

**SPEYMILL plc****Preliminary Results 2008**

Speymill plc, the property service business specialising in real estate investment management, property management, and property asset management, and which also has a UK-based specialist budget hotel contracting arm (Speymill Contracts Limited) announces its preliminary results for the year ended 31 December 2008.

**Group highlights**

- Speymill plc readmitted to trading on AIM on 7 April 2009
- Final loss before tax, share-based payments and goodwill write-off of £4.9m (2007: profit of £3.1m)
- The Group's investment and property management operations performed ahead of budget during 2008 with a profit before tax of £5.3m (2007: profit of £2.9m)\*
- Group losses entirely attributable to trading losses at Speymill Contracts
- Goodwill of £944k written off (relating to the Group's investment in Speymill Contracts)
- Loan facility of £3.3m made available to the Group by the Chairman and Chief Executive Officer (of which only £1.135m drawn down to date) to ensure that it can continue to trade within its banking facilities
- Loan facility may be converted into convertible preference shares at the Company's discretion on terms that will be made available to all shareholders

**Speymill Property Group Limited**

- SDIC and MCAU funds became fully invested during the 2008 financial year
- SDIC became one of the largest publicly listed companies investing in German residential real estate with a portfolio valued at €1.48 billion

**GOAL service GmbH**

- Speymill plc bought out its local partner from the former JV, undertaking property and asset management services in Germany
- The buy-out leaves Speymill well-placed to capitalise on opportunities in the German market with a well-developed property and asset management infrastructure

**Speymill Contracts Limited**

- Speymill Contracts was badly affected by the recessionary environment in the UK including multiple subcontractors and clients being placed into administration
- Urgent action has been taken to reposition and downsize the business including important changes to strengthen the management structure

**Jim Mellon, Non-Executive Chairman, said:**

"2008 has been a year of both success and great disappointment for the Group. The events at Speymill Contracts should not be allowed to obscure the excellent results that have been achieved by our asset and property management businesses"

".... We believe that we have a strong platform and are well placed to benefit from the good prospects of the German and Far-East markets".

\*2008 profit before tax for each subsidiary includes an apportionment of head office overheads. Head office costs were not apportioned in 2007 and therefore the prior year profit before tax for each subsidiary figure would be less if calculated on a like-for-like basis.

**Speymill plc**

Bob MacDonald, Chief Executive Officer  
Paul Smith, Finance Director  
Tel: 01624 640 860

**Nominated Adviser****Smith & Williamson Corporate Finance Limited**

Azhic Basirov  
Joanne Royden-Turner  
Tel: 020 7131 4000

**Walbrook PR Ltd**

Paul McManus  
Ben Knowles  
Tel: 020 7933 8780

**Broker****Lewis Charles Securities Limited**

Kealan Doyle  
Tel: 020 7456 9100

## Chairman's statement

Dear Shareholders

2008 has been a year of both success and great disappointment for the Group.

Our core property asset management business has performed ahead of its budget in 2008, continues to thrive and is well placed to pursue a number of exciting opportunities in Germany and the Far-East. Both the Speymill Deutsche Immobilien Company plc (SDIC) and Speymill Macau Property Company plc (MCAU) funds became fully invested during the year and we have made significant progress in expanding and improving our operational platforms in the Isle of Man, Germany and Hong Kong.

Our non-core contracting business has however been badly affected by the recessionary environment resulting in substantial losses during 2008. Urgent action has been taken to curb the losses including a reduction in activity and overheads as well as an important strengthening of the management team.

I am confident that the level of challenges faced by Speymill Contracts Limited (Speymill Contracts) will not be repeated and that, going into 2009 with a considerably smaller contracting operation and added focus on the profitable asset management business, we will see improved overall earnings in the year ahead.

### Financial position

On 26<sup>th</sup> January 2009 the Company announced that it had requested AIM to suspend trading in its shares while it made an assessment of its financial position following the losses at Speymill Contracts. The Group used this opportunity to carry out a thorough strategic and operational review of the business. We are pleased to be able to announce the restoration of the Group's shares to trading on AIM today.

In addressing the problems of the contracting business, the Group recognised the need for an increase in its working capital. Our Chief Executive, Bob MacDonald, and I contributed to the provision of a facility of up to £3.3m for the Group to draw upon for a period of up to 18 months. The Group has only drawn down £1.135m of this facility to date. The Group may also, in its absolute discretion, elect to convert these borrowings to cumulative preferred shares, as part of a public offering in which all existing shareholders of the Group would be invited to subscribe on the same terms. I hope that shareholders see our willingness to invest as a sign of our unwavering belief in the opportunity we see for this Group.

### Results

Wholly as a result of the problems at the contracting business, the Group has returned a loss before tax of £6.3m (2007: profit of £2.3m). The loss before tax at Speymill Contracts amounted to £11m (2007: profit of £816k)\* and the Group has also recognised a charge of £944k attributable to a write-off of goodwill that relates to the Group's investment in that business. The Group's asset and property management businesses made an overall profit before tax of £5.3m (2007: profit of £2.9m)\*.

\*2008 profit before tax for each subsidiary includes an apportionment of head office overheads. Head office costs were not apportioned in 2007 and therefore the prior year profit before tax for each subsidiary figure would be less if calculated on a like-for-like basis.

Shareholders will not receive a dividend in respect of the 2008 financial year.

### Restructuring

2008 has seen important changes in management both at Speymill Contracts and at Group level as we consolidate and strengthen our head office function on the Isle of Man.

In the Group's interim results we announced that, following a period of handover, Paul Smith would replace Keith Lees as Group Finance Director. Mr Lees has now resigned from the Board of Speymill plc with immediate effect and has taken up the full time role of Finance Director of Speymill Contracts.

Andrew Latham has resigned as a Managing Director of and from the Board of Speymill plc and as the Managing Director of Speymill Contracts with immediate effect. He has also resigned from the boards of Speymill Property Group (UK) Ltd, GOAL service GmbH and Speymill Goodman Retirement Villages Ltd with immediate effect. Andrew will continue working on special projects until the termination of his employment. Thereafter, through his consultancy company, Andrew may be involved in providing certain consultancy services to Speymill group companies.

John Chambers and Ron Parsons replace Andrew Latham as Joint Managing Directors of Speymill Contracts. John is a chartered quantity surveyor with 25 years industry experience. John joined Speymill Contracts in late 2008 and has been instrumental in tackling the issues affecting that business and increasing the focus on risk management and cost reduction. We are pleased to have a man of John's ability and experience on the team at Speymill Contracts.

Ron Parsons has been actively involved in construction management within the leisure industry for many years and has a knowledgeable insight into clients' needs and requirements. He has been a director of Speymill Contracts since 2002. Ron's contribution to the contracting business will include client relationship management and maintaining Speymill Contracts consistently high standards of product delivery.

Lincoln Forrest, a chartered quantity surveyor, has been appointed to the Board of Speymill plc with immediate effect. Lincoln has played an important role in setting strategy and strengthening processes at Speymill Contracts since problems began to emerge there and the Board views his appointment as a further step in enhancing oversight of that business. Lincoln knows our business well, having served on the Board of Speymill Property Group Limited since March 2006.

I am also delighted to welcome back Howard Flight, who rejoins the Board of Speymill plc with immediate effect. Howard was a Group Director before the reincorporation in the Isle of Man. Howard as Chairman has overseen the success of Speymill Property Group Limited (SPG) since inception, and is well known as the co-founder and Managing Director of the very successful Guinness Flight fund management business.

#### **Change of Nominated Adviser**

I am also pleased to announce that the Group has engaged Smith & Williamson Corporate Finance Limited (Smith & Williamson) as its Nominated Adviser with immediate effect. The business of the Group's former Nominated Adviser, Nabarro-Wells & Co Limited, was bought by Ambrian Partners Limited (Ambrian) during the financial year and our contract with Ambrian has now expired. We are very grateful to our former Nominated Adviser for their help and support over the years. Smith & Williamson already act as Nominated Adviser to the Group's funds, SDIC and MCAU, and we are happy to extend our relationship with them.

#### **Future prospects**

The events at Speymill Contracts should not be allowed to obscure the excellent results that have been achieved by our asset and property management businesses.

I have already mentioned the success of our SDIC and MCAU funds. SDIC now owns one of the largest pan-German residential property portfolios, with a portfolio of property assets valued at €1.48 billion. It is both well funded and well placed to take advantage of the opportunities that are arising in that market. The safe yields afforded by investment in German residential property will become increasingly attractive against an economic backdrop of low money market returns. It is testimony to both the safety of investment in German residential property and the quality of the portfolio assembled by SDIC and its Manager, SPG, and Adviser, GOAL Service GmbH (GOAL), that, even in this severe economic climate, the value of the portfolio has decreased by only 0.7% over the previous value as at the 30 June 2008, and this value is still 4.1% above the original purchase price of the portfolio.

It would be unfair to mention SDIC without mentioning the success story of its adviser, GOAL, now a wholly-owned subsidiary of Speymill plc. GOAL provides property management, asset management and ancillary services to SDIC. Established in 2006, it has now grown to over 300 members of staff and continues to extend its reach throughout Germany. We strongly believe that our German residential offering is well differentiated from our competitors in that it provides a high degree of vertical integration that allows for maximisation of asset value.

Similarly, MCAU represents a well-diversified, high-end residential and commercial real estate fund investing in Macau, a special administrative region of China. Speymill has a well developed presence in Hong Kong and has, alongside the pursuit of other opportunities, recently stepped up its asset management activities for its Macau-based assets particularly with respect to the recently acquired AIA Tower.

The Group is also pursuing its joint venture with the Goodman Group LLC in the USA, Speymill Goodman Retirement Villages Limited, with a view to introducing the concept of US-style retirement villages to the UK.

Our future success lies in our asset management business. We believe that we have a strong platform and are well placed to benefit from the good prospects of the German and Far East markets. I also firmly believe that the unprecedented money supply generated as a result of worldwide governmental policies aimed at fighting the

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global recession through monetary and fiscal stimulus, will lead to a period of revitalised economic growth and possibly a renewed bout of inflation. Property has always been a natural hedge for inflation as increases in property values have been historically closely linked to increases in the RPI. I am therefore confident of a very promising future for Speymill plc.

**Jim Mellon**  
Chairman

## Chief Executive's review

My first full year as Chief Executive of Speymill plc has seen the world face the worst economic and financial conditions in the last four decades. Our contracting business has been particularly badly affected by this environment, but I echo the words of our Chairman in saying that, notwithstanding our disappointment at this year's Group result, our core asset management business has put in an excellent performance in 2008 and continues to produce opportunities to expand and, in places, reposition our business.

### Speymill Contracts Limited

Construction businesses have not fared well in the current climate, and Speymill Contracts Limited (Speymill Contracts) has been particularly badly affected by clients and subcontractors going into administration at a time when its turnover had expanded rapidly. The Group was affected by the rapidity and extent of the downward revisions to 2008 forecasts, many of which were caused by the adverse economic environment. Urgent remedial action has been taken to downsize the business in terms of both its turnover and its overheads while redoubling our focus on our core competence of budget hotel contracting as well as on risk management. Important changes in strengthening the management structure of that business and of the Group have also been made in order to address the situation, and these are explained below.

It is important to mention again that the losses at Speymill Contracts are the sole cause of the disappointing Group result in 2008. Our other divisions have collectively performed ahead of expectations.

### Restructuring

As I mentioned earlier, in order to improve risk management at Speymill Contracts, important changes have been made to both its Board as well as to the Board of Speymill plc.

Andrew Latham has resigned as Managing Director of Speymill plc and of Speymill Contracts with immediate effect and has been replaced by John Chambers and Ron Parsons as Joint Managing Directors of Speymill Contracts. John is an experienced quantity surveyor with 25 years industry experience. He is a former commercial manager at Bluestone plc, a division of Morgan Sindall, and more recently worked for Mount Anvil, a dynamic London-based property developer, where he oversaw the operation of its contracting and development arms. John has been instrumental in taking on the issues affecting the contracting business and strengthening its processes there. It gives us confidence to have a man of John's calibre on the team at Speymill Contracts. Ron has been with Speymill Contracts for seven years and has been responsible for the consistently high quality product of the business.

Lincoln Forrest has been appointed to the Board of Speymill plc. Lincoln has also played an important role in setting strategy and strengthening processes at the contracting business, since problems began to emerge there. The Board views his appointment as an important step in enhancing oversight of that business.

I am very pleased that Howard Flight has accepted an invitation to rejoin the Board of Speymill plc. Howard was a Group Director before our reincorporation to the Isle of Man and has acted as Chairman of Speymill Property Group Limited (SPG) since its incorporation.

In the Group's interim results announcement it was stated that, following a period of handover, Paul Smith would replace Keith Lees as Finance Director. Keith decided to return to the UK from the Isle of Man for personal reasons and has resigned from the Board of Speymill plc. Keith has taken up a full time role as Finance Director of Speymill Contracts.

Now incumbent in the role of Finance Director of the Company, Paul Smith's focus will be on the development of the Group's financial reporting function. As the former Group Chief Financial Officer for Funds (CFO Funds), Paul has already made great progress in developing the budgetary and reporting systems of two of the entities managed by the Group, Speymill Deutsche Immobilien Company plc (SDIC) and Speymill Property Company Macau Limited plc (MCAU). Paul joined the Board of Speymill plc in July 2008 and is also a member of the Board of SPG.

The baton of CFO Funds has been passed into the capable hands of Nigel Caine who has carried on the programme of systems development work initiated by Paul. Nigel is a trained chartered certified accountant, having previously worked for both KPMG and Deloitte. He brings a breadth of experience and professional rigor to the role.

Neil Holmes also joined the Group during the financial year taking up the role of Group Company Secretary and Commercial Manager. Neil has made a major contribution in terms of strengthening corporate governance and administrative processes and systems within the Group.

### **Speymill Property Group Limited**

SPG is the investment management arm of Speymill plc, representing the core business activity of the Group. SPG is supported by Speymill Property Group (UK) Limited and Speymill Property Group (Far East) Limited (SPGFE) which provide advisory services, and also by GOAL service GmbH (GOAL) in Germany. SPG is based in the Isle of Man, along with our head office, and has seen its operational platform expand significantly during the year. SPG derives the vast majority of its fee income from managing two AIM-listed investment vehicles SDIC and MCAU. It also acts as adviser to one private German residential fund, Epicure Berlin Property Company Limited. In 2008, SPG's net fee revenue was £9.9m (2007: £6.4m), which includes performance fees of £1.6m from the MCAU fund.

In spite of an unprecedented year of turmoil in the global economy, both SDIC and MCAU made significant progress in 2008, both becoming fully invested during the year. I will discuss in more detail the success of these funds later on in this report.

With the world currently suffering the severest economic downturn in many decades, once-in-a-lifetime opportunities will begin to emerge in real estate and other markets. For those in the right position, with the right expertise and people, as we believe we have, the coming months should prove to be very interesting indeed. I believe that we are very well positioned to take advantage of many opportunities that may be thrown up by market conditions in Germany and in the Far-East.

### **Speymill Deutsche Immobilien Company plc**

SDIC experienced a year of continuing progress in 2008, under the watchful eye of its Isle of Man based board, helped by both SPG and our now wholly-owned subsidiary, GOAL. SDIC is now fully invested and has assembled a property portfolio valued at €1.48 billion, as at 31 December 2008. In the period from 30 June 2008 to 31 December 2008, the portfolio value fell by only 0.7%. This is evidence of the quality of the portfolio that has been assembled. It is also evidence that the refurbishment programme, that is currently well underway, continues to create and safeguard portfolio value. In addition, rental income has continued to grow steadily in the past 12 months as GOAL's active asset management of the portfolio produces results.

This coming year will see more work aimed at reducing the vacancy rate of the portfolio (as the refurbishment programme draws to an end), and therefore increasing rental income and value. With no refinancing due until late 2013, and with interest payments fixed for the entire duration of the debt, SDIC is well positioned to withstand the challenges in its marketplace during 2009.

### **GOAL service GmbH**

The Group is proud of the fact that its German residential offering through SDIC and GOAL is value-adding and differentiated within its sector, in that it offers a high degree of vertical integration. Unlike some competitors, the Group not only offers fund management services through SPG but also provides for the active management of real estate assets "on the ground" with asset management, property management, facility management and ancillary services provided by our subsidiary, GOAL.

GOAL has increased its headcount significantly in 2008, further expanding its presence across Germany. During the year, it added a business that provides bookkeeping services to property owning vehicles, GOAL reporting service GmbH, and a debt collection business has also just recently been established with the result that it now provides a comprehensive portfolio of property related services.

GOAL oversees the day-to-day asset management or property management of over 34,000 units. It is also engaged in the process of taking over full control of more SDIC units that are currently subcontracted to third-parties. This will be beneficial as it effectively gives Speymill greater strategic control of those properties and should be beneficial to the SDIC fund.

GOAL is also undertaking a portfolio optimisation programme this year for SDIC through which it aims to create a portfolio of uniformly high quality assets and tenants. This will be primarily achieved through the refurbishment programme but may also involve strategic disposals of outlying assets.

### **Speymill Macau Property Company plc**

2008 proved to be a year of significant progress for MCAU, with the realisation of proceeds equivalent to US\$79m from the sale of purchase rights in the 'Lot U' development, a new forward funding contract to a high-end

waterfront development known as 'Lorcha', and the purchase of the landmark AIA Tower counting amongst the highlights for the year.

The portfolio is valued at US\$288.5m as at 31 December 2008, representing a valuation of US\$396 per square foot, while total assets stood at US\$328.5m, including cash of US\$30.5m. The only debt covenant to which MCAU is exposed relates to the AIA Tower. The loan to value pertaining to that asset is 53% which is comfortably clear of the covenant. The current cash position provides enough liquidity for all of MCAU's cash demands well into 2010.

SPG management is ably assisted by its Hong Kong subsidiary, SPGFE. SPGFE acts as adviser to the MCAU fund and is headed up by Thomas Sipos. Tom and his team deserve special praise for their part in assembling the impressive portfolio that the MCAU fund now owns.

#### **Speymill Goodman Retirement Villages Limited**

The Group also continues to pursue its joint venture, Speymill Goodman Retirement Villages, with the US-based Goodman Group LLC, with a view to introducing the US-style retirement villages concept to the UK. A site selection plan is in place for the acquisition of planning consent for an initial site for a retirement village that would be developed by the Group.

#### **Future prospects**

I believe that the current market turmoil will produce unique opportunities for those correctly positioned to take advantage of such prospects. I believe that Speymill is in such a position and is armed with the right people with the right expertise.

Our core investment management business, SPG, is constantly searching for opportunities, both external to and within its existing business model. In the meantime, SPG continues to benefit from its strong and recurring management fees. Having reduced the Group's exposure to the construction sector with the downsizing of Speymill Contracts and redoubling the focus on risk management within that business, and at the same time taking into account the continuing improvement in both the investment and asset management businesses, I believe that Speymill will deliver improved results this year.

Furthermore, as investor interest continues to grow in the coming months, we expect more real estate deals to take place. As the performance of real estate assets begins to improve towards the end of 2009 and into early 2010, general negative sentiment towards the sector should begin to ease. This might mark the start of a virtuous circle. The possibility of an era of inflation is beginning to look more likely due to the unprecedented volumes of cash currently being pumped into the market by governments worldwide. Real estate is a hedge for inflation and, with rising inflation, investors would be expected to return to real estate. As such, the future prospects for a company with international property expertise such as Speymill look bright.

**Bob MacDonald**  
Chief Executive Officer

## Financial review

The Group's disappointing result for the year can be entirely attributed to the poor performance of Speymill Contracts Limited (Speymill Contracts). That business was faced with one of the worst economic backdrops in its history, during a period of high activity, that led to a sharp fall in margin expectations. In the case of Speymill Contracts this has included dealing with the consequences of multiple subcontractor and client insolvency situations.

By comparison, the Group's asset management subsidiaries had yet another successful year with increased turnover and profitability.

### Results

The loss before tax, share-based payments and write-off of goodwill for the year was £4.9m (2007: profit of £3.1m)\*. This overall loss is largely composed of a combined profit before tax of £5.3m (2007: profit of £2.9m)\* from the Group's investment fund management and property management businesses and a loss before tax of £11m (2007: profit of £0.8m)\* at Speymill Contracts.

\*2008 profit before tax for each subsidiary includes an apportionment of head office overheads. Head office costs were not apportioned in 2007 and therefore the prior year profit before tax for each subsidiary figure would be less if calculated on a like-for-like basis.

Given the magnitude of the losses at Speymill Contracts, the Board of Speymill has resolved to write-off the goodwill associated with its investment. This has resulted in an exceptional charge to the income statement of £0.944m.

The Group's turnover increased 25.1% to £66.0m (2007: £52.7m) during the year, the increase being largely attributable to the Group's acquisition of the 49% shareholding in GOAL service GmbH (GOAL) that it did not already own, coupled with the expansion of that business and also growth in fund management fees received by Speymill Property Group Limited (SPG). There was also a small increase in turnover at Speymill Contracts. The turnover of the contracting business increased by 4.3% on the previous year to £43.2m (2007: £41.4m). During the same period turnover from investment management activities increased 54.7% to £9.9m (2007: £6.4m) as a result of full investment of the Speymill Deutsche Immobilien Company plc (SDIC) and Speymill Macau Property Company plc (MCAU) funds, improved rates of exchange in the US dollar and euro against sterling and also as a result of a performance fee of £1.6m from the MCAU fund. The Group's German property and asset management subsidiary also enjoyed significant growth during the year, expanding its in-house property management business, benefiting from one-off saved brokerage commissions and the establishment of GOAL reporting service GmbH, a company that provides bookkeeping services to its clients.

General administrative expenses increased 98% to £18.4m (2007: £9.3m). This might initially seem like a very high rate of growth in costs, and warrants further explanation. A large proportion of the increase is due to the Group's acquisition of the remaining 49% of GOAL and leading to the need to recognise 100% of that company's costs as well as revenues for the second half of 2008. During the year the cost base of GOAL has also grown as a result of its expansion and also as the euro has strengthened relative to sterling. There have been new hires by head office and SPG in the Isle of Man and in Hong Kong, as the Group expands its investment fund management platform. There was also a cost expansion at Speymill Contracts commensurate with the increase in activity, although that business has been recently forced to shave its overheads significantly.

No bonuses to senior staff were paid in respect of the 2008 year.

The charge for share-based payments fell 46.9% to £422k (2007: £794k) as the overall pool of share options decreased in size, resulting in decreased amortisation charges, as a number of options were either exercised or lapsed and no new options were issued during the year.

The Group's tax charge of £997k (2007: £168k) is attributable to activities undertaken by GOAL, in the main, and also to the Group's Hong Kong investment adviser, Speymill Property Group (Far East) Limited. Losses realised by Speymill Contracts in 2008 have been used to offset other UK profits.

### Earnings per share

Basic loss per share was 12.48p and included 0.02p for the write-off of goodwill (2007: earnings 3.63p). The basic loss per share before share-based payments was 11.76p (2007: earnings 5.01p).

**Net assets and cash flow**

The year-end consolidated balance sheet showed net liabilities of £2.7m (2007: net assets of £5.1m). The net liabilities position is attributable to the losses incurred by the Group in 2008.

The losses in 2008 have resulted in the need for a short-term working capital facility. On 30 January 2009, the Group announced that it had obtained interim financing by way of a committed loan facility of up to £3.3m from two of its directors, Jim Mellon and Bob MacDonald (the full details of which are set out in note 1 to the financial statements). The Group has the option, at its absolute discretion, to either repay the loan or to convert it into convertible preference shares, as part of a public offering. The Group has only needed to draw upon £1.135m of the facility to date. Speymill has also renewed its overdraft facility with its bankers, Lloyds TSB, until 28 February 2010. The Board is of the view that the Group has sufficient working capital in order to continue and strengthen its business.

In arriving at the going concern assumption the Board has modelled its budgeted cash needs against all sources of finance at its disposal. Various negative scenarios have also been modelled to ensure that the Company can maintain adequate working capital under more adverse conditions. In addition, the Board commissioned an independent working capital review in support of its conclusion of the Group's working capital adequacy. More information on the work performed by the Board in arriving at the going concern assumption is given in note 1.

**Addressing the problems faced by Speymill Contracts Limited**

Speymill Contracts has suffered badly as a result of the harsh consequences that the current recession is having on the construction sector in particular. That company has been hit by multiple cases of subcontractors and clients being placed into administration to which the high-level of turnover in the business left it exposed.

Both the level of activity and overheads at Speymill Contracts have been rapidly reduced. In addition to the strengthening of senior management, processes have been reviewed and tightened to ensure better risk control in general and, in particular, better protection against potential client and supplier insolvency situations. The Board of Speymill plc continues to monitor the operations of Speymill Contracts very closely.

**Paul Smith**

Finance Director

**Consolidated income statement**

For the year ended 31 December 2008

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Turnover</b>	<b>65,965</b>	52,699
Cost of sales	<b>(52,391)</b>	(39,938)
<b>Gross profit</b>	<b>13,574</b>	12,761
General administrative expenses	<b>(18,354)</b>	(9,275)
Share based payments	<b>(422)</b>	(794)
Impairment of goodwill	<b>(944)</b>	-
Re incorporation costs	-	(394)
Total operating costs	<b>(19,720)</b>	(10,463)
<b>(Loss)/profit from operations</b>	<b>(6,146)</b>	2,298
Net finance costs	<b>(113)</b>	(39)
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>(6,259)</b>	2,259
Taxation	<b>(997)</b>	(168)
<b>(Loss)/profit on ordinary activities after taxation</b>	<b>(7,256)</b>	2,091
<b>(Loss)/earnings per share (pence)</b>		
Basic	<b>(12.48)</b>	3.63
Diluted	<b>(12.48)</b>	3.28

The directors consider that all results derive from continuing activities

## Balance sheets

	2008 Group £'000	2008 Company £'000	2007 Group £'000	2007 Company £'000
<b>Non-current assets</b>				
Intangible assets-goodwill	6	-	944	-
Property, plant and equipment	1,120	53	486	-
Investments in subsidiaries and joint ventures	-	1,228	-	885
Available-for-sale financial assets	218	-	566	-
Deferred tax assets	-	-	146	-
	<b>1,344</b>	<b>1,281</b>	<b>2,142</b>	<b>885</b>
<b>Current assets</b>				
Inventories	-	-	43	-
Due from customers for contract work	5,028	-	8,036	-
Trade and other receivables	11,233	1,806	9,898	731
Cash and cash equivalents	156	105	1,504	-
	<b>16,417</b>	<b>1,911</b>	<b>19,481</b>	<b>731</b>
<b>Total assets</b>	<b>17,761</b>	<b>3,192</b>	<b>21,623</b>	<b>1,616</b>
<b>Current liabilities</b>				
Bank overdraft	2,109	-	-	-
Trade and other payables	12,171	558	12,884	822
Due to suppliers for contract work	4,526	-	3,532	-
Obligations under finance leases	26	-	11	-
Current tax liabilities	1,135	-	97	-
	<b>19,967</b>	<b>558</b>	<b>16,524</b>	<b>822</b>
<b>Non current liabilities</b>				
Deferred tax liabilities	507	-	-	-
Obligations under finance lease	-	-	31	-
<b>Total liabilities</b>	<b>20,474</b>	<b>558</b>	<b>16,555</b>	<b>822</b>
<b>Net assets</b>	<b>(2,713)</b>	<b>2,634</b>	<b>5,068</b>	<b>794</b>
<b>Equity</b>				
<b>Capital and reserves</b>				
Ordinary share capital	583	583	580	580
Capital redemption reserve	-	-	2,294	-
Share premium	34	34	7,852	-
Share based payments reserve	1,815	1,815	1,588	1,588
Other income reserve	(729)	-	(36)	-
Revenue reserves	(4,416)	202	(7,210)	(1,374)
	<b>(2,713)</b>	<b>2,634</b>	<b>5,068</b>	<b>794</b>

**Statement of changes in shareholders' equity**

For the year ended 31 December 2008

	Ordinary share capital	Capital redemption reserve	Share premium	Share based payment reserve	Other income reserve	Retained income	Total equity
Balance at 31 December 2006	571	2,294	7,847	794	-	(9,301)	2,205
Share based payments							
-share option charge	-	-	-	530	-	-	530
-share issue	9	-	5	264	-	-	278
Revaluation of available-for-sale financial assets	-	-	-	-	(71)	-	(71)
Currency translation differences on foreign currency investments	-	-	-	-	35	-	35
Profit for the year	-	-	-	-	-	2,091	2,091
Balance at 31 December 2007	580	2,294	7,852	1,588	(36)	(7,210)	5,068
Share based payments							-
-share options exercised	3	-	34	(195)	-	195	37
-share option charge	-	-	-	316	-	-	316
-deferred share plan	-	-	-	106	-	-	106
Cancellation of share premium	-	-	(7,852)	-	-	7,852	-
Cancellation of capital redemption reserve	-	(2,294)	-	-	-	2,294	-
Revaluation of available-for-sale financial assets	-	-	-	-	(976)	-	(976)
Currency translation differences on foreign currency investments	-	-	-	-	625	-	625
Dividend payment of 0.5p to shareholders	-	-	-	-	-	(291)	(291)
Own shares acquired (765,521 shares)	-	-	-	-	(342)	-	(342)
Loss for the year	-	-	-	-	-	(7,256)	(7,256)
<b>Balance at 31 December 2008</b>	<b>583</b>	<b>-</b>	<b>34</b>	<b>1,815</b>	<b>(729)</b>	<b>(4,416)</b>	<b>(2,713)</b>

**Consolidated statement of cash flows**

For the year ended 31 December 2008

	2008 £'000	2007 £'000
<b>Cash flows from operating activities</b>		
Cash generated from operations	(1,206)	1,929
<b>Net cash (outflows)/inflow from operating activities</b>	<b>(1,206)</b>	<b>1,929</b>
<b>Cash flows from investing activities</b>		
Interest received	72	71
Acquisition of subsidiary	(588)	-
Acquisition of investment	(629)	(637)
Purchase of property, plant and equipment	(728)	(396)
<b>Net cash outflows from investing activities</b>	<b>(1,873)</b>	<b>(962)</b>
<b>Cash flows from financing activities</b>		
Issue of equity shares	38	14
Repayments of redeemable loan notes	-	(39)
Bonus share purchase	(342)	-
Dividend payment	(291)	-
Finance lease principal repayments	(11)	(10)
Interest paid	(188)	(105)
<b>Net cash outflows from financing activities</b>	<b>(794)</b>	<b>(140)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(3,873)</b>	<b>827</b>
Translation	416	30
Cash and cash equivalents at beginning of year	1,504	647
<b>Net cash and cash equivalents at end of year</b>	<b>(1,953)</b>	<b>1,504</b>
Cash and cash equivalent comprise		
Cash and deposits	156	1,504
Bank overdraft	(2,109)	-
	<b>(1,953)</b>	<b>1,504</b>
<b>Cash generated from operations</b>		
(Loss)/profit from operations	(6,146)	2,298
Adjusted for:		
Depreciation of tangible assets	312	124
Share based payments charge	422	794
Impairment of goodwill	944	-
Decrease/(increase) in inventories	43	(10)
Increase in receivables	(1,071)	(10,503)
Increase in payables	4,290	9,226
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(1,206)</b>	<b>1,929</b>

## Notes to the consolidated financial statements

### 1 Reporting entity

Speymill plc is a public limited company incorporated and domiciled in the Isle of Man (referred to as the "Company"). The address of the Company's registered office is 1st Floor, Regent House, 16–18 Ridgeway Street, Douglas, Isle of Man, IM1 1EN.

The consolidated financial statements of the Company as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the Group and individually as "Group entities") and the Group's interest in jointly controlled entities. The Group is primarily involved in real estate investment management, property construction and property management.

#### 1.1 Basis of preparation

##### (a) Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and its interpretations adopted by the International Accounting Standards Board ("IASB").

##### Going concern

As highlighted in the Finance Director's review, the year end consolidated balance sheet shows a net liabilities position of £2.7m (2007: net assets of £5.1m). The net liabilities position is a consequence of the losses incurred by Speymill Contracts Limited (Speymill Contracts) and the consequent write-off of goodwill relating to the Group's investment in that subsidiary. As a result of these losses, the Board of Speymill plc has recognised a need for additional working capital. The Board is of the opinion that the Group has sufficient finance available in order to enable the Group to continue trading (see below). In support of this opinion, the Board has extensively analysed its budget for the Group and expectations of the Group's performance for the 18 month period ended 30 June 2010 and commissioned an independent working capital review. Further details of the finance and work undertaken in reaching the going concern conclusion are set out below.

##### Finance

As announced on 30 January 2009, Speymill has obtained additional financing by way of a committed loan facility of £3.3 million from two of its directors, Jim Mellon and Bob MacDonald. This loan has and will be applied as working capital for the Group and for Speymill Contracts. The term of the loan is 18 months, with an expiry date of 31 July 2010. The interest rate charged on the loan is 12% per annum and a facility fee of 3% is added to the principal amount of the Loan on draw down with both the interest and the facility fee being rolled up until maturity of the loan. The loan is unsecured and has been made available for drawdown in three tranches from 29 January 2009, 5 February 2009 and 1 March 2009. To date the Company has drawn-down the first tranche of £1.135m of the facility and therefore has a further £2.165m facility still available for drawdown under the terms of the loan.

Speymill has also renewed its £2m overdraft facility with its bank, Lloyds TSB Bank plc, for 12 months to 28 February 2010.

##### Working capital modelling

In reaching the going concern conclusion, a Group budget was prepared for the 18 month period ended 30 June 2010. The budget was flexed in order to understand the cash flow implications of various negative scenarios including decreases in asset values, the effect of weakening foreign currency receipts and the possibility of further poor performance at Speymill Contracts. These sensitivities were tested singly and in combination and the results were presented to the Board by means of a Working Capital Board Memorandum.

The Board also commissioned an independent working capital review report in support of its conclusion of the Group's working capital adequacy.

##### Risk management

The Board acknowledges that the greatest risks to the business ceasing to be a going concern emanate from Speymill Contracts and continues to manage the situation at Speymill Contracts very carefully. Both activity and overheads have been quickly reduced, important changes in management at subsidiary and main board level have been made and there is an increased emphasis on risk management.

## 2 Segmental information — business segments

31 December 2008	Construction and Refurbishment £'000	Investment Fund Management £'000	Property Management £'000	Other Group Operations £'000	Elimination £'000	Total £'000
External revenue	43,210	9,913	12,842	-	-	65,965
Inter -segment revenue	-	2,017	2,020	1,740	(5,777)	-
Total segment revenue	43,210	11,930	14,862	1,740	(5,777)	65,965
Loss from operations before share based payments and impairment of goodwill	(10,779)	4,539	879	581	-	(4,780)
Share based payments	(80)	(116)	(122)	(104)	-	(422)
Impairment of goodwill	-	-	-	(944)	-	(944)
Net finance (cost)/income	(143)	150	(16)	(104)	-	(113)
(Loss)/profit before tax	(11,002)	4,573	741	(571)	-	(6,259)
Depreciation and non cash expenses	(193)	(122)	(302)	(117)	-	(734)
Total assets	7,851	4,935	4,771	204	-	17,761
Total liabilities	(14,737)	(1,337)	(4,263)	(137)	-	(20,474)
Capital expenditure	156	36	470	66	-	728

2008 profit before tax for each subsidiary includes an apportionment of head office overheads. Head office costs were not apportioned in 2007 and therefore the prior year profit before tax for each subsidiary figure would be less if calculated on a like-for-like basis.

31 December 2007	Construction and Refurbishment £'000	Investment Fund Management £'000	Property Management £'000	Other Group Operations £'000	Elimination £'000	Total £'000
External revenue	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 incorporation costs and share based payments	918	2,632	841	(905)	-	3,486
Share based payments	(102)	(558)	(12)	(122)	-	(794)
Reincorporation costs	-	-	-	(394)	-	(394)
Net finance costs	-	-	-	(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

## Segmental information — geographical presentation

31 December 2008	United Kingdom £'000	Continental Europe £'000	Isle of Man £'000	Elimination £'000	Total £'000
External revenue	43,210	12,842	9,913	-	65,965
Segment assets	7,851	4,771	5,139	-	17,761
Capital expenditure	156	470	102	-	728

31 December 2007	United Kingdom £'000	Continental Europe £'000	Isle of Man £'000	Elimination £'000	Total £'000
External revenue	41,372	5,679	6,436	(788)	52,699
Segment assets	12,705	3,670	5,248	-	21,623
Capital expenditure	219	177	-	-	396

The Group adopted a new basis of identification of geographical segments on 1 January 2008 which presents investment management income based on where the fund entity is registered. The Group now operates in three geographical segments (secondary segment), the United Kingdom, Continental Europe and the Isle of Man.

Geographical segment information included in the previously published financial statements has been restated to reflect this new basis of segmentation. As the restatement only related to the disclosure of the Group's geographical segment information, previously reported business segment information was unchanged.

### 3 Performance fees

The Group and Avila Capital Limited, property advisers of Speymill Macau Property Company Plc (MCAU), are jointly entitled to a performance fee of an amount equal to 20% of the excess of the net asset value per share over a benchmark multiplied by the number of shares in issue. The benchmark is equal to the placing price increased at a compound rate of 10% per annum or, where a performance fee has been paid, the net asset value per share which gave rise to the payment of the performance fee increased at a compound rate of 10% per annum.

During the year, the Group received £1.254m as performance fee from MCAU, 50% of which was used to acquire shares in MCAU as required by the agreement.

Additionally, the Group received fees of £0.4m for assisting in the disposal of a MCAU investment property.

### 4 (Loss)/profit from operations

	2008 £'000	2007 £'000
Operating (loss)/profit is stated after charging:		
Depreciation		
- owned assets	292	98
- leased assets	20	26
Operating lease charges		
- land and buildings	544	166
- equipment and motor vehicles	250	18
Net foreign exchange gain	201	91
Auditors' remuneration		
Audit of parent company and consolidated financial statements	30	27
Audit of subsidiary company financial statements	108	59
Tax services	14	21
Other services	74	35
	226	142

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

**5 Share based payments**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Share options	<b>316</b>	530
Provision for share issue	<b>106</b>	264
	<b>422</b>	794

**6 Net finance costs**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
Bank interest receivable	<b>72</b>	78
Other interest	<b>12</b>	-
	<b>84</b>	78
Bank interest payable	<b>(195)</b>	(110)
Loan interest	<b>-</b>	(6)
Finance lease charges	<b>(2)</b>	(1)
	<b>(197)</b>	(117)
	<b>(113)</b>	(39)

**7 Taxation****Tax charge**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
<b>Taxation charge</b>		
Foreign income tax on joint venture	<b>-</b>	59
Foreign income tax on subsidiary	<b>191</b>	-
Previous years under provision	<b>481</b>	-
Total current tax	<b>672</b>	59
Deferred tax	<b>325</b>	109
Total tax charge	<b>997</b>	168

**Factors affecting the tax charge for the year**

The tax assessed for the period is higher than the Isle of Man income tax. The differences are explained below.

	<b>2008</b>	2007
(Loss)/profit on ordinary activities before taxation	<b>(6,259)</b>	2,259
Isle of Man income tax @ 0% (2007: 0%)	<b>-</b>	-
Higher rates on overseas earnings	<b>516</b>	199
Adjustments in respect of prior periods	<b>481</b>	(31)
Tax expense per the income statement	<b>997</b>	168

**8 (Loss)/earnings per share**

	<b>2008</b>	2007
	<b>£'000</b>	£'000
(Loss)/earnings for the period	<b>(7,256)</b>	2,091
Basic weighted average number of shares in issue	<b>58,139,555</b>	57,539,447
Employee share options and provisions for share issue	<b>-</b>	6,240,926
(Loss)/earnings per ordinary share	<b>(12.48)</b>	3.63
Dilutive effect of employee share options	<b>-</b>	(0.35)
Diluted (loss)/earnings per share	<b>(12.48)</b>	3.28

**9 Intangible assets — goodwill**

	<b>Group £'000</b>
<b>Cost</b>	
At 1 January 2008	4,115
Addition – acquisition of subsidiary	6
<b>At 31 December 2008</b>	<b>4,121</b>
<b>Amortisation and Impairment</b>	
At 1 January 2008	3,171
Impairment	944
<b>At 31 December 2008</b>	<b>4,115</b>
<b>Net book value</b>	
<b>At 31 December 2008</b>	<b>6</b>
At 31 December 2007	944

The significant losses incurred by the Group's leisure and construction business coupled with the continued challenging macroeconomic environment and uncertain outlook for the business has led management to conclude that the above goodwill which solely related to this business should be fully impaired.

**10 Property, plant and equipment**

<b>Group</b>	<b>Leasehold property improvements £'000</b>	<b>Fixtures and equipment £'000</b>	<b>Motor vehicles £'000</b>	<b>Total £'000</b>
<b>Cost</b>				
At 1 January 2008	106	500	127	733
Additions	263	465	-	728
Disposals	-	(74)	-	(74)
Acquisition of subsidiary	24	173	-	197
Exchange adjustments	60	54	-	114
<b>At 31 December 2008</b>	<b>453</b>	<b>1,118</b>	<b>127</b>	<b>1,698</b>
<b>Depreciation</b>				
At 1 January 2008	-	146	101	247
Charge for the year	87	212	13	312
Disposals	-	(40)	-	(40)
Exchange differences	25	34	-	59
<b>At 31 December 2008</b>	<b>112</b>	<b>352</b>	<b>114</b>	<b>578</b>
<b>Net book value</b>				
<b>At 31 December 2008</b>	<b>341</b>	<b>766</b>	<b>13</b>	<b>1,120</b>
At 31 December 2007	106	354	26	486

**10 Property, plant and equipment (continued)**

At 31 December 2008 the net carrying amount of motor vehicles held under finance leases was £25,899 (2007: 32,000). Depreciation charged in the year on assets held under finance leases was £19,797 (2007: £25,927).

Company	Leasehold property improvements £'000	Fixtures and Equipment £'000	Total £'000
<b>Cost</b>			
<b>At 1 January 2008</b>	-	-	-
Additions	1	65	66
<b>At 31 December 2008</b>	<b>1</b>	<b>65</b>	<b>66</b>
<b>Depreciation</b>			
<b>At 1 January 2008</b>	-	-	-
Charge for the year	-	13	13
<b>At 31 December 2008</b>		<b>13</b>	<b>13</b>
<b>Net book value</b>			
<b>At 31 December 2008</b>	<b>1</b>	<b>52</b>	<b>53</b>
At 31 December 2007	-	-	-

**11 Post balance sheet events**

On 26 January 2009, Speymill announced that following the impact of further clients and subcontractors being placed into administration on the results of Speymill Contracts, it had requested the suspension of trading in its shares on AIM. The purpose of the suspension was to allow time for the Group to carry out an accurate assessment of the impact of these significant events at Speymill Contracts on the overall financial position of the Group.

The trading of the Group's shares on AIM is expected to be restored at 8.00am this morning, with the Board having carried out a thorough review of the Group's financial position including its working capital needs. This is discussed in more detail in note 1 under the heading of Going Concern.

On 30 January 2009, Speymill announced that it had obtained additional financing by way of a committed loan facility of £3.3 million from two of its directors, Jim Mellon and Bob MacDonald. This loan has and will be applied as working capital for the Group and for Speymill Contracts. The term of the loan is 18 months, with an expiry date of 31 July 2010. The interest rate charged on the loan is 12% per annum and a facility fee of 3% is added to the principal amount of the loan on draw down. Both the interest and the facility fee are rolled up until maturity of the loan. The loan is unsecured and has been made available for drawdown in three tranches from 29 January 2009, 5 February 2009 and 1 March 2009. To date the Company has drawn-down the first tranche of £1.135m of the facility and therefore has a further £2.165m facility still available for drawdown under the terms of the loan.

The Company has the right to require the lenders to convert their rights under the loan agreement into non-voting, cumulative 8.75% convertible preference shares with a three year maturity. The non-voting cumulative 8.75% convertible preference shares will be issued at a price of 10.25pence per share, being the closing share price of the ordinary shares of Speymill plc prior to the suspension of trading on 26 January 2009.

Speymill has also renewed its £2m overdraft facility with its bank, Lloyds TSB Bank plc, for 12 months to 28 February 2010.

**12 Annual report and financial statements**

Copies of the 2008 Annual Report and Financial statements will be available from the Company's registered office once they have been posted to shareholders.