

Speymill Group plc (SYG.L) Initiating Coverage

Rating Speculative Buy
Price 77.25p

Share Data

52-wk range (p) 8.5 – 84.5
Market Cap (£m) 43.2
Shares o/s (m) 55.9
Free Float 49%
Dividend Yield 0%
Reuters SYG.L
Bloomberg SYG LN

Ord. Shares Perf.

1m perf. +3%
3m perf. +15%
12m perf. +572%

Rel. FTSE All-Share

1m perf. +2%
3m perf. +9%
12m perf. +542%

Rel. FTSE Real Estate

1m perf. +6%
3m perf. +9%
12m perf. +531%

Balance Sheet 2005

Sh. equity (£m) 0.6
Net cash (debt) (£m) 0.8

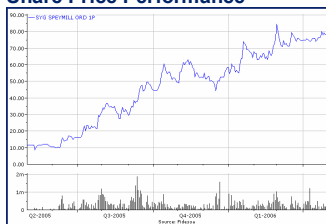
Key Dates

AGM (TBC) 26 Jul
2006 Interims (TBC) 30 Sep
Financial Year End 31 Dec
2007 Prelims (TBC) 19 Apr

Company Website

www.speymill.com

Share Price Performance



Lewis Charles Securities is acting as Broker to Speymill Group. Therefore this research cannot be classified as objective as defined in Lewis Charles Securities' research policy. This policy and other important disclosures can be found at the research section at www.lewischarles.com

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Speymill Group plc ("Speymill") is an AIM-listed property management and construction & refurbishment company with a fund management business which is currently focusing on property in Germany.

- Following major disposals last year and a complete change of the management team, a dual construction and fund management strategy has been implemented with an additional focus on property management.
- In addition to Speymill Contracts, its construction and refurbishment business, the new businesses include Speymill Property Managers Ltd and a joint venture, GOAL Service GmbH. The Group now has two property funds under management with combined equity of €360 million and an expected leveraged and fully invested value of approximately €1.5 billion.
- The strong relationship with Jim Mellon should serve the Group well. His property investment vehicle, Burnbrae, has provided the Group with financial backing and strategic direction. Burnbrae Germany has contributed a portfolio of apartments to be managed and serviced by GOAL Service. Burnbrae also intends to invest heavily in the build out of hotels in the UK and Continental Europe and has afforded Speymill Contracts preferred contractor status for the project.
- The closing of the Epicure Berlin Property Company fund and the launch of the Speymill Deutsche Immobilien Company fund has allowed GOAL Service and Speymill Property Managers to develop a template for future property funds which should lead to a more efficient investment process that benefits the Group as it begins to launch additional property funds.
- The property market in Berlin presents one of the best opportunities for growth in the sector today. Speymill has entered the market from a standing start but already is managing a significant property portfolio in the city and with an experienced team "on the ground" is growing its portfolio of funds while benefiting from a largely fixed cost base.

Figure 1: Key Forecasts

Financial Year	Revenue (£000s)	EBITDA (£000s)	PBT ⁽¹⁾ (£000s)	Shares ⁽²⁾ (m)	EPS ⁽¹⁾ (p)	DPS (p)	EV/EBITDA (x)	PER (x)	Yield (%)
2003A	22,229	85	(180)	1.4	(13.3)	0.0	498.9	n/a	0.0%
2004A	18,178	(3,173)	(3,571)	8.9	(39.0)	0.0	n/a	n/a	0.0%
2005A	15,323	(857)	(1,085)	38.8	(2.8)	0.0	n/a	n/a	0.0%
2006E	22,593	817	775	55.9	1.4	0.0	51.9	55.7	0.0%
2007E	31,703	4,770	4,776	55.9	8.2	4.9	8.9	9.4	6.3%

(1) Pre exceptional items, goodwill amortisation, impairments and income from disposals

(2) Weighted average

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

Our valuation of the current business, including the two new funds yields an implied share price of 73p, a 5% discount to the current share price. If Speymill Group successfully closes a further two funds in 2007, based on conservative assumptions our valuation yields an implied price of 96p representing upside of 24%.

We are refraining at this stage from publishing a target price since it is highly dependent on Speymill's ability to source equity for the funds and ultimately, the number and size of funds closed. Nevertheless, we believe the necessary structure and people are now in place to achieve multiple property funds under management.

We recognise Speymill has successfully closed two funds with an expected invested value of some €1.5 billion, and together with the financial and industry backing of Jim Mellon, significant restructuring during 2005 and a proven property management platform to build upon, we recommend Speymill Group as a Speculative Buy.

Strengths and key investment points

- Speymill Group has a strong relationship with Jim Mellon who, through his property investment vehicle Burnbrae, has provided the Group with financial backing and strategic direction. Burnbrae Germany has contributed a portfolio of apartments to be managed and serviced by Speymill Property Managers and GOAL Service. Burnbrae also intends to invest heavily in the build out of its Sleepwell Hotel chain in the UK and Continental Europe and has afforded Speymill Contracts preferred contractor status for the project.
- Following completion of major disposals last year, exceptional reorganisation costs and planned operational changes, Speymill Group's new strategy is supported by a scalable business model with a largely fixed cost base, without direct correlation to property market prices. The necessary structures, investment in key people and relationships are now largely in place to increase the number of funds and property portfolios that could be managed.
- The closing of the Epicure Berlin Property Company fund and the launch of the Speymill Deutsche Immobilien Company fund (SDIC.L) has allowed GOAL Service and Speymill Property Managers to develop a template for future property funds which should lead to a more efficient investment process that benefits the Group as it begins to launch additional property funds.
- We are encouraged by the new management team and willingness to appoint both new executive and non-executive directors where it makes commercial sense. The team is now complemented by individuals with relevant experience as well as important partners at a local level. A key element of the group's strategy is to partner with local 'experts' who have far more detailed knowledge and experience in those markets.
- The property market in Berlin presents one of the best opportunities for growth in the sector today. Speymill has entered the market from a standing start but already is managing a significant property portfolio in the city and with an experienced team "on the ground" is poised to grow its portfolio of funds while benefiting from a largely fixed cost base.
- Introduction of legislation for Real Estate Investment Trusts (REITs), both in the UK and possibly later in Germany, provides an opportunity for Speymill to diversify into operating funds with the added attraction of the tax advantages that REITs could enjoy. However we await further clarification and details on precisely how this is expected to work in practice. Furthermore, German REITs (G-REITs) are anticipated within two years, and selling to these may provide an appropriate exit route at the end of the life of the funds managed by Speymill Property Managers.

Weaknesses & risks to be considered

- Speymill Group is currently heavily reliant on support from Burnbrae and Jim Mellon. We expect to see the Group increasingly diversify its property portfolio and sourcing opportunities through working closely with its JV, GOAL Service.
- Revenue from Speymill Contracts in 2004 and 2005 had come in below expectations, although this was largely as a result of contract delays that were beyond the control of Speymill Group. Nevertheless, support from Burnbrae and the growing contract pipeline to £50 million is encouraging for future prospects.
- There were concerns among German retail investors with cash tied up in real estate funds following the freeze by Deutsche Bank of its \$7 billion fund. This may have had a negative effect on the sector overall, however, we believe that any revaluation exercise is not as relevant to Speymill Group as it has no direct exposure to the property valuations within its portfolio and currently focuses largely on residential, rather than commercial property.

Speymill Group Overview and History

Speymill Group plc (“Speymill”) is an AIM-listed property management and construction & refurbishment company with a fund management business which is currently focusing on property in Germany.

Group history

Before we discuss the Group’s current activities it is important to be aware of the recent and radical changes in which it has undergone in order to explain the financial results for the last three years. Incorporated in 1990 and then named Wigmore Group (WGT.L), it eventually became a support services group. At the time of its admission on AIM in 2002 it had three principal activities focused on grounds maintenance (First National Property Maintenance), building and maintenance (D.F. Blanchard), and construction and refurbishment with a focus on the hotel and leisure sector (Speymill Contracts).

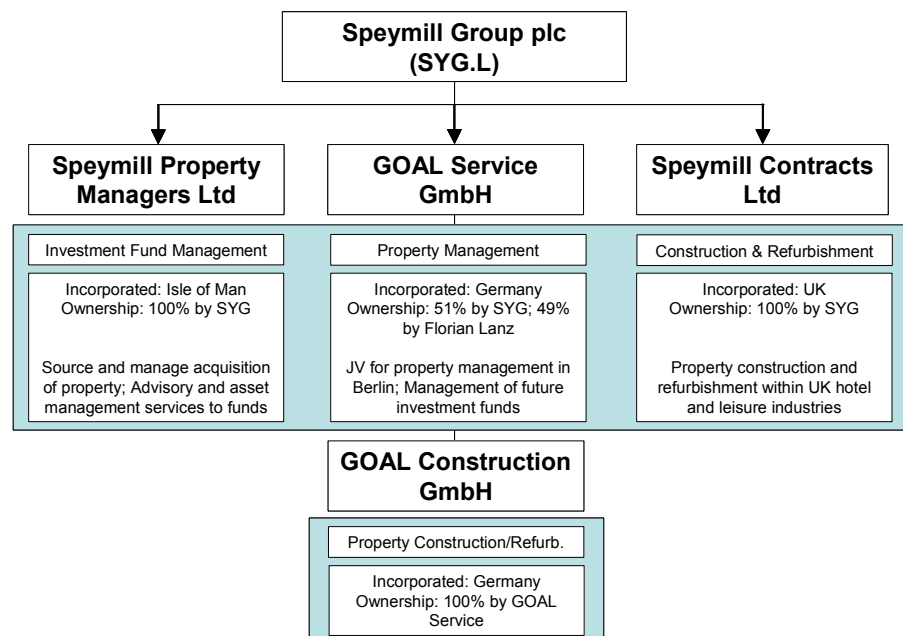
Strategic disposals of underperforming businesses

In 2003 the company acquired Blanchard’s, which was to become its building and maintenance division. While historical results for this business were strong at the time of the acquisition, 2004 proved to be a very poor year overall due to changes in specific contracting arrangements for Blanchard’s with under-performing projects and delays to contracts. Losses from this newly acquired business forced management to dispose of last year both Blanchard’s and First National Property Maintenance (to Blanchard’s management). The only remaining division from the original business is Speymill Contracts Ltd and hence the decision to change the company’s name to Speymill Group.

Change in strategy to focus on strong UK refurbishment business and property management services

Since these disposals, which were effectively a major change in strategy, the management team has also undergone a radical change and during the last year a dual strategy has been launched with an additional focus on property management. The new activities include the fund management business via Speymill Property Managers Ltd and a property management JV, GOAL Service GmbH. Its first fund, Epicure Berlin Property Company Limited fund (“Epicure”), closed last October raising €127 million of equity. The second, Speymill Deutsche Immobilien Company plc fund (“SDIC”) raised approximately €230 million equity and floated on AIM on 17 March 2006.

Figure 2: Speymill Group Structure



Source: Company, Lewis Charles Research

GOAL Service GmbH

JV to manage German properties

GOAL Service GmbH ("GOAL") is the Group's property management joint venture which started operations in September 2005. GOAL, incorporated in Germany, is 51% owned by Speymill Group and 49% owned by Florian Lanz, who has an established presence and experience in provision of property management services to landlords of both residential and commercial property in Germany.

Main revenue streams from contracts to manage direct property portfolios, and properties within investment funds

- GOAL is contracted to manage the property interests of Burnbrae Ltd in Germany. Burnbrae is a private investment company whose sole beneficiary is Jim Mellon. Burnbrae Germany owns 1,200 apartments in Berlin with a value of €60 million and return on investment on this portfolio is averaging a yield of about 10%. A mixed portfolio approach has been taken to maximise short term rental opportunities and to benefit from property increases in more undervalued areas.
- In addition to Burnbrae, Florian Lanz's company, LAGO Service, has contributed approximately 800 apartments in Berlin to be managed by GOAL, bringing the total to some 2,000.
- All properties associated with the Group's existing investment funds in Germany will be managed by GOAL.
- In conjunction with Speymill Property Managers, GOAL will validate the suitability of potential acquisitions, try to find and manage tenants, and undertake technical property management services such as cleaning, general maintenance, major refurbishment and property administration - all key services required for property management on a large scale.
- Management anticipates that GOAL may in the future have an opportunity to redevelop and refurbish sites in Germany, in which the Group could bring in the expertise of Speymill Contracts. Furthermore, through GOAL's wholly owned subsidiary, GOAL Construction GmbH, it will be managing luxury apartment conversions in Germany for Burnbrae.
- GOAL's team is based sufficiently close to the properties being managed to allow quick response and remain close to tenants so are able to keep on top of rent collection.

Scalable business that is able to grow as fund management arm grows ...

By teaming up with Florian Lanz, Speymill is able to immediately provide property management services throughout Germany. With his experience, GOAL's initial focus will be in the residential market in Berlin where yields are high and economic prospects are expected to recover. The existing relationships with agents and brokers and an understanding of the market, all brought in by Florian Lanz, will allow GOAL to gradually scale up its operations. We believe that Speymill's ability and recognition of the necessity to team up with a local partner is key to its success, both in Germany and in other countries as and when new funds are launched.

... backed by considerable fund management experience

We highlight that Jim Mellon has been a major driver behind the recent transformation of Speymill Group. As well as owning Burnbrae Ltd, he is also the founding shareholder of Hong Kong listed Regent Pacific Group Ltd (575 HK) which has investments in the brokerage sector in Korea as well as in the technology sector. Furthermore, he is founding and largest single shareholder, former Chairman and now a Non-Executive Director of AIM-listed Charlemagne Capital Ltd (CCAP.L) which has \$5.2 billion of assets under management in emerging markets. Jim Mellon's direct ownership in Speymill Group combined with Burnbrae Ltd is 46.8%.

Speymill Property Managers Ltd

Property fund advisory service

Speymill Property Managers ("Speymill PM") was established in the first half of 2005, to source and manage the acquisition of property and to provide an advisory service to property funds. Investment management expertise is provided by both Jim Mellon and the recently appointed chairman of Speymill PM, Howard Flight, co-founder of Guinness Flight and formerly a shadow Tory frontbencher.

Initial focus on residential property in Berlin with aim of further funds under management by end of 2006

Speymill PM is focusing on public and private funds investing in German (and possibly later, UK) real estate and anticipates it will be ready to take advantage of opportunities presented by the potential introduction of Real Estate Investment Trusts ("REITs"). Speymill PM is currently managing the assets of two funds. Management anticipates that it will achieve its short term goal to be managing further funds of property assets by the end of 2006 and is already in discussion with other parties to that end. We expect Speymill to announce at least one additional fund this year.

The Group's stated intention was to initially focus on German residential property in Berlin, but with the recent launch of a second fund to invest throughout Germany we expect there may also be some commercial and mixed use property where available yields make investments attractive.

It is worth pointing out that Speymill PM is not just a simple property management company in the typical sense. Its responsibilities include the management of the various processes behind the acquisition, ownership and management of all the properties which also includes, for example, a legal team.

Availability of low cost financing to leverage fund size

The funds can take advantage of borrowing costs that are currently very low allowing for highly leveraged financing. Furthermore following the announcement of the introduction of REITs in the UK, it is also anticipated that German Real Estate Investment Trusts ("G-REITs") may be introduced within two years, and selling to these may provide an appropriate exit route at the end of the life of the funds.

Recent launch of first fund with an expected fully-invested size of €530 million

The **Epicure Berlin Property Company Limited** fund is the first of the property funds to be closed.

- The fund closed at the beginning of November 2005 having raised equity of €127 million.
- It is expected that the Fund will eventually acquire assets (with a focus on residential Berlin) which will give it an eventual size of around €530 million (£360 million) after property acquisition costs, given the ability to take on relatively cheap mortgage loans with borrowing costs currently available in the order of 4.5%.
- The equity was provided by a division of Helvetica Wealth Management Partners. Headquartered in Zug, and with offices in Geneva and Singapore, Helvetica is a fully-licensed asset management company providing investment management services and advice to government entities, institutional and ultra high net worth private clients.
- Speymill PM is co-advising on this fund and management fees are split between Speymill PM and Helvetica.
- GOAL will provide property management services to the properties of the fund. Furthermore, Florian Lanz's local knowledge and sourcing opportunities will allow future funds the potential to expand Speymill's footprint outside Berlin.

Announcement on progress of investments should come soon

Speymill PM should already be progressing well on investment deals with approximately €200 million in Berlin residential property approved and signed at the public notary for purchase and a pipeline of some €470 million of acquisitions under consideration. We expect Epicure to be fully invested before the end of 2006. Whilst there has yet to be any detailed statement regarding specific progress of property acquisitions we do expect management to make relevant announcements as and when necessary. Properties are mostly acquired in significantly large blocks as they become available, and completion time for each is no less than 30 days, and so we do not expect an announcement to be made until a sizeable proportion of the fund has been invested.

Second fund with an expected fully invested size of €975 million with a more diverse focus but still within Germany

Speymill Deutsche Immobilien Company plc (“SDIC”) is the Company’s second property fund.

- The fund raised approximately €234 million net (£161.5 million) and commenced trading on AIM on 17 March 2006 with the SDIC ticker.
- It is expected that the fund will acquire assets to give it an eventual size of approximately €975 million (£670 million) within 12 months while benefiting from similar low borrowing costs as Epicure. SDIC intends to invest in a diversified portfolio of both residential and commercial property in Germany, targeting a blended yield of 7.25%. However commercial property will be limited to only 10% on a fully invested basis.
- It is important to note that SDIC (SDIC.L) is an independent company to Speymill Group (SYG.L) with no common directors. As is the case with Epicure, both Speymill Property Managers and GOAL Service have been appointed manager and investment adviser, respectively, to SDIC.
- An agreement is in place to ensure that until Epicure is 90% invested, SDIC will not make any investments in Berlin. Likewise, until SDIC is 80% invested, SDIC has the right of first refusal on any property investments sourced by GOAL or Speymill Property Managers outside Berlin. Speymill PM is co-advising on a similar fee sharing agreement to Epicure.

The launch process and deal sourcing of Epicure and SDIC had the management on a significantly steep learning curve. With the Group structure now well established, the time to market for further funds should be shorter than it was for the first two assuming equity investments can be secured. Given the specific focus of Epicure on Berlin residential, and SDIC’s on Germany, we expect future funds are likely to focus on property outside Germany. The structure of Speymill PM and the launch of the initial funds offer specific benefits:

- Epicure and SDIC provide a template for future funds. Significant investment has been made into putting together the resources required to source, acquire and effectively manage properties. We expect future funds should be able to be structured quicker.
- The structure of Speymill PM and its relationship with GOAL allow for significant scalability in the business model. The addition of the management of further funds should not significantly increase fixed costs as the major property management operations are outsourced.
- Whilst initial activity will be centred on Germany, the Company intends to eventually participate in the anticipated introduction of REITs after expected legislation in the UK and through existing REIT opportunities in Germany.

Speymill Contracts Ltd

The original remaining business from Wigmore Group

Speymill Contracts handles the core construction, fit out and refurbishment business in the UK. It is the only activity remaining out of the old Wigmore Group following the disposal of Blanchard's and First National Property Maintenance.

Shift in focus in line with changing industry

Speymill Contracts Ltd was established in 1995, and has had considerable experience in both the new build and refurbishment of hotels, theme pubs, health clubs, restaurants, nightclubs, offices, showrooms and fast food outlets. However, since the change in strategy by the Group, Speymill Contracts intends to shift away from the pub-type refurbishment business to focus on the hotel and leisure sectors for various blue chip companies and developers. This change in focus is based on significant development and expansion that is taking place in the UK hospitality sector.

According to Business Development Research Consultants, between 1999 and 2003 there has been significant growth in the number of adults using branded budget hotels, from 3.03 million to 5.66 million, representing a compound annual growth rate of 17%. According to Whitbread plc, these hotels are being used by both leisure and business travellers as customers make their choice on the basis of convenience rooms available in the location they require. Furthermore, branded budget hotels account for 12% of the UK's total hotel room supply so the opportunity for growth is significant.

Renewed focus on hotel & leisure with a an order pipeline at £50m

The hotel and leisure sector has always been the specialist focus of Speymill Contracts and is now the core of its business. Order prospects for Speymill Contracts now stand at over £50 million, a figure representing committed and likely business and the win rate achieved for new tenders. Note that these orders are in no way guaranteed and only provide an indication, based on part experience of the likely tenders to come through. These include an expanding base of clients including Whitbread plc (WTB.L) brands, for which Speymill has been appointed as one of its preferred contractors. Some of the announced contracts include:

- Development of a new Premier Travel Inn;
- Extension of an existing Premier Travel Inn;
- Development of a new Brewers Fayre pub;
- Development of a sports complex for AIM-listed Goals Soccer Centres (GOAL.L);
- Redevelopment of a large former country hotel to a private house; and
- Extension of The Chesterhouse, a Sleepwell Hotel in the Isle of Man to incorporate a conference and banqueting suite and leisure complex.

Strong relationships and reputation with developers and existing client base

With 30,000 rooms at year-end, we note that Budget hotels (Premier Travel Inn) was Whitbread plc's fastest growing business segment. Overall sales for Premier Travel Inn (including the acquisition of Premier Lodge) grew by over 27% with like-for-like sales by 7% for the most recent financial year. Whitbread plc's £65 million capital expenditure during 2005/6 on build out of Premier Travel Inn accounted for 28% of its total capital expenditure. Its UK pipeline is growing and has a room target of 45,000 rooms by 2010 to come from conversion opportunities, new builds with pub restaurants and extensions to existing Premier Travel Inn sites. We believe this type of relationship with Whitbread could present significant future opportunity for Speymill Contracts.

Immediate business support from Burnbrae

Included within Burnbrae's portfolio is its expanding brand, Sleepwell Hotels. Burnbrae as a major client in the hotel and leisure construction and refurbishment sector, intends to provide a stream of opportunities to the Group as it pursues its own expansion plans throughout the UK and the Isle of Man where it is based.

The £50 million project pipeline does not take into account the full potential that can be provided by Burnbrae and its expansion plans for Sleepwell Hotels, which owns 275 rooms (600 beds) in three 3-star hotels on the Isle of Man and one in Blackpool. It is Burnbrae's stated aim to construct or refurbish 5,000 beds over the next five years. With more hotels planned its objective is to establish a UK wide chain of hotels under the Sleepwell Hotel brand. Importantly, Speymill Contracts has been appointed the preferred contractor for this business at commercial rates.

Weak historical performance by Speymill Contracts ...

Figure 3 summarises the results for Speymill Group for FY 2003, 2004 and 2005. 'Continuing Activities' represents results achieved largely by Speymill Contracts and given that it is the only remaining business from the original Wigmore Group, we highlight in detail each period's operating results.

Figure 3: P&L – Analysis of Speymill Contracts

	Dec 2003 £'000	Dec 2004 £'000	Dec 2005 £'000
Continuing Activities	17,147	11,534	13,335
Discontinued Activities	5,082	6,644	1,988
Total Turnover	22,229	18,178	15,323
Continuing Activities	n/a	(11,587)	(11,967)
Discontinued Activities	n/a	(5,902)	(1,682)
Total Cost of Sales	(19,173)	(17,489)	(13,649)
Continuing Activities	n/a	(53)	1,368
Discontinued Activities	n/a	742	306
Total Gross Profit	3,056	689	1,674

Source: Company

Speymill Contracts' turnover has fallen considerably since achieving £17 million in 2003 (of which 65% was in the second half of the year). A number of notable contracts were completed in that year which included Gala Casinos at Cardiff and Northampton for combined contract values of approximately £4 million. New clients for the year also included Marriott Hotels, Avebury Taverns, and JD Wetherspoon. The poor performance during the first half of 2003 was down to loss making and postponed contracts. The order prospects at the end of 2003 stood at £10 million.

... due to combination of loss-making projects and delays

2004 also showed poor trading performance. Several projects continued to underperform, blamed also on weak systems, poor management and delays to the start of some contracts. High costs and poor projects led to a sharp fall in gross profit and combined with exceptional restructuring and continued high administrative costs the net loss for the year was £6.8 million. The order prospects at the end of 2004 stood at £30 million.

Despite an increasing order book each year, there continue to be project delays which have led to lower than expected turnover. During 2005 a number of major contracts that were expected to start during the latter part of the year were delayed due to funding or planning delays on the part of the developers outside the control of Speymill Contracts. Turnover for the first half of 2005 was at £6.0 million, approximately £1 million below that for the first half of the previous year. Turnover for the full year came in at approximately £13.1 million.

Aiming for improved performance at Contracts through refocus on hotel construction sector

Speymill Contracts' preferred contractor status for both Whitbread and Sleepwell is a positive step, and should allow the group to benefit from a quality contract pipeline for the next few years. However reliance on any single client is risky and there is no guarantee that Speymill will be able to win the majority of business offered.

Financing Initiatives

Three main initiatives have been undertaken during the last 18 months to restructure the Group's balance sheet in parallel to the disposals and refocusing of the new management's efforts on new businesses.

Financial recovery engineered by Burnbrae

- Recovery of the Group as it has changed its strategy and focus towards property management has been largely engineered and financed by Burnbrae with the personal backing of Jim Mellon. Burnbrae Ltd invested £3 million in engineering the Company's turnaround and provided a £650,000 overdraft facility, of which £621,000 was drawn in 2004 and which has all since been repaid.
- Additional financing had been provided through the issue of approximately £2.5 million in convertible and redeemable loan notes. Almost all of this has now been repaid and the interest liability to the Group is minimal. The Group continues to utilise finance leases and a £500,000 overdraft facility provided by Bank of Scotland which is currently un-drawn.
- On 16 November 2005 the Group completed a share placing representing 6.1% of the enlarged capital, raising £2 million before expenses. This new injection is being aimed mainly towards establishing and supporting the new fund management business as well as additional working capital for Speymill Contracts. Net cash at year end 2005 was at £0.8 million, a significant improvement from the £2.5m net debt level in 2004.

Additional Issues

We note that Speymill needs to report under IFRS by 1 January 2007 and will be evaluating the necessary changes with its auditors during this year. The only major effect we anticipate is FRS 20 (charges to the P&L for the cost of share options).

Management and Non-Executive Directors

A revamped management team bringing in key expertise and support

The management team and board of the Group have changed significantly over the last 18 months. Significant appointments include Bob MacDonald, the Group Executive Chairman and Howard Flight as Chairman of Speymill Property Managers and a Non-Executive Director.

<p>Bob MacDonald (42) <i>Group Executive Chairman</i></p>	<p>Bob MacDonald has had over 18 years experience in investment banking, at Salomon Brothers and latterly at Morgan Stanley where he was appointed as a MD in 2000. Areas of responsibility included equity research, sales, equity syndication, institutional sales management and private wealth management and he has worked in London, New York, Tokyo and Hong Kong.</p>
<p>Andrew Latham (43) <i>Group Chief Executive</i></p>	<p>Andrew has spent much of his career in the hospitality industry. He was appointed as CEO of SFI Group in April 2002 and led the phased programme of stabilisation and recovery of the business until leaving in late 2003. He played a significant part in the stabilisation and repositioning of Speymill prior to joining the Board in June 2005. He has been involved in property management and development throughout his career.</p>
<p>Keith Less (54) <i>Group Finance Director</i></p>	<p>A Chartered Accountant with almost 30 years experience in both public and private companies. From 1986 to 1990 he was Group Financial Controller of Walker Greenbank plc and was then Finance Director and later Managing Director of Plumbs Ltd between 1990 and 2000. More recently he spent over two years as Finance Director and Company Secretary of Inditherm plc.</p>
<p>Alistair Curry (42) <i>Group Development Director</i></p>	<p>Experienced in business and strategic development, previously represented the interests of high net worth individuals in property portfolio acquisitions. Has broad industry experience, having previously worked within Mobil, IBM and The Channel Practice (a division of Ogilvy One Worldwide, then part of WPP). As Speymill Development Director he is focusing on the development of the business incorporating property asset management funds and the creation of the Joint Venture GOAL Service GmbH.</p>
<p>Howard Flight (57) <i>Chairman of Speymill Property Managers Ltd & Non-Executive Director</i></p>	<p>Howard Flight was Conservative Member of Parliament for Arundel and South Downs from 1997 to 2005. His political appointments included Shadow Chief Secretary to the Treasury and Deputy Chairman of the Conservative Party. In business he was co-founder and managing director of Guinness Flight, formed in 1986 and in 1998 upon its acquisition became Joint Chairman of Investec Asset Management. Howard Flight is a director of Investec Asset Management and of Panmure Gordon.</p>
<p>Sir James Mellon (77) <i>Non-Executive Director</i></p>	<p>Sir James was a career diplomat. He was HM Ambassador to Denmark, Director General for trade and investment, USA and Consul General, New York. He has since gained valuable experience within the Speymill Contracts' sector of operation, as former Executive Chairman of Thamesmead Urban Development Corporation and as former Chairman of the housing agency, Scottish Homes. Sir James is also the father of Jim Mellon.</p>
<p>Denham Eke (54) <i>Non-Executive Director</i></p>	<p>Denham began his career in stockbroking before moving into corporate planning for a major UK insurance broker. He is a director of many years standing of both public and private companies involved in the retail, manufacturing and financial services sectors. He is currently Chairman of betinternet.com plc and Managing Director of Burnbrae Group Ltd.</p>
<p>Ilyas Khan (43) <i>Non-Executive Director</i></p>	<p>Ilyas is currently Group Managing Director of Crosby Capital Partners (CSB.L) and Chairman and Founder of their majority shareholder, Techpacific Capital. He was formerly a Managing Director of Nomura and has had a successful career in investment banking, including employment by Citicorp, UBS and Schroders.</p>
<p>Jim Mellon (49) <i>Advisor and shareholder</i></p>	<p>Jim Mellon is the founder and principal shareholder of Regent Pacific Group Limited. Additionally, he is founding and principal shareholder and non-executive chairman of Charlemagne Capital Limited. He is a director of a number of investment companies and of Speymill.</p>

Shareholders

Jim Mellon remains largest beneficial shareholder

Following conversion during 2005 of warrants and loans into shares, Burnbrae Ltd and Jim Mellon combined represent the largest single shareholding at 46.8%. Only Bob MacDonald owns shares among the management and staff. Following the equity placing in November the free float stands at just under 50%.

Figure 4: Shareholders

Shareholder	Shares (m)	Issued %	Warrants (m)	Options (m)	Fully Diluted %
Burnbrae Ltd	23.42	41.9%	0.40	-	35.9%
Jim Mellon	2.73	4.9%	-	-	4.1%
Bob MacDonald	2.05	3.7%	-	2.04	6.2%
Other Management & Staff	-	0.0%	-	7.09	10.7%
Free Float	27.72	49.6%	0.91	-	43.2%
Total	55.91	100.0%	1.31	9.12	100.0%

Source: Company
Note: All included warrants and options are in-the-money; Share Options are exercisable from July 2008

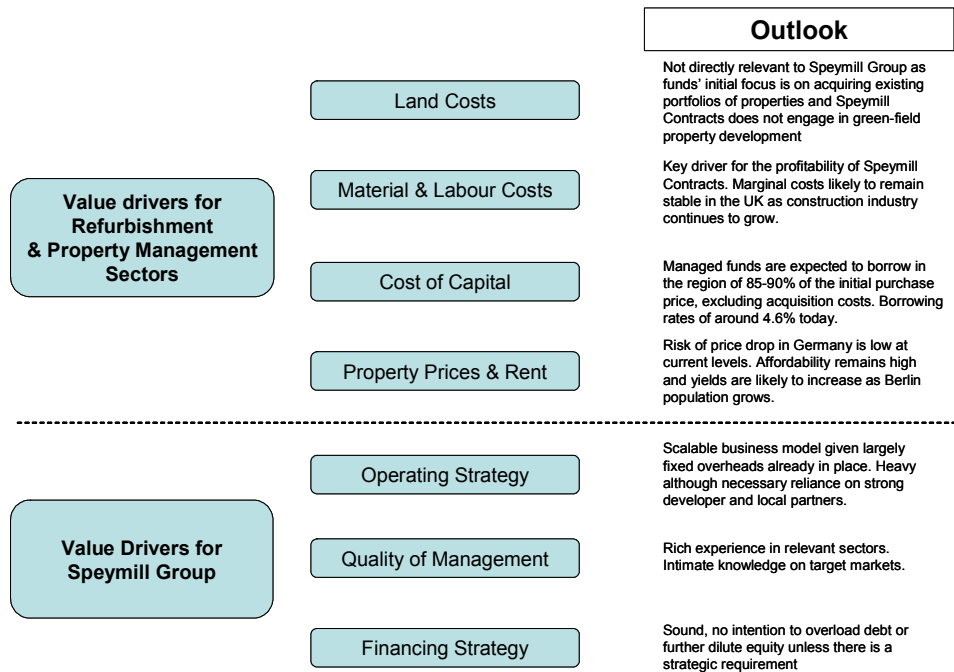
Limited further dilution from warrants or options over next three years

Whilst there remain a large number of warrants and options yet to be exercised we do not view this as a risk to significant further dilution, at least not in the short term. Only 1.3m warrants remain to be converted, equivalent to 2.3% of the enlarged share capital. Most of the 9.1m options, albeit trading in-the-money, are exercisable from July 2008 and are all held among management and staff. We expect that any further equity dilution would only occur in relation to strategic needs.

Value Drivers

We summarise below the major value drivers for Speymill's industries and for the company itself.

Figure 5: Key Value Drivers



Source: Lewis Charles Research

The Property Market in Germany and Berlin¹

The German property market stands out within the EU

Home ownership in Germany stands at 43%, the lowest in the EU and many analysts expect that this figure is set to rise. In fact, there are countless statistics that we could go into detail to show what has been happening to the German property sector. Rather we have listed some anecdotal points below that set the scene.

- The risk of drop in house prices appears considerably higher in other EU countries. Since 1991 German house prices have remain largely flat whilst other EU countries, such as The Netherlands, UK and France, have shown over 150% increases.
- Germany remains one of the most affordable developed markets. Between 1997 and 2004 house prices in Germany have remained flat while all other developed countries have shown increases of between 41% and 179%, apart from Japan which has fallen by 25% during the same period.
- Housing stock in Germany is not growing. Completion of new builds is at its lowest level since 1998.
- Demand is set to remain high. Importantly, population growth in Germany stems from an average net migration per annum of over 200,000 persons, the highest among the main EU members.
- A shortage of German apartments is now forecast with construction at a minimum in Berlin and demand is outstripping supply.

Strongest investment opportunity offered by Berlin

With 4.4 million residents, the old and new capital of Germany, Berlin, represents one of the strongest property investment opportunities within the country, and currently having the lowest real estate prices for any major European city including the old Eastern European capitals.

- Berlin has been undergoing significant redevelopment. Transport is modern and efficient; cultural diversity in art galleries, museums, cinemas, theatres and opera houses; Restaurant, bar and nightlife scene.
- Many of the Government departments from the old capital, Bern, have been relocated to Berlin and it is the centre of Germany for film, music, design, advertising, marketing, art and fashion.
- Berlin has a large number of government owned properties as a result of post-war housing requirements. Some of these have already been sold and more are expected to follow.
- Prices and rental yields in Berlin are very attractive. Average initial yields for medium quality apartments in Berlin range from 5.5% to 9%, with prime residential averages in excess of 7.5%.
- Home ownership in Berlin is currently just 13% versus 43% for Germany.

Investment fund interest is growing

With the current positive economic prospects in Germany, and the specific circumstances of the Berlin property market there has been significant interest and investment already from a number of institutions. They include Goldman Sachs Whitehall Funds (€2.1 billion purchase of 65,000 properties sold by the City of Berlin in May 2005), Fortress (€3.5 billion acquisition of a state-owned portfolio), as well as a number of other smaller private equity groups and funds.

¹ Source: Deutsche Bank, Federal Statistic Office, Eurostat, ECB, Lewis Charles Research

This increasing institutional and private equity interest in German and in particular, Berlin property, should not be viewed as competitive (and therefore detrimental) to the property sourcing activities undertaken by the funds managed by Speymill.

- Many such property portfolios are typically acquired at auction, especially if sold by the State.
- Speymill employs its own property sourcing team, together with backing and support from Florian Lanz and Burnbrae, allowing it to source opportunities on a more local level and privately.
- Speymill's funds will adhere to strict property selection criteria, the main one being yield/return, and while there is not expected to be a significant shortfall in acquisition opportunities over the next 12 months, a potential overpriced property market should not result in the funds acquiring property at the expense of implied yield.

REITs: New legislation may provide an opportunity for Speymill

A new product in the UK for which the market is expected to be significant

The UK government unveiled details last December of how the new real estate investment trust is expected to operate. Investors will be encouraged to invest in REITs (Real Estate Investment Trusts) through savings products such as ISAs, PEPs and child trust funds. The market for REITs is huge in other countries such as the US and Australia, where high yields from steady income streams appeal to large numbers of investors. The new legislation will be published in next summer's finance bill and the tax treatment will apply from 1 January 2007.

Tax advantages to both REITs and investors

REITs will give retail investors much greater access to property without the risks of direct ownership. Gordon Brown gave the go-ahead for REITs in his pre-budget report after years of indecision among various groups. It will remove the discrepancy whereby property companies pay corporation tax on their activities but direct holders of property do not. REITs will have to pay 95% of their net profits to investors in return for tax advantages. What, however, is not yet clear is that the Treasury has not decided on the details of a conversion charge which property companies will have to pay at the point they become REITs. This charge, the details of which are expected to be announced by the spring Budget, could either be based on total assets or contingent capital gains tax and - if too high - could prove a sticking point. The government will not consult on this issue.

Under the legislation announced so far, REITs will have to obtain more than 75% of their income from ring-fenced property rents, otherwise known as "Schedule A" income. Income from development or from services will be limited to the other 25%. REITs will have to withhold a 22% basic tax on their distributions while higher-rate taxpayers will have to pay any extra tax outstanding. Through this system, the Treasury believes the new system will be tax-neutral compared to now. REITs will have to be closed-ended corporate structures and resident in the UK but they will be allowed to list on a number of Treasury-approved stock markets across the world. All this legislation applies to single companies rather than group companies for which more legislation will be published in the near future. However, we expect the details will be similar.

The opportunity here for Speymill Group is that it may decide to diversify in the future into operating funds based in the UK with the added attraction of the tax advantages that REITs could enjoy. Furthermore, German REITs (G-REITs) are anticipated with two years, and selling to these may provide an appropriate exit route at the end of the life of the funds managed by Speymill Property Managers.

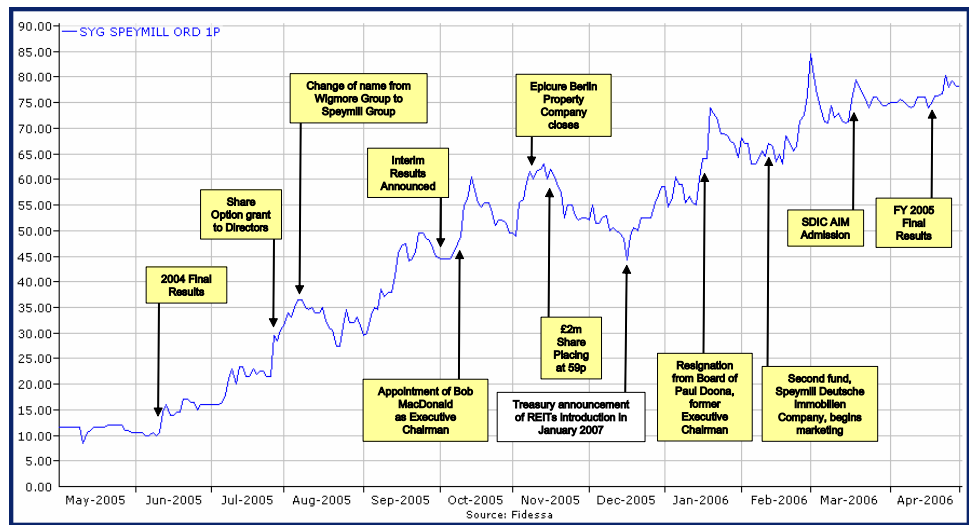
Share Price Evolution and Trends

Significant share price performance since July 2005

Speymill's share price run since June 2005 has been impressive. In our view this is largely due to initial interest generated in the Group after the announcement of its 2004 Final Results. Burnbrae's financial commitment to the Group and more importantly, that of Jim Mellon provided momentum. In addition to the financial rescue and the re-shaped team both on and below the board level, the new strategy provided confidence. Furthermore, there has been an increase in the publicity afforded to the Berlin property market from recent roadshows from new funds set up to tap into this opportunity.

Step-change in share price in line with regular and significant news flow

Figure 6: Speymill Group's Share Price Evolution (Last 12 months)



RNS Announcement
Source: Fidessa, Lewis Charles Research

Methodology

Financial Assumptions and Valuation Summary

We have based our fair-value valuation on a discounted cashflow (DCF) valuation. There are no directly comparable companies that are traded. Speymill's operations fall into three activities – construction, property management and fund management. The former has just come out of reorganisation and the latter has yet to demonstrate revenues. Given the potential for both these businesses to generate significant cash flow we opt to treat each business as separate cash flow generating projects.

- Speymill Contracts is an established business but has the opportunity to grow through new client wins.
- GOAL benefits from an existing property portfolio in Berlin with potential for refurbishment contracts from these properties as well as from funds.
- Each of Speymill PM and GOAL would benefit incrementally from each new fund that is managed, and given each fund will have a finite life cash flows are measurable and finite over the next 10 years.

Assumptions in detail given limited disclosure and history

Given almost no operating history, other than for Speymill Contracts, and the necessity for commercial sensitivity, we have had limited disclosure from management of the actual terms of business in relation to the funds. We are therefore disclosing full assumptions from our model in deriving revenue from the three divisions. Given the lack of historical information and precedent, our approach leads to deriving a valuation based on conservative assumptions.

**Revenue drivers:
Speymill Contracts**

Speymill Contracts derives revenue from the Sleepwell Hotels contract as well as other contracts which are modelled separately as shown below.

- We assume that the planned Sleepwell Hotels encompassing 5,000 beds are built over a period of 6 years from 2006 onwards and that Speymill gets up to 75% of the business from Burnbrae as a preferred contractor. Equivalent average revenue of £35,000 per room built or refurbished.
- The contracted and committed pipeline of orders (currently at £50m) is anticipated to grow over the next few years. We assume a gradual increase in Speymill's capacity to fulfil orders from 33% of the pipeline in 2006 to 50% in 2011, assuming annual growth of the order prospects by 5% from 2007.

**Revenue drivers: Fund
management services
and rental
administration**

Both Speymill Property Managers and GOAL earn a fee from the fund management services provided to each of the funds. GOAL also earns fees from property management of the separate portfolio of approximately 2,000 properties in Berlin. We have made assumptions on the property funds largely based on the fee structure disclosed in SDIC's recent AIM admission document.

- SDIC pays a management fee of 0.85%, of which GOAL receives 0.11%. The rest is split between SPM and the co-manager. Furthermore, GOAL is paid a 5.5% rental administration fee based on the rental income received by the group. We assume a rental yield of 7.25% and annual rental value growth of 2.5%. Furthermore, SPM will receive an exceptional income in consideration of Speymill Group's hard underwriting of all expenses related to the transaction. In consideration for this, SPM will receive an amount by which the launch expenses are less than 5% of the placing proceeds, which we estimate to be approximately £0.7 million.
- Our fee structure assumptions for Epicure also assume that given GOAL's specific expertise in Berlin property, it receives a share of the management fee that would normally be paid to SPM, in addition to its rental administration fee. As is the case for SDIC, SPM splits its management fee with the co-manager.
- We recognise that the Company has made statements on its intentions to "increase funds under management by the end of 2006". We have modelled a further two theoretical funds managed by SPM, each raising equity of €250 million, the first of which is launched in the latter part of 2006 and closed next year, and the other launching and closing during 2007. Given the potential conflicts of property sourcing for a further German fund, we assume that both new funds do not focus on Germany, and as a consequence, GOAL does not benefit from any fees.

Figure 7: Key Valuation Assumptions

All figures in £000s unless otherwise stated

	2003A	2004A	2005A	2006E	2007E	2008E	2009E	2010E	2011E	2012E	2013E	2014E	2015E
Speymill Contracts Revenue Drivers (100% subsidiary)													
Rolling Pipeline (Contracted/Committed)		8,000	40,000	50,000	52,500	55,125	57,881	60,775	63,814	67,005	70,355	73,873	77,566
Growth yoy		400.0%	25.0%	25.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
New Sleepwell Beds (Additions)			600	250	750	1,000	1,000	1,000	1,000	-	-	-	-
New Sleepwell Beds (Cumulative)			600	850	1,600	2,600	3,600	4,600	5,600	5,600	5,600	5,600	5,600
% of Business provided to Speymill				75%	75%	75%	75%	75%	75%	0%	0%	0%	0%
Revenue from Rolling Pipeline		17,147	11,534	13,026	16,500	15,750	19,294	23,153	27,349	31,907	33,502	35,178	38,783
Growth yoy			-33%	13%	27%	-8%	23%	20%	18%	17%	5%	5%	5%
Revenue from Sleepwell Rooms					3,008	9,023	12,031	12,031	12,031	12,031	-	-	-
Growth yoy					200%	33%	0%	0%	0%	-100%	-	-	-
Total Revenue		17,147	11,534	13,026	19,508	24,773	31,325	35,184	39,380	43,938	35,178	36,936	38,783
Growth yoy			-33%	13%	50%	27%	26%	12%	12%	12%	-24%	5%	5%
Property Fund Assumptions													
	Epicure	SDIC	Fund #3	Fund #4									
Equity (Euro m)	127	235	250	250									
Debt (Euro m)	403	742	792	792									
Total Initial Fund Size (Euro m)	530	977	1,042	1,042									
Gearing Ratio (Post Property Acq. Costs)	76%	76%	76%	76%									
Close Date	09-Nov-05	Mar-06	Feb-07	Sep-07									
Fully Invested Date	Aug-06	Mar-07	Nov-07	Jun-08									
GOAL Rental Administration Fee	4.5%	5.5%	n/a	n/a									
Total Management Fee	1.50%	0.85%	0.85%	0.85%									
Management Fee attributable to GOAL	0.20%	0.11%	n/a	n/a									
Management Fee attributable to SPM	1.30%	0.74%	0.74%	0.74%									
% of fee mgmt fee attributable to Speymill	50%	50%	50%	50%									
Annual Rental Income Growth	2.5%	2.5%	2.5%	2.5%									
GOAL Portfolio Assumptions for 2006E													
(1) Average unit size (m ²)	85												
(2) Property management fee %	5.0%												
Start of operations	01-Oct-05												
(3) Average rental per month per m ² (Euro)	5.75 increasing each year by 0.25												
(4) Average rental income per month per unit (Euro)	489 =(1)x(3)												
(5) Property Portfolio size (Aptsms)	2,100 increasing to 2,800 by 2010												
(6) Occupancy rate	95%												
(7) Rental Income per year	8,036 =(4)x(5)x(6)x12 x forex rate												
(8) Property Management fee income	402 =(7)x(2)												
Speymill Property Managers (100% subsidiary)													
Epicure Berlin Property Company fees				1,449	2,455	2,517	2,580	2,644	1,145	-	-	-	-
Speymill Deutsche Immobilien Company fees				487	1,884	2,565	2,629	2,695	2,762	295	-	-	-
Fund 3 fees				-	-	-	-	-	-	-	-	-	-
Fund 4 fees				-	-	-	-	-	-	-	-	-	-
Total Speymill Property Managers Revenue				1,937	4,340	6,082	5,209	5,339	3,907	295	-	-	-
Growth yoy					124%	17%	2%	2%	-27%	-92%	-100%	#DIV/0!	
GOAL Service (51% subsidiary)													
Epicure Berlin Property Company fees				1,173	1,988	2,038	2,089	2,141	927	-	-	-	-
Speymill Deutsche Immobilien Company fees				678	2,620	3,566	3,655	3,746	3,840	410	-	-	-
Fund 3 fees				-	-	-	-	-	-	-	-	-	-
Fund 4 fees				-	-	-	-	-	-	-	-	-	-
Property Management Income				402	469	530	595	629	652	675	699	722	745
Total GOAL Service Revenue				2,253	5,077	6,134	6,338	6,516	5,419	1,086	699	722	745
Growth yoy					125%	21%	3%	3%	-17%	-80%	-35%	3%	

Source: Lewis Charles Research

Scalable business model

It is important to recognise that the cost structure of Speymill Group allows it to benefit from a scaling up of the business. Reorganisation costs have been spent during 2004 and 2005, the major teams on the fund management side are now in place, the Group's premises have been moved and the senior management team has settled in.

Balance sheet restructuring leaves little debt

The Group's debt levels have been reduced significantly during 2005. Cash generation during 2005, including the £2 million placing in November, was sufficiently high enough to completely repay the Group's Bank of Scotland overdraft facility, the Burnbrae facility and short term finance leases, leaving the Group with net cash for the full year of approximately £0.8 million.

Strong cash flow generation

We expect positive free cashflow of £0.7 million from 2006 and significantly more from 2007 once the existing funds should be fully invested. Speymill benefits from a largely fixed cost base and little or no capex requirements.

Dividend policy

The Group does not have a stated dividend policy. Nevertheless, given the potential for significant cash generation from the fund management activities, we believe there is significant scope for special dividends to be paid. We are assuming that once the Epicure fund is fully invested a dividend of £2.7 million could be paid in 2007, representing 50% of post-financing free cash flow and a pay-out ratio of 58%.

DCF valuation underpinned by assumptions related to the number of funds under management

Our DCF valuation is based on the following additional assumptions:

- WACC of 9.7% (10 year risk-free bond yield of 4.5%, market premium of 4.0%, and a beta of 1.3)
- Perpetuity growth rate of 2.5%
- Note that the valuation summary represents cash flows from only the two existing property funds under management and we have not included any potential new funds that may be launched in the future.

Figure 8: Valuation Summary

DCF Implied Valuation				
	EV (£m)	Net Cash (£m)	Implied Market Cap (£m)	Implied Share Price (p)
	40.0	785.0	40.8	73.0

Financial Year	PER		EV / EBITDA	
	Current	Implied	Current	Implied
2003A	n/a	n/a	498.9	471.1
2004A	n/a	n/a	n/a	n/a
2005A	n/a	n/a	n/a	n/a
2006E	55.7	52.7	51.9	49.0
2007E	9.4	8.9	8.9	8.4

Source: Lewis Charles Research

Our DCF valuation yields an implied share price of 73p. However we stress that there is significant potential that this does not recognise, namely the opportunity to manage additional funds and we therefore have undertaken a valuation exercise assuming additional funds are added to Speymill's management portfolio.

Scenario Analysis

As we state earlier, our financial model assumptions regarding the funds under management may be conservative, or even, underestimate the full potential of Speymill Group's business model. Speymill Group states its intention to "manage further funds" during 2006, so we have added two scenarios to our valuation, assuming the launch of one further fund later this year that closes next year, and a further fund that closes in 2007.

We have assumed that each of the two future funds raise equity of €250 million and are able to leverage up by a similar factor to both Epicure and SDIC. In this respect we have assumed a loan to fully invested value, post property acquisition costs, of 76%.

We also recognise the importance to Speymill to team up with a local partner either for sourcing investments, as agent or even consultant. We have therefore modelled total management fees in line with that paid by SDIC, of which a percentage is paid to a local partner and the remaining is split between Speymill PM and a co-manager, the only major difference with the existing funds being that we conservatively assume Speymill does not have any ownership of the local partner. We recognise that, as is the case with Speymill's 51% ownership of GOAL, it may make sense at the time for Speymill to take an economic stake in the local partner, especially if it is being created as a joint venture for the specific purpose of sourcing investments exclusively for the fund.

The scenario analysis attempts to demonstrate the incremental value created by the addition of further property funds to the portfolio under management.

Figure 9: Property Fund Scenarios

	Scenario			
	1	2	3	4
Funds				
Epicure (Euro 530m)	Yes	Yes	Yes	Yes
Speymill Deutsche Immobilien (Euro 975m)	No	Yes	Yes	Yes
Fund #3 (Euro 1,042m)	No	No	Yes	Yes
Fund #4 (Euro 1,042m)	No	No	No	Yes
DCF Derived Equity Value (p)	52.2	73.0	85.8	95.6
Upside / (Downside) to current price	-32%	-5%	+11%	+24%
Incremental PV of Cash Flows (p)		20.8	12.8	9.9
Incremental PV of Cash Flows (£m)		11.6	7.1	5.5

Source: Lewis Charles Research

Should Speymill be able to successfully close a further two funds in 2007, our valuation yields potential upside to the share price of 24%.

Conclusion

We are refraining at this early stage to publish an official target price since it is highly dependent on the number of funds that are closed.

Significant progress has been made during 2005 to restructure the balance sheet, repay debt and invest in the creation of a business model to build on. So far, Speymill has been able to source significant equity from Helvetica and from the capital markets for the property funds it is managing. These two property funds have a combined equity of some €360 million and are expected to have leveraged values of up to €1.5 billion.

At this stage it is difficult to assess how successful Speymill is likely to be in launching multiple funds over the next two to three years. This is dependent on the success of the existing funds, its ability to seek further equity from either Helvetica or similar sources, its ability to team up with or form JVs with local partners, and the continuation of the availability of similar investment opportunities, either in Germany or wider Europe.

Figure 10: Speymill Group Model

Year to 31 December (£000s)	2003A	2004A	2005A	2006E	2007E
Profit & Loss					
Revenue	22,229	18,178	15,323	22,593	31,703
Gross Profit	3,056	689	1,674	5,254	10,054
<i>Gross margin</i>	<i>13.7%</i>	<i>3.8%</i>	<i>10.9%</i>	<i>23.3%</i>	<i>31.7%</i>
EBITDA	85	(3,173)	(857)	817	4,770
<i>EBITDA margin</i>	<i>0.4%</i>	<i>-17.5%</i>	<i>-5.6%</i>	<i>3.6%</i>	<i>15.0%</i>
Amortisation	(177)	(2,636)	(56)	(49)	(49)
Depreciation	(134)	(217)	(89)	(88)	(83)
Exceptionals	0	(586)	(399)	700	0
Operating Profit	(226)	(6,612)	(1,401)	1,379	4,638
Operating Profit (Adjusted)	(49)	(3,390)	(946)	729	4,688
<i>Operating margin</i>	<i>-0.2%</i>	<i>-18.6%</i>	<i>-6.2%</i>	<i>3.2%</i>	<i>14.8%</i>
Net Interest	(131)	(181)	(139)	46	88
Profit Before Tax	(357)	(6,793)	(1,540)	1,425	4,726
Profit Before Tax (Adjusted)	(180)	(3,571)	(1,085)	775	4,776
Tax	0	88	0	0	(200)
Minorities	0	0	0	0	0
Net Income to Shareholders (Adj.)	(180)	(3,483)	(1,085)	775	4,576
Dividend	0	0	0	0	(2,731)
Retained Earnings	(357)	(6,705)	(1,543)	1,425	1,996
Average Shares - Weighted (m)	1.4	8.9	38.8	55.9	55.9
Average Shares - Diluted (m)	1.4	8.9	49.3	66.3	66.3
EPS - Basic (p)	(26.34)	(75.11)	(3.97)	2.55	8.45
EPS - Adjusted (p)	(13.28)	(39.02)	(2.79)	1.39	8.18
EPS - Adjusted & Diluted (p)	(13.28)	(39.02)	(2.20)	1.17	6.90
DPS (p)	0.00	0.00	0.00	0.00	4.88
Balance Sheet					
Fixed Assets	4,444	1,756	1,024	1,011	985
Intangible Assets	3,716	1,000	944	894	845
Tangible Assets	728	756	80	117	140
Current Assets	5,208	3,118	4,424	6,275	8,901
Stocks	48	59	11	16	21
Debtors	4,747	3,059	3,283	4,843	6,150
Cash	413	0	1,130	1,416	2,731
Total Assets	9,652	4,874	5,448	7,286	9,886
Current Liabilities	7,006	5,422	3,696	4,298	4,903
Borrowings	1,529	1,071	155	0	0
Other Current Liabilities	5,477	4,351	3,541	4,298	4,903
Long Term Liabilities	593	1,426	190	0	0
Total Liabilities & Provisions	7,599	6,848	3,886	4,298	4,903
Net Assets	2,053	(1,974)	1,562	2,988	4,984

Source: Lewis Charles Forecasts

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Buy

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

Speculative Buy

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

Neutral

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

Sell

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

Disclosures

Lewis Charles acts as corporate broker to the Company. Within the past 12 months Lewis Charles has managed an offer of securities for this Company for which it received payment.

Analyst Certification

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

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