Speymill plc

Real estate investment management, construction and property management

Interim Report 2008

Welcome to SPEYMILL

Speymill's objective is to develop a multinational property services group which encompasses real estate investment management, construction and property management operations which will bring significant returns for all stakeholders.

Financial Highlights

- Turnover up 60% to £35.30m (2007: £22.03m).
  - Contracting turnover of £25.06m (2007: £17.04m).
  - Fund management fees of £5.50m (2007: £3.25m).
  - Property management fees of £4.75m (2007: £1.73m).
- Profit from operations, before share-based payments, of £3.43m (2007: £1.85m).
- Pre-tax profit of £3.19m (2007: £1.41m).
- Basic EPS of 4.74p (2007: 2.10p).
- Basic EPS, before share-based payments, of 5.15p (2007: 2.90p).

Fund Management

- Completion of SDIC C Share fund.
- Realisation of £1.65m of performance fees from disposal of Macau Lot U.
- Completion of Grade A Office Tower investment in Macau.
- Assets under management of approximately US$3bn.

Property Management and Property Asset Management

- Strong focus on asset management to maximise capital growth and rental yield potential.
- Acquisition of remaining 49% of GOAL — results consolidated 100% as from 1 June 2008.

Speymill Contracts

- Issues relating to some cost increases on three isolated contracts and delayed start dates will have a further material impact on Group profitability beyond those issues mentioned in July.
- Despite general construction sector downturn, there are increasing volumes in Speymill's focused hotel-based market with forward order prospects rising to £165m.

Chairman's Statement

Introduction

In my first annual report to you in April this year, I highlighted our expectation for further significant growth in each of our businesses during 2008 and progress has been made in this respect.

In the first half of the year, our investment management activities have already seen completion of the investment of the SDIC C share funds, plus the realisation of substantial performance fees from the sale of the Macau Fund Lot U investment. Furthermore, in early September we announced the investment of substantially all of the available Macau fund cash into a Grade A Office Tower, providing strong added value potential for the fund.

Despite the deferral of some contracts by a major client from the second half of this year into 2009, our contracting business will still achieve considerable turnover growth this year, and the value of forward order prospects has again increased. As announced on 24 July 2008, the contract deferrals plus the effect of the developer on a separate contract being placed into administration have already significantly impacted Speymill Contracts' result for the year, with the loss on the developer administration being charged in the first half. Some additional issues have now been identified which have a further effect on the contracting business results for the full year which are explained below.

Results

Turnover for the first half was £35.30m (2007: £22.03m), an increase of 60.2%. Contracting turnover increased to £25.06m (2007: £17.04m), while fund management fees increased to £5.50m (2007: £3.25m) through a combination of Macau performance fees and full investment of SDIC C share funds. Property management fees were £4.75m (2007: £1.73m), reflecting the increased level of SDIC investment plus refurbishment programme management. Following the acquisition of the remaining 49% of GOAL, the Group's German property services business, that company's results are consolidated 100% as from 1 June 2008.

Overall Group gross margin increased to 30.00% (2007: 27.19%) as a consequence of higher margin investment management activities contributing a greater proportion of Group turnover.

Group general administrative expenses increased to £7.16m (2007: £4.14m) through increased resource and establishment costs required to support the higher turnover level, particularly at GOAL in relation to the volume of both asset management and also labour-intensive property management activity.

Profit from operations prior to share-based payments was £3.43m (2007: £1.85m), and after share-based payments £3.19m (2007: £1.40m). Share-based payment costs of £0.24m (2007: £0.44m) represent share option costs and deferred annual bonus awards. The decrease on 2007 costs is due to that year including an additional one-off cost of £0.26m for shares issued.

The Group tax provision for the period of £0.44m (2007: £0.21m) relates almost solely to German tax on GOAL. Profit after tax was £2.75m (2007: £1.20m), equating to basic earnings per share of 4.74p (2007: 2.10p) and diluted earnings per share of 4.52p (2007: 1.90p). Before share-based payments, basic earnings per share were 5.15p (2007: 2.90p) and diluted earnings per share 4.91p (2007: 2.60p). A dividend of 0.5p per share in respect of the 2007 financial year was paid in June 2008, amounting to £0.29m.

Chairman's Statement (continued)

Group net assets at the period end were £7.13m (2007: £3.86m), with net cash balances reduced to a negative of £0.72m (2007: positive £0.74m). Operational cash outflow for the half year was £0.16m (2007: inflow £0.79m), arising mainly from increased working capital. Further outflows totalling £2.05m arose on investing and financing, including the additional GOAL investment, acquisition of Macau fund shares, market purchases of own shares for deferred bonus awards and the 2007 final dividend.

Operations

Global market conditions this year have created a very challenging environment for launching new funds and the Group continues to take a prudent view on potential new fund launches. Our fund management business has improved its performance in the first half of the year through completing investment of the SDIC C share fund and through realising performance fees of £1.65m from negotiation and execution of the disposal of the Macau Lot U investment. Completion of the recently announced Grade A Office Tower investment in Macau takes Speymill Property Group's current total assets under management to approximately US$3bn.

There is now a strong focus on asset management of each of the fully invested portfolios to maximise their capital growth and rental yield potential. In Germany this objective is being further assisted by GOAL where significant efforts are being made to reduce vacancy levels through optimising refurbishment programmes and by marketing of available units. GOAL's management structure has recently been reviewed and reorganised to improve efficiency and performance in each of its key activities. The restructuring will also place GOAL in a better position to pursue new third party property management business.

At the end of May 2008 we acquired the remaining 49% of GOAL from our joint venture partner, Florian Lanz, who has an ongoing consultancy role with GOAL. On behalf of the Board I would like to express our sincere thanks to Florian for the significant contribution he made to the substantial development of GOAL during the joint venture period.

In July, we announced that the Group's current year profitability had been significantly affected by Speymill Contracts suffering a combination of a major client deferring a number of development contracts from the second half of 2008 into 2009 and the developer on a substantially completed hotel contract being placed into administration, each of which was outside our control. Further issues have now emerged within the contracting business relating to some cost increases on certain contracts and slippage on some site start dates which will have a further material impact on the Group's 2008 results.

The additional costs have arisen on three complex atypical contracts where margin has been eroded due to previously unforeseen issues emerging. Furthermore, due to a number of factors outside the company's control, several contracts have been delayed in starting but are expected to start in the near future.

The effect of these additional issues is expected to reduce the Group's 2008 profitability by approximately 30% to 35% against current market expectations albeit that all possible steps are being taken to mitigate this shortfall.

Speymill Contracts had already been taking steps to further strengthen its management and contracts teams leading to some increase in overhead costs. This action will also provide the required platform to effectively handle the projected future growth.

Speymill Contracts has continued its progress in further expanding turnover and the value of its forward order prospects now stand at £165m. Despite the downturn in the construction sector generally, there has been an increasing volume of opportunities and enquiries for future projects within that company's particular market segment.

According to MINTEL research of September 2007 the value of the UK budget hotel market is now over £1.1bn and is expected to grow over 38% for the next five years and hit the £1.5bn mark by 2012. This trend has been confirmed by the major hotel operators announcing significant growth plans over the coming years.

The Speymill Goodman Retirement Village joint venture is progressing well with the development model and design template being established. The number of sites under evaluation has significantly increased and competitive bids submitted on several of them, though so far without success. The current chaos in the residential market is providing considerable opportunities to purchase land at an economic rate in quality locations, and we are researching these fully. Further consideration is also being given to the most appropriate method of fund-raising for the joint venture in the current economic environment.

Management

In July this year Ilyas Khan resigned from the Board. On behalf of the Board I wish to thank Ilyas for his contribution. At the same time, Paul Smith was appointed to the Board as an Executive Director in the role of Chief Financial Officer for Funds. Paul joined the Group at the start of 2008 and has already made considerable progress in further improving the internal and external financial reporting and control processes for the property investment funds we manage.

Having seen through the transition of the holding company to the Isle of Man and establishment of the Group's new headquarters there, Keith Lees has decided to return to the UK and will take up the role of Finance and Commercial Director at Speymill Contracts. After a period of handover, Paul Smith will replace Keith as Group Finance Director based in the Isle of Man.

In February Neil Holmes joined the Group in the role of Group Company Secretary and Commercial Manager to further strengthen our corporate governance and administration processes and systems across the Group.

Future Prospects

Our investment management team is currently working on potential new developments in both Europe and the Far East and we do see the Far Eastern markets as a potential major growth area for our services in the near future.

In our contracting business, continued strengthening of the managerial structure and of contract control and execution processes will enable further improvements in profitability from the sustained growth in order prospects which are available within our particular market niche.

Despite the current global economic challenges and the issues encountered this year in our contracting business, each of our businesses is operating in markets where there are significant opportunities for further growth, and we have the resources and establishment in place to pursue these vigorously.

Jim Mellon
Chairman

Condensed Consolidated Interim Income Statement

For the six months ended 30 June 2008

	Notes	**6 months to 30 June 2008 (unaudited) £'000**	6 months to 30 June 2007 (unaudited) £'000	12 months to 31 Dec 2007 (audited) £'000
Turnover	2, 3	**35,305**	22,025	52,699
Cost of sales		**(24,712)**	(16,036)	(39,938)
Gross profit		**10,593**	5,989	12,761
Administrative expenses:				
— General administrative expenses		**(7,165)**	(4,144)	(9,275)
— Share-based payments	4	**(242)**	(443)	(794)
— Re-incorporation costs		**—**	—	(394)
Total operating costs		**(7,407)**	(4,587)	(10,463)
Profit from operations		**3,186**	1,402	2,298
Net finance income/(costs)	5	**6**	3	(39)
Profit before taxation		**3,192**	1,405	2,259
Taxation	6	**(442)**	(205)	(168)
Profit after taxation		**2,750**	1,200	2,091
Earnings per share (pence)				
Basic	7	**4.74**	2.10	3.63
Diluted	7	**4.52**	1.90	3.28

The directors consider all the results to derive from continuing operations.

The notes on pages 9–20 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Balance Sheet

As at 30 June 2008

	30 June 2008 (unaudited) £'000	30 June 2007 (unaudited) £'000	31 Dec 2007 (audited) £'000
Non-current assets			
Intangible assets — Goodwill	**951**	944	944
Property, plant and equipment	**878**	230	486
Available-for-sale financial assets	**881**	637	566
Deferred tax assets	**356**	251	146
	3,066	2,062	2,142
Current assets			
Inventories	**22**	60	43
Due from customers for contract work	**10,982**	5,351	8,036
Trade and other receivables	**11,980**	5,759	9,898
Cash and cash equivalents	**370**	743	1,504
	23,354	11,913	19,481
Total assets	**26,420**	13,975	21,623
Current liabilities			
Bank overdraft	**1,087**	—	—
Trade and other payables	**11,172**	5,322	12,884
Due to suppliers for contract work	**5,791**	4,671	3,532
Redeemable loan notes	**—**	39	—
Obligations under finance leases	**11**	11	11
Current income tax liabilities	**762**	38	97
	18,823	10,081	16,524
Non-current liabilities			
Deferred tax liabilities	**443**	—	—
Obligations under finance leases	**20**	34	31
	463	34	31
Total liabilities	**19,286**	10,115	16,555
Net assets	**7,134**	3,860	5,068
Equity			
Capital and reserves			
Called up share capital	**582**	578	580
Capital redemption reserve	**—**	2,294	2,294
Share-based payment reserve	**1,830**	1,237	1,588
Other reserves	**(673)**	—	(36)
Share premium account	**—**	7,852	7,852
Retained earnings	**5,395**	(8,101)	(7,210)
Total equity	**7,134**	3,860	5,068

The notes on pages 9–20 are an integral part of these condensed consolidated interim financial statements.

Condensed Consolidated Interim Statement of Changes in Shareholders' Equity

For the six months ended 30 June 2008

	Ordinary share capital £'000	Capital redemption reserve £'000	Share-based payment reserve £'000
Balance at 31 December 2006 (audited)	**571**	**2,294**	**794**
Share-based payments			
— share issue	7	—	264
— share options	—	—	179
Profit for the period	—	—	—
Balance at 30 June 2007 (unaudited)	**578**	**2,294**	**1,237**
Share-based payments			
— share issue	2	—	—
— share options	—	—	351
Revaluation of available-for-sale financial assets	—	—	—
Currency translation differences on foreign currency investments	—	—	—
Profit for the period	—	—	—
Balance at 31 December 2007 (audited)	**580**	**2,294**	**1,588**
Share-based payments			
— 180,068 ordinary shares issued at 1p	2	—	—
— share options	—	—	206
— deferred share awards	—	—	36
Cancellation of share premium(i)	—	—	—
Cancellation of capital redemption reserve(i)	—	(2,294)	—
Revaluation of available-for-sale financial assets	—	—	—
Currency translation differences on foreign currency investments	—	—	—
Dividend payment of 0.5p to shareholders	—	—	—
Own shares acquired (765,521 shares)(ii)	—	—	—
Profit for the period	—	—	—
Balance at 30 June 2008 (unaudited)	**582**	**—**	**1,830**

(i) On 22 January 2008, Speymill 2007 Limited, the former UK holding company (now Speymill Property Group (UK) Limited), applied to the high court to eliminate the deficit on its profit and loss account by cancellation against its share premium and capital redemption accounts. The application was approved and registered on 7 February 2008.

(ii) During the period the company acquired 765,521 of its own shares relating to deferred bonus awards. The shares are held in the employee benefit trust.

The notes on pages 9–20 are an integral part of these condensed consolidated interim financial statements.

Other reserves					
Fair value reserve £'000	Other income reserve £'000	Foreign currency reserve £'000	Share premium £'000	Retained income £'000	Total equity £'000
—	**—**	**—**	**7,847**	**(9,301)**	**2,205**
—	—	—	5	—	276
—	—	—	—	—	179
—	—	—	—	1,200	1,200
—	**—**	**—**	**7,852**	**(8,101)**	**3,860**
—	—	—	—	—	2
—	—	—	—	—	351
(71)	—	—	—	—	(71)
—	—	35	—	—	35
—	—	—	—	891	891
(71)	**—**	**35**	**7,852**	**(7,210)**	**5,068**
—	—	—	—	—	2
—	—	—	—	—	206
—	—	—	—	—	36
—	—	—	(7,852)	7,852	—
—	—	—	—	2,294	—
(312)	—	—	—	—	(312)
—	—	16	—	—	16
—	—	—	—	(291)	(291)
—	(341)	—	—	—	(341)
—	—	—	—	2,750	2,750
(383)	**(341)**	**51**	**—**	**5,395**	**7,134**

Condensed Consolidated Interim Statement of Cash Flows

For the six months ended 30 June 2008

	Note	**6 months to 30 June 2008 (unaudited) £'000**	6 months to 30 June 2007 (unaudited) £'000	12 months to 31 Dec 2007 (audited) £'000
Cash flows from operating activities				
Net cash (outflow)/inflow from operating activities		**(156)**	789	1,929
Cash flows from investing activities				
Interest received		**12**	3	71
Acquisition of available-for-sale financial assets		**(626)**	(637)	(637)
Acquisition of subsidiary	8	**(588)**	—	—
Purchase of property, plant and equipment		**(273)**	(77)	(396)
Net cash outflow from investing activities		**(1,475)**	(711)	(962)
Cash flows from financing activities				
Issue of equity shares		**2**	11	14
Repayment of redeemable loan notes		**—**	—	(39)
Finance lease principal repayments		**(12)**	(5)	(10)
Acquisition of shares for employee benefit trust		**(341)**	—	—
Dividends paid		**(291)**	—	—
Interest paid		**(6)**	—	(105)
Net cash (outflow)/inflow from financing activities		**(648)**	6	(140)
Net (decrease)/increase in cash and cash equivalents		**(2,279)**	84	827
Translation		**58**	12	30
Cash and cash equivalents at beginning of period/year		**1,504**	647	647
Net cash and cash equivalents at end of period/year		**(717)**	743	1,504
Cash and cash equivalents				
Bank balances		**370**	743	1,504
Bank overdraft used for cash management purposes		**(1,087)**	—	—
Cash and cash equivalents in the statement of cash flows		**(717)**	743	1,504
Cash generated from operations				
Profit from operations		**3,186**	1,402	2,298
Adjusted for:				
Depreciation of tangible assets		**108**	43	124
Share-based payments charge		**242**	443	794
Decrease/(increase) in inventories		**21**	(27)	(10)
(Increase) in debtors		**(2,788)**	(3,672)	(10,503)
(Decrease)/increase in creditors		**(925)**	2,600	9,226
Net cash (outflow)/inflow from operating activities		**(156)**	789	1,929

The notes on pages 9–20 are an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

For the six months ended 30 June 2008

1 Reporting entity

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

The condensed consolidated interim financial statements of the company as at and for the six months ended 30 June 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 Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting.* They do not include all the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 December 2007.

The condensed consolidated interim financial statements were authorised for issuance on 21 September 2008.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2008

1.2 Significant accounting policies

Except as described in paragraph (a) below, the accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its consolidated financial statements as at and for the year ended 31 December 2007.

(a) Consolidation of employee benefit trust (EBT)

During the period the Group created an EBT to acquire and hold shares to be awarded to employees. Based on an evaluation of its relationship within the Group and the EBT risks and rewards, the Group concludes that it controls the EBT and therefore has consolidated the EBT within its results for the period.

(b) Basis of measurement and functional currency

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

(c) Use of estimates and judgement

The preparation of the Group condensed consolidated interim financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience, current and expected economic conditions, and in some cases actuarial techniques and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and key sources of estimation of uncertainty were the same as those that were applied to the consolidated financial statements as at and for the year ended 31 December 2007.

2 Segmental information — Business segments

30 June 2008

	Construction and refurbishment £'000	Investment fund management £'000	Property management £'000	Group £'000	Elimination £'000	Total £'000
External revenue	25,058	5,500	4,747	—	—	35,305
Inter-segment revenue	—	—	717	—	(717)	—
Total segment revenue	25,058	5,500	5,464	—	(717)	35,305
Profit from operations before share-based payments	(89)	3,296	942	(721)	—	3,428
Share-based payments	(68)	(101)	(6)	(67)	—	(242)
Net finance income	—	—	—	6	—	6
(Loss)/profit before tax	(157)	3,195	936	(782)	—	3,192
Depreciation and non-cash expenses	(119)	(102)	(57)	(72)	—	(350)
Total assets	15,128	4,168	5,865	1,259	—	26,420
Total liabilities	(13,381)	(756)	(4,142)	(1,007)	—	(19,286)
Capital expenditure	128	1	332	44	—	505

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2008

2 Segmental information — Business segments (continued)

30 June 2007

	Construction and refurbish-ment £'000	Investment fund manage-ment £'000	Property manage-ment £'000	Group £'000	Elimin-ation £'000	Total £'000
External revenue	17,039	3,253	1,733	—	—	22,025
Inter-segment revenue	—	—	301	—	(301)	—
Total segment revenue	17,039	3,253	2,034	—	(301)	22,025
Profit from operations before share-based payments	437	1,742	214	(548)	—	1,845
Share-based payments	(49)	(367)	(12)	(15)	—	(443)
Net finance income	—	—	—	3	—	3
Profit/(loss) before tax	388	1,375	202	(560)	—	1,405
Depreciation and non-cash expenses	(74)	(367)	(30)	(15)	—	(486)
Total assets	8,667	3,075	1,302	931	—	13,975
Total liabilities	(6,612)	(1,768)	(759)	(976)	—	(10,115)
Capital expenditure	31	—	46	—	—	77

2 Segmental information — Business segments (continued)

31 December 2007

	Construction and refurbishment £'000	Investment fund management £'000	Property management £'000	Group £'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 re-incorporation costs and share-based payments	918	2,632	841	(905)	—	3,486
Share-based payments	(102)	(558)	(12)	(122)	—	(794)
Re-incorporation costs	—	—	—	(394)	—	(394)
Net finance costs	—	—	—	(39)	—	(39)
Profit/(loss) 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

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2008

2 Segmental information — Geographical presentation

30 June 2008

	United Kingdom £'000	**Continental Europe £'000**	**Isle of Man £'000**	**Elimination £'000**	**Total £'000**
External revenue	25,058	5,464	5,500	(717)	35,305
Segment assets	16,190	5,865	4,365	—	26,420
Capital expenditure	136	332	37	—	505

30 June 2007

	United Kingdom £'000	Continental Europe £'000	Isle of Man £'000	Elimination £'000	Total £'000
External revenue	17,039	4,606	681	(301)	22,025
Segment assets	9,601	1,302	3,072	—	13,975
Capital expenditure	31	46	—	—	77

31 December 2007

	United Kingdom £'000	Continental Europe £'000	Isle of Man £'000	Elimination £'000	Total £'000
External revenue	41,372	2,419	9,696	(788)	52,699
Segment assets	12,705	3,354	5,564	—	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 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 fee

The Group and Avila Capital Limited, property advisers of Speymill Macau Property Company Plc ('SMP'), are jointly entitled to a 20% performance fee based on the increase in Net Asset Value per Ordinary share of SMP being over the stated benchmark of a 10% compound rate increase in net asset values per annum.

During the period to 30 June 2008, the Group received £1.254m as performance fee from SMP, 50% of which was used to acquire shares of SMP as required by the agreement.

Additionally, the Group received fees of £0.4m as fees for assisting in the disposal of an SMP investment property.

4 Share-based payments

	6 months to 30 June 2008 £'000	6 months to 30 June 2007 £'000	12 months to 31 Dec 2007 £'000
Share options	**206**	179	530
Deferred share awards	**36**	—	—
Provision for share issue	**—**	264	264
	242	443	794

On 12 January 2008, the company granted 200,000 share options at an exercise price of 46p per share, exercisable between 12 January 2011 and 12 January 2018. On 1 April 2008, the company issued 180,068 ordinary shares at par in respect of an exercise of share options.

The basis of measuring fair value is consistent with that disclosed in the consolidated financial statements as at and for the year ended 31 December 2007.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2008

5 Net finance costs

	6 months to 30 June 2008 £'000	6 months to 30 June 2007 £'000	12 months to 31 Dec 2007 £'000
Bank interest receivable	**39**	43	78
Other interest	**12**	—	—
	51	43	78
Bank interest payable	**(44)**	(37)	(110)
Loan interest	**—**	(2)	(6)
Finance lease charges	**(1)**	(1)	(1)
	(45)	(40)	(117)
Net finance income/(costs)	**6**	3	(39)

6 Taxation

	6 months to 30 June 2008 £'000	6 months to 30 June 2007 £'000	12 months to 31 Dec 2007 £'000
Taxation charge			
Isle of Man income tax	**—**	—	—
Foreign income tax	**442**	193	59
Total current tax	**442**	193	59
Deferred tax	**—**	12	109
Total tax charge	**442**	205	168

7 Earnings per ordinary share

	6 months to 30 June 2008 £'000	6 months to 30 June 2007 £'000	12 months to 31 Dec 2007 £'000
Profit for the period/year	**2,750**	1,200	2,091
	No.	No.	No.
Basic weighted number of shares in issue	**58,058,884**	57,106,759	57,539,447
Dilutive potential ordinary shares share-based payments	**2,749,952**	6,119,360	6,240,926
Reconciliation of basic earnings per share to diluted earnings per share			
Basic earnings per share	**4.74**	2.10	3.63
Dilutive effect of employee share options and provisions for share issue	**(0.22)**	(0.20)	(0.35)
Diluted earnings per share	**4.52**	1.90	3.28

8 Acquisition of subsidiary

On 31 May 2008 the Group acquired the remaining 49% interest it did not already own in GOAL Services GmbH (GOAL), its property management company joint venture partner.

The contribution to profit before tax from the acquisition of the remaining 49% of shares in the month of June was £229,345. If the acquisition had occurred on 1 January 2008, management estimates that the consolidated revenue would have been £38,003,853 and the consolidated profit for the period would have been £3,037,773.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2008

8 Acquisition of subsidiary (continued)

Details of net assets acquired and goodwill are as follows:

	£
Purchase consideration	
Cash paid	795,925
Direct costs relating to the acquisition	20,000
Total purchase consideration	815,925
Provisional fair value of net identifiable assets acquired	(809,591)
Provisional goodwill	6,334

The acquisition had the following effect on the Group's assets and liabilities on the date of acquisition:

	Recognised values on acquisition £
Property, plant and equipment	196,382
Trade receivables	1,634,808
Other receivables	605,984
Trade payables	(292,245)
Cash acquired	207,516
Other payables	(1,118,955)
Deferred tax liabilities	(443,899)
Net identifiable assets and liabilities	789,591

Outflow of cash to acquire the subsidiary:

	£
Consideration paid in cash	795,925
Cash acquired	(207,516)
Net cash on acquisition	588,409

Pre-acquisition carrying amounts were determined based on applicable IFRS immediately before the acquisition. The estimated fair values of assets, liabilities and contingent liabilities were not materially different from the net book values as the acquisition increases control and does not materially affect operational direction.

9 Called up share capital

	6 months to 30 June 2008 £'000	6 months to 30 June 2007 £'000	12 months to 31 Dec 2007 £'000
Authorised			
500,000,000 ordinary shares of 1p each	**5,000**	5,000	5,000
	No.	No.	No.
Issued and fully paid			
At beginning of period/year	**57,968,850**	57,100,969	—
Exercise of share options	**180,068**	—	—
Share issue	**—**	693,437	—
Share cancellation[(i)]	**(2)**	—	—
Transfer of shares to SGIOM[(ii)]	**—**	—	57,968,850
At end of period/year	**58,148,916**	57,794,406	57,968,850

[(i)] This relates to the cancellation of 2 subscriber shares as authorised at the company's Annual General Meeting held on 19 May 2008.

[(ii)] The Group, through a scheme of arrangement, created a new Isle of Man holding company (SGIOM) on 19 September 2007. All shareholdings in the former holding company at that date were transferred to SGIOM.

Notes to the Condensed Consolidated Interim Financial Statements (continued)

For the six months ended 30 June 2008

10 Dividends

The Group declared and paid a dividend of 0.5p per qualifying ordinary share on 20 June 2008 amounting to a total of £290,745 (2007: £nil).

11 Related party transactions

During the period the Group carried out building works at normal commercial rates for Burnbrae Group Limited, a shareholder with effective control, amounting to £1,849,560.

12 Guarantees and other financial commitments

The Group has given performance bonds with a value of £4,249,907 (2007: £2,490,822). The Group had no capital commitments (2007: £nil).

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