | —             |
| Total operating costs                    | <b>(10,463)</b> | (5,983)       |
| <b>Profit/(loss) from operations</b>     | <b>2,298</b>    | (516)         |
| Net finance costs                        | <b>(39)</b>     | (9)           |
| <b>Profit/(loss) before taxation</b>     | <b>2,259</b>    | (525)         |
| Taxation                                 | <b>(168)</b>    | 217           |
| <b>Profit/(loss) after taxation</b>      | <b>2,091</b>    | (308)         |
| <b>Earnings/(loss) per share (pence)</b> |                 |               |
| Basic                                    | <b>3.63</b>     | (0.55)        |
| Diluted                                  | <b>3.28</b>     | (0.55)        |

The directors consider that all results derive from continuing activities

**SPEYMILL GROUP plc****Consolidated Balance Sheet**

As at 31 December 2007

|                                      | 2007<br>£'000 | 2006<br>£'000 |
|--------------------------------------|---------------|---------------|
| <b>Non-current assets</b>            |               |               |
| Intangible assets - goodwill         | 944           | 944           |
| Property, plant and equipment        | 486           | 197           |
| Available for sale financial assets  | 566           | —             |
| Deferred tax assets                  | 146           | 255           |
|                                      | <b>2,142</b>  | <b>1,396</b>  |
| <b>Current assets</b>                |               |               |
| Inventories                          | 43            | 33            |
| Due from customers for contract work | 8,036         | 3,607         |
| Trade and other receivables          | 9,898         | 3,824         |
| Cash and cash equivalents            | 1,504         | 647           |
|                                      | <b>19,481</b> | <b>8,111</b>  |
| <b>Total assets</b>                  | <b>21,623</b> | <b>9,507</b>  |
| <b>Current liabilities</b>           |               |               |
| Trade and other payables             | 12,884        | 3,710         |
| Due to suppliers for contract work   | 3,532         | 3,466         |
| Redeemable loan notes                | —             | 39            |
| Obligations under finance leases     | 11            | 10            |
| Current tax liabilities              | 97            | 38            |
|                                      | <b>16,524</b> | <b>7,263</b>  |
| <b>Non-current liabilities</b>       |               |               |
| Obligations under finance leases     | 31            | 39            |
| <b>Total liabilities</b>             | <b>16,555</b> | <b>7,302</b>  |
| <b>Net assets</b>                    | <b>5,068</b>  | <b>2,205</b>  |
| <b>Equity</b>                        |               |               |
| <b>Capital and reserves</b>          |               |               |
| Called up share capital              | 580           | 571           |
| Capital redemption reserve           | 2,294         | 2,294         |
| Share premium account                | 7,852         | 7,847         |
| Share based payment reserve          | 1,588         | 794           |
| Fair value reserve                   | (71)          | —             |
| Foreign currency reserve             | 35            | —             |
| Retained earnings                    | (7,210)       | (9,301)       |
|                                      | <b>5,068</b>  | <b>2,205</b>  |

**SPEYMILL GROUP plc**

**Consolidated Statement of Changes in Shareholders' Equity**

As at 31 December 2007

|  | Called up<br>share<br>capital | Capital<br>redemption<br>reserve | Share<br>premium | Share<br>based<br>payment<br>reserve | Fair<br>value<br>reserve | Foreign<br>currency<br>reserve | Retained<br>earnings | Total<br>equity |
|--|-------------------------------|----------------------------------|------------------|--------------------------------------|--------------------------|--------------------------------|----------------------|-----------------|
|  | £'000                         | £'000                            | £'000            | £'000                                | £'000                    | £'000                          | £'000                | £'000           |
| <b>Balance at 31<br/>December 2005</b>                                 | 559                           | 2,294                            | 7,814            | 110                                  | —                        | —                              | (9,215)              | 1,562           |
| Issue of ordinary shares   | 12                            | —                                | 39               | —                                    | —                        | —                              | —                    | 51              |
| Share based payments   |                               |                                  |                  |                                      |                          |                                |                      |                 |
| -share options   | —                             | —                                | 2                | 379                                  | —                        | —                              | —                    | 381             |
| -share issue   | —                             | —                                | —                | 527                                  | —                        | —                              | —                    | 527             |
| Transfers relating to<br>share based payments                          | —                             | —                                | —                | (222)                                | —                        | —                              | 222                  | —               |
| Issue costs  | —                             | —                                | (8)              | —                                    | —                        | —                              | —                    | (8)             |
| Loss for the year  | —                             | —                                | —                | —                                    | —                        | —                              | (308)                | (308)           |
| <b>Balance at 31<br/>December 2006</b>                                 | 571                           | 2,294                            | 7,847            | 794                                  | —                        | —                              | (9,301)              | 2,205           |
| Share based payments   |                               |                                  |                  |                                      |                          |                                |                      |                 |
| - share options  | —                             | —                                | —                | 530                                  | —                        | —                              | —                    | 530             |
| - share issue  | 9                             | —                                | 5                | 264                                  | —                        | —                              | —                    | 278             |
| Revaluation of available<br>for sale financial assets                  | —                             | —                                | —                | —                                    | (71)                     | —                              | —                    | (71)            |
| Currency translation<br>differences on foreign<br>currency investments | —                             | —                                | —                | —                                    | —                        | 35                             | —                    | 35              |
| Profit for the year  | —                             | —                                | —                | —                                    | —                        | —                              | 2,091                | 2,091           |
| <b>Balance at 31<br/>December 2007</b>                                 | <b>580</b>                    | <b>2,294</b>                     | <b>7,852</b>     | <b>1,588</b>                         | <b>(71)</b>              | <b>35</b>                      | <b>(7,210)</b>       | <b>5,068</b>    |

**SPEYMILL GROUP plc**

**Consolidated Statement of Cash Flows**

For the year ended 31 December 2007

|  | <b>2007</b>  | 2006         |
|--|--------------|--------------|
|  | <b>£'000</b> | £'000        |
| <b>Cash flows from operating activities</b>                  |              |              |
| Cash generated from operations                               | 1,929        | (8)          |
| Income taxes received  | —            | 1            |
| <b>Net cash inflow/(outflows) from operating activities</b>  | <b>1,929</b> | <b>(7)</b>   |
| <b>Cash flows from investing activities</b>                  |              |              |
| Interest received  | 71           | —            |
| Acquisition of investments                                   | (637)        | —            |
| Purchase of property, plant and equipment                    | (396)        | (203)        |
| <b>Net cash outflows from investing activities</b>           | <b>(962)</b> | <b>(203)</b> |
| <b>Cash flows from financing activities</b>                  |              |              |
| Issue of equity shares                                       | 14           | 45           |
| Repayments of convertible loans                              | —            | (150)        |
| Repayments of redeemable loan notes                          | (39)         | (131)        |
| Finance lease principal repayments                           | (10)         | (28)         |
| Interest paid  | (105)        | (9)          |
| <b>Net cash outflow from financing activities</b>            | <b>(140)</b> | <b>(273)</b> |
| <b>Net increase/(decrease) in cash and cash equivalents</b>  | <b>827</b>   | <b>(483)</b> |
| Translation  | 30           | 4            |
| Cash and cash equivalents at beginning of year               | 647          | 1126         |
| Net cash and cash equivalents at end of year                 | 1,504        | 647          |
| Cash and cash equivalents comprise:                          |              |              |
| Cash and deposits  | 1,504        | 647          |
| <b>Cash generated from operations</b>                        |              |              |
| Profit /(loss) from operations                               | 2,298        | (516)        |
| Adjusted for:  |              |              |
| Depreciation   | 124          | 86           |
| Share based payments   | 794          | 906          |
| Increase in inventories                                      | (10)         | (22)         |
| Increase in receivables                                      | (10,503)     | (4,059)      |
| Increase in payables   | 9,226        | 3,597        |
| <b>Net cash inflow /(outflow ) generated from operations</b> | <b>1,929</b> | <b>(8)</b>   |

## **Notes to the Consolidated Financial Statements**

### **1. Reporting entity**

Speymill Group plc is a public limited company incorporated and domiciled in the Isle of Man. The address of the company's registered office is 33–37 Athol Street, Douglas, Isle of Man, IM1 1LB.

The consolidated financial statements of the company as at and for the year ended 31 December 2007 comprise the company and its subsidiaries (together referred to as the Group) and the Group's interest in associates and jointly controlled entities. The Group is primarily involved in real estate investment management, property construction and property management.

The preliminary announcement does not constitute the Group's statutory financial statements. It is an extract from the financial statements for the year ended 31 December 2007 which have not yet been filed.

### **1.1 Basis of preparation**

#### **(a) Statement of compliance**

The financial information included in this announcement has been extracted from the Group consolidated financial statements prepared in accordance with International Financial Reporting Standards for (IFRSs) and its interpretations adopted by the International Accounting Standards Board (IASB).

These financial statements are the Group's first financial statements prepared under IFRS, and IFRS 1 'First Time Adoption of International Financial Reporting of Standards' has been applied. The last financial statements under UK Generally Accepted Accounting Principles ("UK GAAP") were prepared for the 12 months to 31 December 2006.

An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Group is provided in note 12. This note includes reconciliation of equity and profit or loss for the comparative periods reported under UK GAAP to those reported for periods under IFRS.

#### **(b) Basis of measurement and functional currency**

The Group consolidated financial statements are presented in pounds sterling, rounded to the nearest thousand. They have been prepared on the historical cost basis except where assets and liabilities are required to be stated at their fair value.

#### **(c) Use of estimates and judgement**

The preparation of Group consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses.

The estimates and associated assumptions are based on historical experience, current and expected economic conditions, and in some cases actuarial techniques and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and or in future periods, if applicable.

The more significant areas requiring the use of management estimates and assumptions relate to the basis of future cash flow estimates, asset impairments and the fair value and accounting treatment of financial instruments and contingent liabilities.

The accounting policies set out below have been applied consistently to all periods presented in the consolidated financial statements. They have also been applied in preparing an opening IFRS balance sheet at 1 January 2006 for the purposes of the transition to IFRS as required by IFRS1. The impact of the transition from UK GAAP is explained in note 12. Certain comparative amounts have been reclassified to conform with the current year's presentation.

**Notes to the Consolidated Financial Statements**

**2. Segmental information – business segments**

**2007**

|   | Construction and refurbishment | Investment fund management | Property management | Group costs | Elimination | Total    |
|---|--------------------------------|----------------------------|---------------------|-------------|-------------|----------|
|   | £'000                          | £'000                      | £'000               | £'000       | £'000       | £'000    |
| External revenues                                   | 41,372                         | 6,436                      | 4,891               | -           | -           | 52,699   |
| Inter-segment revenue                               | -                              | -                          | 788                 | -           | (788)       | -        |
| Total segment revenue                               | 41,372                         | 6,436                      | 5,679               | -           | (788)       | 52,699   |
| Profit from operations before reincorporation costs | 816                            | 2,074                      | 829                 | (1,027)     | -           | 2,692    |
| Re-incorporation costs (1)                          | -                              | -                          | -                   | (394)       | -           | (394)    |
| Net finance cost                                    | -                              | -                          | -                   | (39)        | -           | (39)     |
| Profit before tax                                   | 816                            | 2,074                      | 829                 | (1,460)     | -           | 2,259    |
| Depreciation and non cash expenses                  | 156                            | 558                        | 81                  | 123         | -           | 918      |
| Total assets  | 12,705                         | 5,324                      | 3,535               | 59          | -           | 21,623   |
| Total liabilities                                   | (11,462)                       | (1,950)                    | (2,567)             | (576)       | -           | (16,555) |
| Capital expenditure                                 | 219                            | -                          | 177                 | -           | -           | 396      |

(1) The re-incorporation costs relate to legal and professional fees incurred in setting up and registering the new Isle of Man holding company.

**2006**

|                                    | Construction and refurbishment | Investment fund management | Property management | Group costs | Elimination | Total   |
|------------------------------------|--------------------------------|----------------------------|---------------------|-------------|-------------|---------|
|                                    | £'000                          | £'000                      | £'000               | £'000       | £'000       | £'000   |
| External revenues                  | 18,143                         | 2,745                      | 1,417               | -           | -           | 22,305  |
| Inter-segment revenue              | -                              | -                          | 338                 | -           | (338)       | -       |
| Total segment revenue              | 18,143                         | 2,745                      | 1,755               | -           | (338)       | 22,305  |
| Profit/loss from operations        | 261                            | 385                        | 40                  | (1,202)     | -           | (516)   |
| Net finance cost                   | -                              | -                          | -                   | (9)         | -           | (9)     |
| Profit/(loss) before tax           | 261                            | 385                        | 40                  | (1,211)     | -           | (525)   |
| Depreciation and non cash expenses | 60                             | 305                        | 26                  | 601         | -           | 992     |
| Total assets                       | 4,921                          | 1,939                      | 600                 | 2,047       | -           | 9,507   |
| Total liabilities                  | (5,309)                        | (865)                      | (560)               | (568)       | -           | (7,302) |
| Capital expenditure                | 118                            | -                          | 85                  | -           | -           | 203     |

**Segmental information – geographical presentation**

**2007**

|                     | United Kingdom | Continental Europe | Far East | Isle of Man | Elimination | Total  |
|---------------------|----------------|--------------------|----------|-------------|-------------|--------|
|                     | £'000          | £'000              | £'000    | £'000       | £'000       | £'000  |
| External turnover   | 41,372         | 11,276             | 839      | -           | (788)       | 52,699 |
| Segment assets      | 12,705         | 8,147              | 712      | 59          | -           | 21,623 |
| Capital expenditure | 219            | 177                | -        | -           | -           | 396    |

**2006**

|                     | United Kingdom | Continental Europe | Far East | Isle of Man | Elimination | Total  |
|---------------------|----------------|--------------------|----------|-------------|-------------|--------|
|                     | £'000          | £'000              | £'000    | £'000       | £'000       | £'000  |
| External turnover   | 18,143         | 4,440              | 60       | -           | (338)       | 22,305 |
| Segment assets      | 6,965          | 2,420              | 122      | -           | -           | 9,507  |
| Capital expenditure | 118            | 85                 | -        | -           | -           | 203    |

**Notes to the Consolidated Financial Statements**

**3. Performance fees**

Speymill Property Group Limited, as fund manager, and Avila Capital Limited as property advisor to Speymill Macau Property Company plc (SMP) are jointly entitled to receive a 20% performance fee based on the increase in Net Asset Value per ordinary share of SMP being over the stated benchmark of a 10% compound rate increase in Net Asset values per annum.

Under the agreement, 50% of the performance fee, which is payable to the extent and only if SMP has realised profits from its investments, is required to be applied in acquiring ordinary shares in SMP.

On 7 February 2008, SMP entered into a Sale and Purchase Agreement in order to dispose one of its investment properties.

The performance fee of £1.254m receivable by the Group in respect of the sale has not, in accordance with the agreement, been accrued in the consolidated financial statements as the fee was not earned in the year.

| <b>4 Profit/(loss) from operations</b>                        | <b>2007</b>  | 2006  |
|---|--------------|-------|
|   | <b>£'000</b> | £'000 |
| Profit/(loss) from operations is stated after charging:       |              |       |
| Depreciation  |              |       |
| — owned assets  | <b>100</b>   | 61    |
| — leased assets   | <b>24</b>    | 25    |
| Operating lease payments                                      |              |       |
| — plant and machinery, land and buildings                     | <b>166</b>   | 54    |
| — other   | <b>18</b>    | 29    |
| Net foreign exchange gain/(loss)                              | <b>91</b>    | (4)   |
| <hr/>   |              |       |
| Auditors' remuneration:                                       |              |       |
| Audit of parent company and consolidated financial statements | <b>27</b>    | 25    |
| Audit of subsidiary company financial statements              | <b>59</b>    | 15    |
| Tax services  | <b>21</b>    | 15    |
| Other services  | <b>35</b>    | 6     |
|   | <b>142</b>   | 61    |

All the above fees have been charged to the income statement.

| <b>5 Share based payments</b> | <b>2007</b>  | 2006  |
|-------------------------------|--------------|-------|
|                               | <b>£'000</b> | £'000 |
| Share options                 | <b>530</b>   | 379   |
| Provision for share issue     | <b>264</b>   | 527   |
|                               | <b>794</b>   | 906   |

| <b>6 Net finance costs</b> | <b>2007</b>  | 2006  |
|----------------------------|--------------|-------|
|                            | <b>£'000</b> | £'000 |
| Bank interest receivable   | <b>78</b>    | 97    |
| Other interest             | <b>—</b>     | 4     |
|                            | <b>78</b>    | 101   |
| <hr/>                      |              |       |
| Bank interest payable      | <b>(110)</b> | (97)  |
| Loan interest              | <b>(6)</b>   | (9)   |
| Finance lease charges      | <b>(1)</b>   | (4)   |
|                            | <b>(117)</b> | (110) |
| Net finance costs          | <b>(39)</b>  | (9)   |

**SPEYMILL GROUP plc**

**Notes to the Consolidated Financial Statements**

|   | <b>2007</b>  | 2006  |
|---|--------------|-------|
|   | <b>£'000</b> | £'000 |
| <b>7 Taxation</b>   |              |       |
| Current income tax expense:   |              |       |
| UK tax on profit/ (loss)  | —            | 16    |
| Overseas income tax on joint venture                                  | <b>59</b>    | 22    |
| Total current tax   | <b>59</b>    | 38    |
| Deferred tax  |              |       |
| Origination and reversal of timing differences                        | <b>109</b>   | (255) |
| Total deferred tax expense  | <b>109</b>   | (255) |
| Total tax charge/(credit) in the income statement                     | <b>168</b>   | (217) |
| <b>Tax reconciliation</b>   |              |       |
| Profit/(loss) before tax  | <b>2,259</b> | (525) |
| Income tax in the Isle of Man at 0% (2006: UK corporation tax at 30%) | —            | (174) |
| Non deductible expenses   | —            | 42    |
| Share-based payment   | —            | 272   |
| Capital depreciation in excess of allowances                          | —            | (3)   |
| Tax losses not utilised   | —            | (102) |
| Higher tax rates on overseas earnings                                 | <b>59</b>    | 3     |
| Current tax charge  | <b>59</b>    | 38    |

**8 Earnings/(loss) per share**

|  | <b>2007</b>       | 2006       |
|--|-------------------|------------|
|  | <b>£000</b>       | £000       |
| Profit/(loss) for the period (£'000)                                       | <b>2,091</b>      | (308)      |
| Basic weighted average number of shares in issue                           | <b>57,539,447</b> | 56,371,951 |
| Dilutive potential ordinary shares   |                   |            |
| Employee share options   | <b>6,240,926</b>  | —          |
| Reconciliation of earnings per share to diluted earnings per share (pence) |                   |            |
| Earnings/ (loss) per share   | <b>3.63</b>       | (0.55)     |
| Dilutive effect of employee share options                                  | <b>(0.35)</b>     | —          |
| Diluted earnings per share   | <b>3.28</b>       | (0.55)     |

**SPEYMILL GROUP plc**

**Notes to the Consolidated Financial Statements**

**9 Dividends**

A dividend in respect of the year ended 31 December 2007 of 0.5p per share is to be proposed at the annual general meeting.

**10 Intangible assets — goodwill**

|  | Group<br>£000 |
|--|---------------|
| <b>Cost</b>  |               |
| At 1 January 2007 and 31 December 2007               | 4,115         |
| <b>Amortisation and Impairment</b>                   |               |
| At 1 January 2007 (as previously stated)             | 3,226         |
| Adjustment to goodwill on adoption of IFRS (note 12) | (55)          |
| At 1 January 2007 and 31 December 2007               | 3,171         |
| <b>Net book value</b>                                |               |
| <b>At 31 December 2007 and 31 December 2006</b>      | <b>944</b>    |

The above goodwill relates to the construction and refurbishment business which is both a cash-generating unit and a reportable segment. The recoverable amount of goodwill on the construction and refurbishment business unit has been determined based on a value in use calculation using cash flow projections based on financial budgets approved by senior managers.

| 11 Property, plant and equipment | Leasehold<br>property<br>improvements<br>£000 | Fixtures<br>and<br>equipment<br>£000 | Motor<br>vehicles<br>£000 | Total<br>£000 |
|----------------------------------|---|--------------------------------------|---------------------------|---------------|
| <b>Cost</b>                      |   |                                      |                           |               |
| At 1 January 2007                | 40  | 363                                  | 127                       | 530           |
| Additions                        | 107   | 289                                  | —                         | 396           |
| Disposals                        | (41)  | (163)                                | —                         | (204)         |
| Exchange adjustments             | —   | 11                                   | —                         | 11            |
| At 31 December 2007              | 106   | 500                                  | 127                       | 733           |
| <b>Depreciation</b>              |   |                                      |                           |               |
| At 1 January 2007                | 40  | 218                                  | 75                        | 333           |
| Charge for the year              | —   | 100                                  | 24                        | 124           |
| Disposals                        | (40)  | (167)                                | —                         | (207)         |
| Exchange adjustments             | —   | (3)                                  | —                         | (3)           |
| <b>At 31 December 2007</b>       | <b>—</b>                                      | <b>148</b>                           | <b>99</b>                 | <b>247</b>    |
| <b>Net book value</b>            |   |                                      |                           |               |
| <b>At 31 December 2007</b>       | <b>106</b>                                    | <b>352</b>                           | <b>28</b>                 | <b>486</b>    |
| At 31 December 2006              | —   | 145                                  | 52                        | 197           |

At 31 December 2007 the net carrying amount of motor vehicles held under finance leases was £32,000 (2006: 58,000). Depreciation charged in the year on assets held under finance leases was £25,927 (2006: £24,748)

**Notes to the Consolidated Financial Statements**

**12. Transition to IFRS**

The Group previously reported its financial statements under UK GAAP for the year ended 31 December 2006. The analysis below shows a reconciliation of the Group's results and equity reported under UK GAAP to that reported under IFRS for the for the year ended 31 December 2006. The transition does not change any of the cash flows.

**Reconciliation of net income and equity for the year ended 31 December 2006**

**INCOME STATEMENT**

|                                  | UK GAAP<br>£'000 | Transition<br>adjustment<br>£'000 | IFRS<br>£'000 |
|----------------------------------|------------------|-----------------------------------|---------------|
| Amortisation of goodwill*        | 56               | (56)                              | -             |
| Loss for the year after taxation | (364)            | 56                                | (308)         |

**BALANCE SHEET ITEMS**

|                              | UK GAAP<br>£000 | Transition<br>Adjustment<br>£000 | IFRS<br>£000 |
|------------------------------|-----------------|----------------------------------|--------------|
| Intangible assets –goodwill* | 888             | 56                               | 944          |
| Retained Earnings            | (9,357)         | 56                               | (9,301)      |
| Total equity                 | 2,149           | 56                               | 2,205        |

\*IFRS3 Business combination does not permit the amortisation of goodwill instead goodwill is carried at cost and is subject to regular impairment reviews. The impact in the year to 31 December 2006 is the reversal of the amortisation charge of £56,000. There are no associated tax impacts.

There was no equity adjustment at 31 December 2005.

**13 Annual report and financial statements**

Copies of the 2007 Annual Report and Financial statements will be available from the company's registered office once they have been posted to shareholders.