

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or about the action you should take, you should seek your own financial advice from your stockbroker or other financial adviser authorised pursuant to the Financial Services and Markets Act 2000 who specialises in investments of this kind before taking any kind of action. An investment in Formation Group PLC is speculative and involves a high degree of risk. Your attention is drawn to the Risk Factors set out in Part II of this document.

If you have sold or otherwise transferred all your Existing Ordinary Shares you should send this document, together with the accompanying Form of Proxy, to the purchaser or transferee or to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. However, such documents should not be forwarded or transmitted in or into the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. If you have sold or transferred only part of your holding of Existing Ordinary Shares you should immediately contact the stockbroker, bank or other agent through whom the sale or transfer was effected.

This document comprises an admission document prepared in accordance with the AIM Rules. This document does not constitute a prospectus for the purposes of the Prospectus Rules and has not been approved by or filed with the Financial Services Authority.

The Directors and the Proposed Director, whose names and functions are set out on page 4 of this document, hereby accept responsibility for the information contained in this document (other than the information contained in paragraph 9 of Part I and paragraphs 15 and 16 of Part VI of this document on the Concert Party) including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Proposed Director, who have taken all reasonable care to ensure that such is the case, the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each of the members of the Concert Party accepts responsibility for the information contained in this document relating to themselves. To the best of the knowledge and belief of the members of the Concert Party (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the Existing Ordinary Shares to be re-admitted and for the Consideration Shares to be admitted to trading on AIM. AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required, pursuant to the AIM Rules for Companies to have a Nominated Adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. **The London Stock Exchange has not itself examined or approved the contents of this document. The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for re-admission of the Existing Ordinary Shares or the admission of the Consideration Shares to the Official List. Neither the Existing Ordinary Shares or the Consideration Shares will be dealt on any other recognised investment exchange and no other such application will be made.** It is expected that trading in both the Existing Ordinary Shares and the Consideration Shares will commence on AIM on 22 June 2007.

FORMATION GROUP PLC

(Registered in England and Wales under the Companies Act 1985, number 4145632)

(ISIN GB0030432735)

Proposed acquisition of Columbia Design & Build Limited

Proposed waiver of the obligation to make a mandatory offer under Rule 9 of the City Code on Takeovers and Mergers

Admission of the Enlarged Issued Share Capital to trading on AIM

Proposed adoption of the Long Term Incentive Plan and New Share Option Scheme

and

Notice of an Extraordinary General Meeting

Nominated adviser and broker

WH IRELAND LIMITED

Share Capital

The following table shows the authorised and issued share capital of the Company

	Authorised at the date of this document	Issued and fully paid at the date of this document		Issued and fully paid at Admission (assuming issue and allotment in full of the Consideration Shares)		
	Number	£	Number	£	Number	£
Ordinary shares of 1p each	200,000,000	2,000,000	126,361,196	1,263,611	196,949,431	1,969,494

Your attention is drawn to the letter from the Chairman of Formation Group PLC which is set out in Part I of this document and which recommends that you vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting referred to below.

After the date on which they have been issued, the Consideration Shares will rank *pari passu* in all respects with the Existing Ordinary Shares including the right to receive all dividends and other distributions declared, made or paid on the Ordinary Shares after their issue.

WH Ireland, which is authorised and regulated by the Financial Services Authority, is acting as nominated adviser and broker to the Company. As the Company's nominated adviser under the AIM Rules, it owes certain responsibilities solely to the London Stock Exchange which are not owed to the Company, any Director, the Proposed Director or to any other person in respect of his decision to acquire Ordinary Shares in reliance on any part of this document. No representation or warranty, expressed or implied, is made by WH Ireland as to any of the contents of this document. WH Ireland will not be offering advice and will not otherwise be responsible for providing customer protections to recipients of this document or for advising them on the contents of this document or any other matter.

This document includes "forward-looking statements" which includes all statements other than statements of historical facts, including, without limitation, those regarding the Company's financial position, business strategy, plans and objectives of management for future operations and any statements preceded by, followed by or that include forward-looking terminology such as the words "targets", "believes", "estimates", "expects", "aims", "intends", "can", "may", "anticipates", "would", "should", "could" or similar expressions or the negative thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future strategies and the environment in which the Company will operate in the future. Among the important factors that could cause the Company's actual performance or achievements to differ materially from those in such forward-looking statements include those factors in Part II entitled "Risk Factors" and elsewhere in this document. These forward-looking statements speak only as at the date of this document. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based. As a result of these factors, the events described in the forward-looking statements in this document may not occur.

Notice of an Extraordinary General Meeting of Formation Group PLC to be held at 12 noon at DLA Piper UK LLP, 101 Barbirolli Square, Manchester M2 3DL on 21 June 2007 is set out at the end of this document. Shareholders will find enclosed with this document a Form of Proxy for use in connection with the Extraordinary General Meeting. To be valid the Form of Proxy should be signed and returned in accordance with the instructions printed thereon so as to be received by Lloyds TSB Registrars of The Causeway, Worthing, West Sussex BN99 6DA as soon as possible but in any event no later than 48 hours before such meeting is held. Completion and posting of the Form of Proxy do not prevent a Shareholder from attending and voting in person at the Extraordinary General Meeting.

This document does not constitute an offer to sell, or the solicitation of an offer to subscribe for Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular this document is not for distribution in or into the United States, Canada, Australia, the Republic of South Africa, Japan or the Republic of Ireland.

The Ordinary Shares have not been and will not be, registered under the United States Securities Act 1933 (as amended) or qualified for sale under the applicable securities legislation of the United States or any province or territory of Canada, Australia, the Republic of South Africa, Japan, the Republic of Ireland or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Existing Ordinary Shares and the Consideration Shares may not, subject to certain exemptions, be offered or sold directly or indirectly in or into the United States, Canada, Australia, the Republic of South Africa, Republic of Ireland or Japan or to any national, resident or citizen of the United States, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	29 May 2007
Latest time and date for receipt of the Form of Proxy	12 noon on 19 June 2007
Extraordinary General Meeting	12 noon on 21 June 2007
Completion of the Acquisition*	21 June 2007
Admission effective and dealings in the Enlarged Issued Share Capital recommences on AIM*	8.00 am on 22 June 2007
Despatch of definitive share certificates in respect of the Consideration Shares to be held in certificated form*	4 July 2007

* assuming all Resolutions are passed at the EGM

ADMISSION STATISTICS

Number of Existing Ordinary Shares in issue	126,361,196
Number of Consideration Shares to be issued	70,588,235
Number of Ordinary Shares agreed to be allotted to David Anthony Kennedy pursuant to the Subscription Agreement	8,823,529
Further Enlarged Issued Share Capital	205,772,960
Enlarged Issued Share Capital*	196,949,431
Consideration Shares as a percentage of the Enlarged Issued Share Capital*	35.8%
Market Capitalisation immediately following Admission	£54.2 million**

* excluding Ordinary Shares to be allotted to David Anthony Kennedy pursuant to the Subscription Agreement

** assuming a share price of 27.5p

DIRECTORS, PROPOSED DIRECTOR, SECRETARY AND ADVISERS

Directors	John Edward Lawrence MBE (<i>Non-Executive Chairman</i>) Neil John Rodford (<i>Chief Executive Officer</i>) Mark Page (<i>Finance Director and Company Secretary</i>) Ian Battersby (<i>Director of Wealth Management</i>) Michael Kennedy (<i>Non-Executive Director</i>) Ian Alexander Craig (<i>Non-Executive Director</i>)
Proposed Director	Richard Noel O'Carroll (<i>Proposed Property Director</i>)
Company Secretary	Mark Page
Registered and Head Office	11 Manchester Road Wilmslow Cheshire, SK9 1BQ
Nominated Adviser and Broker	WH Ireland Limited 11 St James's Square Manchester, M2 6WH
Auditors to the Company	Deloitte & Touche LLP Chartered Accountants 2 Hardman Street Manchester, M3 3HF
Reporting Accountants to the Company	Grant Thornton UK LLP 4 Hardman Square Spinningfields Manchester, M3 3EB
Solicitors to the Company	DLA Piper UK LLP 101 Barbirolli Square Manchester, M2 3DL
Solicitors to WH Ireland	Halliwells LLP St James's Court Brown Street Manchester, M2 2JF
Registrars	Lloyds TSB Registrars The Causeway Worthing West Sussex, BN99 6DA

DEFINITIONS

The following definitions apply throughout this document, unless the context otherwise requires:

“2006 Act”	the Companies Act 2006
“A3 Unit”	restaurants and cafes where the primary purpose is the sale and consumption of food and light refreshment
“Acquisition”	the proposed acquisition by the Company of the entire issued share capital of Columbia pursuant to the Acquisition Agreement
“Acquisition Agreement”	the conditional agreement dated 25 May 2007 in respect of the sale and purchase of the entire issued share capital of Columbia between (1) Streetwise Limited, (2) the Company and (3) David Anthony Kennedy, details of which are set out in paragraph 11.1.5 of Part VI of this document
“Act”	the Companies Act 1985, as amended
“Acts”	the Act and the 2006 Act
“Admission”	the admission of the Enlarged Issued Share Capital to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
“Affordable Housing”	housing of an adequate standard which is cheaper than that which is generally available in the local housing market. This can comprise a combination of subsidised rented housing, subsidised low cost home ownership including shared ownership, and in some market situations cheap housing for sale
“AIM”	a market operated by the London Stock Exchange
“AIM Rules”	the AIM Rules for Companies, governing the admission to and operation of AIM, published by the London Stock Exchange as amended from time to time
“B1 Unit”	business premises for purposes such as office space and light industrial use
“Balchan”	Balchan Management Limited, a company incorporated in Guernsey with registered number 34656
“the Board”	the directors of the Company at the date of this document, whose names are set out on page 4 of this document
“Broker Agreement”	the broker agreement dated 25 May 2007 between (1) the Company and (2) WH Ireland, further details of which are set out in paragraph 11.1.1 of Part VI of this document
“City Code”	The City Code on Takeovers and Mergers
“Capital Sports Solutions”	Capital Sports Solutions Limited, a company incorporated in England and Wales with registered number 2515971
“CFGIL”	Columbia Formation Group (Ireland) Limited, a company incorporated in the Republic of Ireland with registered number 434071
“Columbia”	Columbia Design & Build Limited, a company incorporated in England and Wales with registered number 3536763
“Columbia Architects”	Columbia Architectural Design Limited, a company incorporated in England and Wales with registered number 3301377, the assets of which now form an in-house division of Columbia
“Combined Code”	the combined code of the principles of good corporate governance and code of best practice as appended to, but not forming part of, the Listing Rules of the UKLA
“Consideration Shares”	70,588,235 Ordinary Shares to be issued as the consideration under the terms of the Acquisition Agreement
“Columbia Vendor”	Streetwise Limited, a company incorporated in the British Virgin Islands with registered number 208431
“Completion”	completion of the Acquisition which is expected to occur on or around 21 June 2007

“Concert Party”	the parties set out in paragraph 16 of Part VI of this document
“CREST”	the relevant system (as defined in the CREST Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the CREST Regulations) in accordance with which securities may be held and transferred in uncertificated form
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755) (as amended)
“David Kennedy Family”	David Anthony Kennedy and his immediate family comprising Patricia Kennedy, David Anthony Kennedy junior, Patrick Thomas Kennedy and Paul Gerrard Matthew Kennedy
“David Kennedy Family Trust”	the Impala Discretionary Settlement, a trust established on 26 January 2001 in which the David Kennedy Family are currently appointed as discretionary beneficiaries. The David Kennedy Family Trust is managed by Balchan, an independent Guernsey licensed fiduciary service provider
“Directors”	means the directors of the Company whose names are set out on page 4 of this document
“EGM” or “Extraordinary General Meeting”	the extraordinary general meeting of the Company, convened for 12 pm on 21 June 2007, details of which are set out in the Notice
“EMI Scheme”	The Formation Group PLC Enterprise Management Incentive Plan, details of which are set out in paragraph 5.6 of Part VI of this document
“Enlarged Group”	the Group including, following Admission, Columbia
“Enlarged Issued Share Capital”	the Existing Ordinary Shares and the Consideration Shares in issue immediately following completion of the Proposals
“Executive Directors”	the executive directors of the Company who, at the date hereof, are Neil Radford, Mark Page and Ian Battersby
“Existing Ordinary Shares”	the 126,361,196 Ordinary Shares in issue at the date of this document
“Formation” or the “Company”	Formation Group PLC, a company incorporated in England and Wales with registered number 4145632
“Forms of Proxy”	the forms of proxy enclosed with this document for use by Shareholders in connection with the EGM
“Fox Advertising”	Fox Sports Limited (trading as Fox Advertising), a company incorporated in England and Wales with registered number 3633540
“Further Enlarged Issued Share Capital”	the Existing Ordinary Shares, the Consideration Shares and the Subscription Shares (assuming the Subscription Shares have been issued and allotted)
“FSA”	the Financial Services Authority
“FSMA”	the Financial Services and Markets Act 2000 (as amended)
“Group”	the Company and its subsidiaries and subsidiary undertakings as at the date of this document
“IFRS”	International Financial Reporting Standards as adapted for use in the European Union
“Independent Shareholder”	Shareholders who are not members of the Concert Party
“Kingsbridge”	Kingsbridge Asset Management Limited, a company incorporated in England and Wales with registered number 4803209
“London Stock Exchange”	London Stock Exchange plc
“Long Term Incentive Plan” or “LTIP”	the proposed Formation Group PLC Long Term Incentive Plan, details of which are set out in paragraph 5.2 of Part VI of this document
“New Option Scheme”	the proposed Formation Group PLC Unapproved Option Scheme, details of which are set out in paragraph 5.3 of Part VI of this document
“Nominations Committee”	the Nominations Committee of the Board

“Non Executive Directors Share Option Plan”	the share option scheme, details of which are set out in paragraph 5.5 of Part VI of this document
“Nominated Adviser Agreement”	the nominated adviser agreement dated 25 May 2007 between (1) the Company and (2) WH Ireland, further details of which are set out in paragraph 11.1.1 of Part VI of this document
“Non-Executive Directors”	the non-executive directors of the Company who, at the date hereof, are John Edward Lawrence MBE, Ian Alexander Craig and Michael Kennedy
“Notice”	the notice of EGM set out at the end of this document
“Official List”	the official list of the UKLA
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company, all of which have been created in accordance with the Act
“Panel”	the Panel on Takeovers and Mergers
“Proactive Sports Management”	Proactive Sports Management Limited, a company incorporated in England and Wales with registered number 2962751
“Proposals”	the Acquisition, the proposed waiver of the implications of Rule 9, Admission and the adoption of the New Option Scheme and the Long Term Incentive Plan
“Proposed Director”	the proposed director of the Company to be appointed with effect from Admission whose name appears on page 4 of this document
“Prospectus Rules”	the Prospectus Rules brought into effect on 1 July 2005 pursuant to Commission Regulation (EC) No. 809/2004
“Registrars”	Lloyds TSB Registrars of The Causeway, Worthing, West Sussex, BN99 6DA
“Remuneration Committee”	the remuneration committee of the Board
“Resolutions”	the resolutions to be proposed at the EGM and set out in the Notice at the end of this document
“Rule 9”	Rule 9 of the City Code
“Share Option Schemes”	the Unapproved Scheme, the EMI Scheme, the Non Executive Directors Share Option Plan, the proposed New Option Scheme and the proposed LTIP, further details of which are set out in paragraph 5 of Part VI of this document
“Shareholder”	a holder of Existing Ordinary Shares
“Subscription Agreement”	the subscription agreement to be entered into, <i>inter alios</i> , between (1) Impala Holdings Limited (a Guernsey registered company wholly owned by the David Kennedy Family Trust), (2) Formation and (3) CFGIL
“Subscription Shares”	8,823,529 Ordinary Shares to be issued and allotted to David Anthony Kennedy immediately prior and conditional upon completion, in accordance with its terms, of the Subscription Agreement
“UK”	the United Kingdom of Great Britain and Northern Ireland
“UKLA”	the United Kingdom Listing Authority, being the FSA acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“Unapproved Scheme”	the share option scheme, details of which are set out in paragraph 5.1 of Part VI of this document
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“WH Ireland”	WH Ireland Limited
“Whitechapel”	The Whitechapel Property Fund Limited, a company incorporated in Jersey with registered number 46205

Note:

In this document, the symbols ‘£’ and ‘p’ refer to pounds and pence sterling, respectively.

PART I

LETTER FROM THE CHAIRMAN OF FORMATION GROUP PLC

*(Incorporated and registered in England and Wales under the Companies Act 1985
with registered number 4145632)*

Directors:

John Edward Lawrence
Neil John Rodford
Ian Alexander Craig
Ian Battersby
Mark Page
Michael Kennedy

Registered Office:

11 Manchester Road
Wilmslow
Cheshire
SK9 1BQ

Proposed Director:

Richard Noel O'Carroll

29 May 2007

To Shareholders and, for information purposes, any holders of options under the Share Option Schemes

Dear Shareholder

Proposed acquisition of Columbia Design & Build Limited

Proposed waiver of the obligation to make a mandatory offer under Rule 9 of the City Code

Admission of the Enlarged Issued Share Capital to trading on AIM

Proposed adoption of the Long Term Incentive Plan and New Option Scheme

and

Notice of an Extraordinary General Meeting

1. Introduction

Your Board announced today that it has agreed, subject, *inter alia*, to approval by Shareholders, to acquire the entire issued share capital of Columbia for an aggregate consideration of £19,411,765 to be satisfied on Completion by the issue and allotment of the Consideration Shares.

Given the fundamental change in Formation's business and voting control, the Acquisition constitutes a reverse take-over in accordance with the AIM Rules and is therefore conditional, *inter alia*, on the approval of Shareholders which is to be sought at the Extraordinary General Meeting.

An application will be made to AIM, for the Existing Ordinary Shares and the Consideration Shares to be re-admitted and admitted respectively to trading on AIM.

At the Extraordinary General Meeting, the Company will also be seeking (i) the approval of the Shareholders to the adoption of the Long Term Incentive Plan and the New Option Scheme and (ii) the approval of Independent Shareholders to a waiver of the obligation on the Concert Party to make a mandatory cash offer for the Company pursuant to Rule 9 (on the basis that, as a result of the issue of the Consideration Shares, the Concert Party will hold over 30% of the Enlarged Issued Share Capital).

The purpose of this document is to provide Shareholders with details of the Proposals and to ask you to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting, details of which are set out in the Notice.

2. Background to, and reasons for, the Acquisition

Since the Group's disposal of its sports marketing division in October 2006, Formation's strategy has been to focus on its wealth management and professional services division which currently provides a range of services targeted at high net worth clients, many of whom are professional athletes. The Board is committed to adding new revenue streams that are complementary to the current operation of this division.

Presently, the majority of the business carried out by the wealth management and professional services division of Formation is transactional or brokerage based, and revenue is generated by initial and recurrent commissions. The Board believes that there is an opportunity to increase revenue by adding complementary services as well as creating bespoke investment opportunities to offer to its existing high net worth clients and other institutions and investors. The Directors believe that tailored products will provide the Group with the potential to create new revenue opportunities such as the generation of further commissions and project management fees as well as the possibility of profit share arrangements (payable to the Group) that are linked to the performance of these investments.

Formation has already advised on one bespoke property investment, The Whitechapel Property Fund Limited, which was listed on the Channel Islands Stock Exchange on 1 March 2007. Formation was the investment adviser to this fund, which was created to provide an opportunity for the Group's high net worth clients to invest in a property development in London, more details of which are set out in paragraph 4 of this Part I below.

Historically Formation has not had the required expertise or resources within the property sector to create appropriate investment opportunities itself. It relies on outsourcing to specialists in order to evaluate and implement any project. The Board believes that, in order to assess and develop future opportunities effectively in this area, Formation needs to acquire the appropriate infrastructure and experienced personnel with the ability to source and evaluate appropriate investment opportunities.

Columbia Design & Build Limited

In order to address the deficiencies in the Group's current skill set referred to above, Columbia has been identified by the Board as an acquisition target. Columbia is a property development management business which was created in 1998 to manage the development of properties owned by companies controlled for the benefit of the Concert Party. The senior management team of Columbia are qualified in a range of disciplines including quantity surveying, construction and civil engineering and construction management and many of them have been involved in the property sector for significant parts of their career. In addition, Columbia has developed numerous contacts at both sub-contractor and architect levels, which it regularly relies upon.

Historically, Columbia has project managed two or three large developments (with construction values in excess of £20 million) and three smaller projects (with construction values between £3 million to £20 million) each year. All client companies to date have been companies which are ultimately controlled for the benefit of the Concert Party.

The Board believes that Columbia will provide the Group with the ability to source, evaluate, design and develop bespoke property projects. The Directors also believe that, with the assistance of Columbia, the Group will be able to offer existing and future clients of the Group an opportunity to invest (at an early stage) in the development projects both identified and managed by Columbia through bespoke investment products devised by Formation.

The Board is encouraged to complete the Acquisition on the basis that Columbia has a number of potential new contracts. The Board believes that if these potential contracts are signed, they will underpin the future earnings visibility of Columbia for the foreseeable future.

3. Acquisition of Columbia Design & Build Limited

The UK Property Market

The Board believes that the Group's high net worth clients will continue to look for new opportunities in which to invest their funds in both the residential and commercial sectors.

Confidence in property investments would appear to be supported by recent research. According to Investment Property Databank Limited ("IPD"), property has outperformed the Official List for the past ten years. Furthermore, according to IPD statistics, UK commercial property delivered a total return of 18.1% in the year to December 2006, outstripping both UK equities and bonds.

	Total Return	Income Return	Capital Growth	Annualised Total Return		
	1 year	1 year	1 year	1 year	5 years	26 years
Direct Property						
All property	18.1%	4.9%	12.6%	18.5%	15.1%	11.2%
Retail	15.2%	4.6%	10.2%	18.2%	16.8%	12.2%
Office	23.0%	5.0%	17.2%	19.4%	12.7%	10.0%
Industrial	17.7%	5.8%	11.3%	17.6%	14.9%	12.5%
Other asset classes						
Equities	16.8%		13.1%	17.2%	8.5%	14.0%
Property equities	41.3%		38.4%	35.5%	26.1%	
Bonds	-0.1%		-5.5%	4.6%	5.1%	
Inflation	4.4%			3.4%	3.2%	4.2%

Sources: Investment Property Databank (IPD), FTSE All Share Returns Index, FTSE Real Estate Sector Total Returns Index, FTSE 5 -15 Gilts Total Return Index, National Statistics RPI Inflation

Residential Property

The opportunity for a return on investment in the UK residential property market would seem to be supported by the popular press which regularly reports the growth in this sector. The Royal Institution of Chartered Surveyors (RICS), which released its UK Housing Market Survey on 12 April 2007, also confirmed that house prices increased for the seventeenth consecutive month in March 2007. The survey showed that, although the pace of increase appears to be slowing down, the housing market is still growing. More specifically, the Halifax House Price Index (released on 5th April 2007) showed the annual rate of house price growth in 2006 was 11.1% and the Nationwide Building Society's Quarterly House Price Index (released on 4 April 2007) showed that prices continued to rise by 2.2% during the first quarter of 2007, taking the annual percentage increase to 9.5%.

Overall, according to the Nationwide Building Society, an average UK residential property in April 2007 cost £180,314, compared to £163,573 in April 2006 and £57,406 in April 1997.

The Board considers that there are two key factors which contribute to the growth in house prices and which any residential development opportunity identified by Columbia should be able to capitalise upon:

(a) it is considered that, in the UK, there are simply not enough properties to meet the increased demand from consumers that has been maintained over the last few years. A study by Hamptons International, the estate agent, said that supply and demand have become so out of balance that there is now an average of eight buyers for every seller of property. Hamptons International believe that this is exacerbated due to the fact that there is not enough new housing accommodation being built each year, pushing up the prices of existing ones; and

(b) there has been a steady population growth in the UK, with a reduction in the number of persons per household. The Communities and Local Government Housing Market Report (March 2007) for example, projects that the number of households within the UK will increase at a rate of 223,000 per year from 2007 to 2026.

Commercial Property

The latest figures from RICS (released on 12 April 2007) also show that demand for commercial property continued to increase with growth accelerating at its fastest pace in seven years in the first quarter of 2007, principally due to the pace of economic expansion and increase in investment in building space by businesses. Most notably office demand in central London was recorded by RICS as rising, as at February 2007, at its fastest pace in the survey's history due to the expanding 'City' economy.

Despite rising borrowing costs during the fourth quarter of 2006, investment demand for commercial property also increased supporting the Directors' belief that the clients of the Group, and potential clients, will look to exploit new commercial development investment opportunities. The Investment Management Association's statistics published showed that retail investment into property funds rose to £4.3bn in 2006 (£0.6bn in 2005).

Summary

The Board believes that, with a property management division and the ability to offer its clients the opportunity to invest in new developments identified by that division, the Group will be able to take advantage of the current market conditions in the property sector for the benefit of Shareholders.

Information on Columbia

Background

Columbia was incorporated in 1998 and operates from offices in Hackney, London. It is wholly owned by Streetwise Limited a company controlled for the benefit of the Concert Party. Columbia employs around 16 members of staff and manages residential or mixed use property development projects on behalf of its clients, all of which are currently companies which are owned, or controlled, by the Concert Party.

Activities

Columbia oversees all stages of the development process. Potential target sites are identified by the client companies of Columbia by way of various contacts within the industry.

Evaluation

Following identification of a potential site, Columbia briefly evaluates the viability of a proposed development. If Columbia considers that the proposed development has potential, and a client communicates interest, Columbia will prepare a full evaluation.

These full evaluations typically involve site visits and seek to establish the likelihood of obtaining planning permission, suggest likely development costs, review site conditions such as flood risks and contamination, and assess the condition of any retained structures on the site.

If a client wishes to proceed with the proposed development, Columbia will enter into a contract with that client to manage the construction process, ultimately providing a ready to occupy building, with all required warranties, permissions and regulatory approvals in place.

Design

Columbia may design the property development through Columbia Architects. If it does not use this division, Columbia will oversee the appointment of a firm of architects to prepare the design brief and implement the design programme for the development.

Columbia also oversees the appointment of consultants to carry out any initial viability studies and implement quality assurance schemes. It puts in place defects insurance and product guarantees.

Project Management

The role of project manager typically involves establishing reporting and authorisation procedures to ensure the client, the consultant team, the contractors and works contractors communicate effectively.

Having designed a timetable with the consultants, Columbia would typically prepare and present budgets and cost studies to the client, monitor cash flow forecasts, and prepare the final accounts. It also typically carries out regular reporting to present any budgetary variations and cost implications of any extensions or disruption to the construction schedule.

Columbia will usually carry out any negotiations with the local authorities to secure the necessary planning permissions and any other statutory approvals that may be required (unless they have been acquired in advance). It will establish with the client the selection procedure for the appointment of works contractors, prepare the tender documents, conduct the tender process, establish warranties and guarantees and supervise the appointed contractors.

At the end of the process, it will also usually assist the client in obtaining the statutory licences necessary for the occupation and use of the property, conduct operational tests, arrange final inspection and prepare a health and safety file.

Projects

In any one year Columbia will typically be working on one to three large projects (each with a construction value of £20 million or over) and typically three further projects ranging in construction value from £3 million to £20 million. Projects generally take 12 months to four years to complete with larger (£30 million plus) projects possibly taking up to seven years to deliver depending on phasing, sales and the client's funding arrangements.

Geographically, Columbia currently operates in London, Bristol and Dublin (Ireland) but has, in the past, project managed builds in Leeds, Harrogate and Hastings.

Recent projects delivered in accordance with their clients' specifications include:

(i) Edith Cavell, Enfield Road, London N1

Columbia was instructed by Brie Limited (a company ultimately controlled by the Concert Party) to manage the conversion of the former Hackney Borough Council Department of Education Headquarters. The site had already been sourced by the client, but Columbia was required to design and build 28 affordable homes, whilst also converting and adding to an existing Victorian school to create 77 new apartments and houses, a B1 Unit and associated car parking. The design was prepared by Columbia Architects and implemented by Columbia.

The total construction value of the project was £15.7 million. The project is due to complete on 4 June 2007.

(ii) 6-24 Southgate Road, London N1

Columbia was instructed by Seawind Properties Limited (a company ultimately controlled by the Concert Party) to manage the redevelopment of an existing building, which the client had already acquired, to create 121 residential apartments, 19 Live/Work Units, 25,000 sq ft of B1 Units, a gymnasium and a two storey basement car park.

The scheme was designed by Columbia Architects.

The total construction value of the project was £21 million. The time taken to complete the project construction work was approximately 25 months.

(iii) Victoria Wharf, Palmers Road, London E2

Columbia was instructed by Hallfield Real Estate Limited and Chianti Holdings Limited (both companies ultimately controlled by the Concert Party) to manage the development of a canal-side redundant factory (which already had the benefit of planning permission) to create 30 Live/Work Units, 57 apartments, 10 B1 Units, and a large A3 Unit with associated covered car parking. A separate timber framed block incorporating 12 affordable housing units was constructed on a former garage on the opposite side of Palmers Road.

The scheme was designed by Columbia Architects.

The total construction value of the project was £16 million. The time taken to complete the project construction work was approximately 27 months.

(iv) IBIS Hotel, Commercial Street, London E1

Columbia was instructed by Mangrove Securities Limited (a company ultimately controlled by the Concert Party) to manage the construction of a 358 bedroom hotel over a basement car park beside Aldgate East underground station. The site was empty, but had been purchased by the client with the benefit of planning permission.

The scheme was designed by an external architect.

The total construction value of the project was £16.5 million. The time taken to complete the project construction work was approximately 24 months.

(v) West Street & Waterloo Road, Bristol BS2

Columbia was instructed by Lindstrom Investment Limited (a company ultimately controlled by the Concert Party) to manage the conversion of existing listed buildings to create 85 apartments, an A3 unit, a large retail unit and associated car parking.

The scheme was designed by an external architect.

The total construction value of the project was £7.5 million. The time taken to complete the project construction work was approximately 18 months.

Staffing

Columbia employs approximately 16 members of staff but does not employ trade or manual operatives. A typical £20 million construction value site would be managed using the following team, all of whom would be provided or sourced by Columbia:

FULL TIME

Project Manager
Site Manager
Section Foreman
Quantity Surveyor
Accountant
Architect*
Draughtsman

PART TIME

Managing Director
Contracts Manager
Planner
Safety Officer
Commercial Manager
Financial Controller
Secretarial
Finishing Foreman
Setting Out Engineer

* As mentioned above, on occasions external architects are used.

Structural engineering, mechanical engineering, electrical engineering, geotechnical and other specialist engineering services are usually hired by Columbia on a project by project basis. By contracting out these specialist requirements, consultants can be retained to meet the specific requirements of each individual project, with the appropriate staff and expertise available to meet the needs of that development. Financially this method of procurement is considered to be the most advantageous for Columbia.

Current and Potential Projects

Columbia has several key potential new contracts. The new contracts are subject to finalisation of legal and commercial terms. Brief details are set out below:

(i) 52-58 Commercial Road, London

Columbia has been instructed by Rocquefort Properties Limited (a company ultimately controlled by the Concert Party) by way of a letter of intent to manage a development of 165,765 sq ft in Tower Hamlets, London consisting of:

- 136 residential units of which 38 are for Affordable Housing;
- 6 purpose-built premises for a mix of residential and business use;
- approximately 18,000 sq ft of office and a commercial gymnasium;
- approximately 3,000 sq ft of retail/restaurant space; and
- 33 car parking spaces on the rear of the ground floor and basement.

The site already has planning permission.

The works, which have already started involve the demolition of a late Victorian warehouse, the excavation of a basement car park and the construction of one 13 storey tower and one 17 storey tower with two smaller (five and six storey) concrete framed blocks on two smaller adjoining sites to the side and rear of main site. The construction value of the project is *circa* £23 million with an anticipated construction period of 32 months.

Columbia is providing all architectural services in relation to this development.

The final contract between Columbia and Rocquefort Properties Limited has yet to be signed but it is anticipated it will be signed on or shortly after Admission.

(ii) 1 Commercial Street/111-120 Whitechapel High Street, London E1

Julius Properties Limited (a company ultimately controlled by the Concert Party) proposes to employ the project management services of Columbia on the construction of a 21 floor building above the entrance to Aldgate East underground station. The site has planning permission for a mixed use scheme comprising:

- 217 apartments of which 20 are Affordable Units;
- 94,745 sq ft net lettable office space;
- 11,453 sq ft net lettable retail space; and
- car parking spaces and plant space in the basement.

The construction value of this scheme is £60.15 million with a 36 month build programme. Planned works involve the construction of a 21 floor concrete framed 'super' structure. There is provision to leave the office space in shell form or to have it completed to a tenant's specification.

The scheme is to be designed by an external architect.

This project is still subject to bank funding. A bank is currently undertaking due diligence on this site and, if such funding is granted, it is expected that the contract between Julius Properties Limited and Columbia, for this project, will be signed in the near future.

(iii) Clancy Quay, Dublin

It is proposed Columbia be appointed by Clancy Quay Properties Limited to manage the development of a 14.5 acre site beside Heuston Station in Dublin's city centre. The site (formerly a listed army barracks) has the benefit of recent planning permission for a mixed use scheme and was recently valued at €135 million. The redevelopment, which commenced on 26 April 2007, will be constructed on a phased basis, and it incorporates approximately 300 waterfront apartment blocks (in the first phase of the development), basement car parking, several retained listed stone structures providing residential and retail accommodation, and office and hotel space. It has already achieved substantial pre-sales for the first phase of the development.

All professional consultants including the architects for this project are based in Ireland and the construction works will be undertaken using an established Irish contractor. Phase one of the scheme has an estimated construction value of £74 million with future phases (if necessary approvals are obtained) potentially taking this sum to £160 million.

This project is still subject to approval by the bank providing the majority of the funding. It is anticipated that this approval, and consequently the execution of contract between Columbia and Clancy Quay Properties Limited will occur in the near future.

(iv) Davitt Road, Dublin

It is proposed Columbia be appointed by Davitt Road Limited to manage the development of a site at Davitt Road, Dublin. This development is at an early stage and the site does not currently have planning permission (but it is proposed such planning permission be sought in due course). The site at Davitt Road was recently valued at €35 million.

Summarised financial information

Columbia's typical revenue model works on a cost plus basis and historically it has charged a low margin on each project. Traditionally, Columbia has made a small profit.

Going forward, Columbia will charge its clients a fixed fee set at an appropriate commercial rate in relation to industry benchmarks. By operating a fixed fee model, the risk on a development is significantly reduced and, once contracted, the visibility of earnings for Columbia increases.

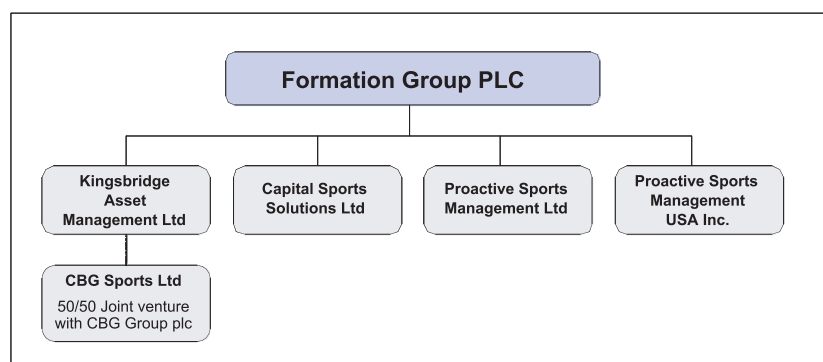
The following financial information on Columbia has been extracted without material adjustment from the historical information on Columbia for the past three years as set out in Part IV of this document. This key financial information should be read in conjunction with the full text of this document and Shareholders should not rely solely on this summarised information.

Year ended 29 September	2006	2005	2004
	£'000	£'000	£'000
Turnover	14,845	27,501	26,157
Gross profit	211	414	574
Operating profit	145	145	196

4. Information on the Group

To date the Group has provided a range of specialist services to professional athletes and other high net worth individuals and organisations in the sports and entertainment sectors. It has had two main operating divisions, a wealth management and professional services division (comprising two subsidiaries: Kingsbridge and Capital Sports Solutions) and an athlete and celebrity representation division (comprising two further subsidiaries: Proactive Sports Management and Proactive Sports Management USA Inc).

A summary of the Group structure to date is set out below:



The Whitechapel Property Fund Limited

As previously mentioned, Formation has recently acted as investment adviser on a bespoke property investment fund, The Whitechapel Property Fund Limited. Whitechapel was created independently and provided an opportunity for the Group's high net worth clients to invest in a development at 52-58 Commercial Road, London with an estimated total development cost (including the cost of land acquisition) of £41.7 million.

Money raised by Whitechapel was loaned to Rocquefort Properties Limited, the developer, to part fund the development at Commercial Road (which Columbia is to be contracted to manage) with bank funding providing the balance of required development funds. The investment opportunity provided by Whitechapel was by way of the issue of junior unsecured loan notes with a fixed compounded return.

Of the total proceeds of the loan note issue, an introducer fee of £500,000 was paid to Formation. Additionally, Formation has agreed to underwrite the issue of these loan notes, to a maximum liability of £4 million. In return for providing this underwriting facility, Formation will also be entitled to a 40% share of any residual profits of Rocquefort Properties Limited derived from the development at Commercial Road.

Financial information on Formation is set out in Part III of this document.

Columbia Formation Group (Ireland) Limited

As announced earlier today the Company has conditionally agreed to issue and allot the Subscription Shares to David Anthony Kennedy immediately prior to the completion, in accordance with its terms, of the Subscription Agreement. It is intended that money raised from the issue of the Subscription Shares to David Anthony Kennedy be used by Formation to assist it to complete its subscription of shares in CFGIL pursuant to the Subscription Agreement.

CFGIL will be the holding company for two major developments in the Republic of Ireland namely, Clancy Quay, Dublin and Davitt Road, Dublin. Details of both of these proposed developments are set out as part of Columbia's ongoing and potential contracts in paragraph 3 of this Part I of this document.

Subsidiaries

Kingsbridge Asset Management Limited

Operating from offices in Nottingham and employing approximately 26 people, Kingsbridge is an independent financial adviser offering financial planning, insurance protection and management advice to athletes, entertainers and other high net worth individuals.

Serving predominantly professional footballers and coaches based in the UK, Kingsbridge provides advice in all areas of wealth management including tax planning, insurance protection, investment portfolio construction and asset allocation, and mortgage and banking.

Given the specialised nature of its client base, Kingsbridge's solutions are often bespoke and tailored to meet each individual client's needs, unlike a more traditional independent financial adviser which might offer "off-the-shelf" products.

Kingsbridge currently acts for *circa* 600 clients including approximately 15% of all Premier League players and is the preferred supplier to the Professional Cricketers' Association and the League Manager's Association.

In July 2006, Kingsbridge established a joint venture vehicle with CBG Group plc, a company admitted to trading on AIM providing general insurance, personal insurance and risk management. The joint venture company is called CBG Sports Limited ("CBG Sports") and it currently services the insurance needs of Kingsbridge's client base by providing products that are tailored to suit individual needs and financial and personal circumstances. CBG Sports offers general insurance products but also provides career protection products, such as personal injury insurance in the event of a career ending injury, which are vital to sports professionals.

As an intermediary Kingsbridge receives commissions from the various providers whose products it sells to its clients. Commissions will vary depending on the product sector and provider but are typically between 1% and 10% of the transaction value. In line with FSA regulation and recommendations, Kingsbridge is in the process of moving towards a fee based remuneration model where it will take control of a client's assets, charging an annual management fee to manage those assets.

Capital Sports Solutions Limited

Based in Wilmslow, Capital Sports Solutions was acquired by the Group in March 2005. The company, which employs one person, is a specialist broker, providing bespoke financial products to sporting organisations and clubs particularly within the European football market.

Capital Sports Solutions assists clubs to maximise their cash flow by arranging loans secured against a club's future income from existing commercial contracts. Clubs can use this form of lending to manage cash flows against a number of different income streams including transfer fees, sponsorship income, broadcast income and season ticket revenues. The facility is secured on these future income streams rather than on the club's balance sheet providing an efficient way for clubs to manage cash flow.

Capital Sports Solution's fees are contingent on completion and typically amount to 1% of the gross amount advanced. It has successfully completed eleven transactions since joining the Group in March 2005.

Turnover for the last financial year for the wealth management and professional services division, which comprises both Kingsbridge and Capital Sports Solutions was £3,635,000 with an operating profit of £543,000.

Proactive Sports Management

Proactive Sports Management is a representation agency providing management services and career advice to professional athletes and celebrities, predominantly from the football sector. Based in Wilmslow, Proactive Sports Management operates primarily within the UK and European football markets, employing approximately 18 people whilst Proactive Sports Management USA Inc. based in Washington, services clients from North American territories and employs approximately four people.

Both Proactive Sports Management and Proactive Sports Management USA Inc. provide a range of athlete and talent management services to athletes and entertainers. Primarily, these companies work on behalf of clients to negotiate and renegotiate playing contracts with football clubs. In addition, these companies provide ancillary services (to assist with relocation and off-field matters like travel, accommodation, transport and other concierge services). As well as providing advice on subjects such as endorsements and licensing, image rights and intellectual property protection, these companies also negotiate commercial contracts with corporate sponsors, publishers and the media on behalf of clients.

Between them, Proactive Sports Management and Proactive Sports Management USA Inc represent *circa* 107 football players throughout the world, of whom 81 have played for their country at international level. Clients are contracted for two years as The Football Association regulations stipulate that representation agreements can only be signed for a maximum of two years. Proactive Sports Management and Proactive Sports Management USA Inc together completed approximately 60 transfers or contract renewals during the financial year ended 31 August 2006.

Turnover for these two companies, in the financial year ended 31 August 2006 was £3,131,000 with an operating profit of £995,000.

5. Current trading and future prospects

Current trading of the Group

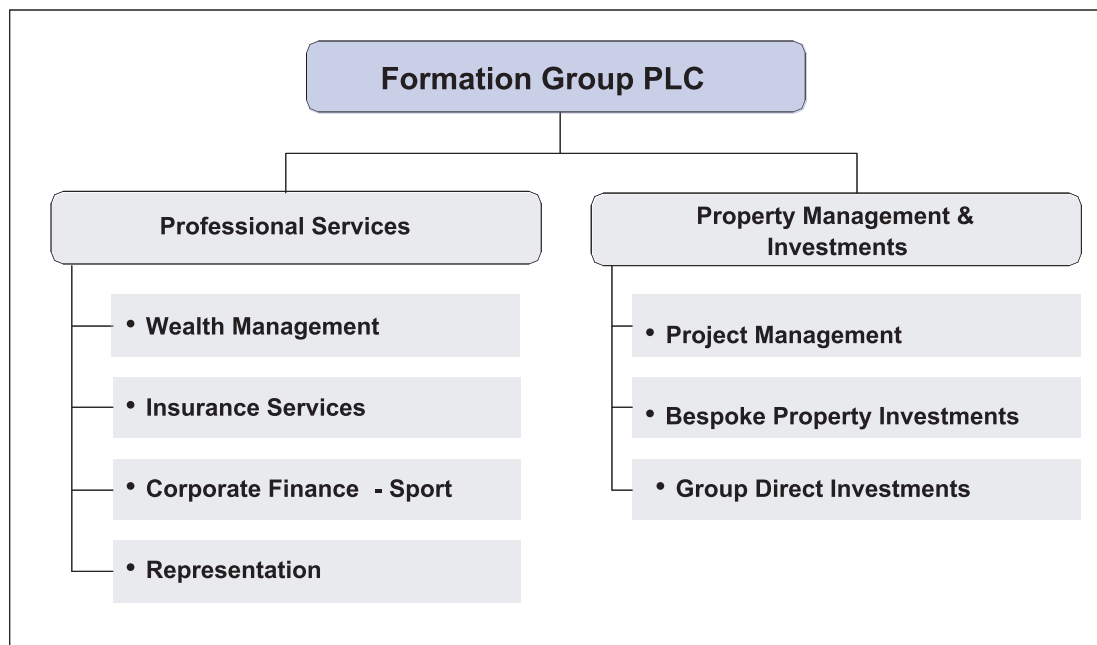
The Board considers that current trading of the Group is in line with expectations and it remains confident of the Group's prospects for the remainder of the year.

The following are highlights from the Group's unaudited interim accounts for the six months ended 28 February 2007:

- (i) profit before tax from continuing operations of £329,000 (2006: loss of £128,000);
- (ii) basic earnings per share from continuing activities increased to 0.18 pence (2006: loss of 0.08 pence);
- (iii) profit of £4.2 million generated from disposal of the Sports Marketing Division; and
- (iv) cash balance of £7.5 million at the end of the period.

Prospects for the Enlarged Group

The Directors intend to develop the strategy of profitable growth of the Enlarged Group by expanding its market share in its existing core markets whilst continuing to add complementary companies as and when the appropriate opportunities arise. The Group's existing operations have now been combined into one division. The organisation chart below demonstrates the scope of services the Group intends to provide to its customer base following Admission. The Directors do not believe that the addition of the new property division, or the acquisition of Columbia, will affect the current continued employment of Group employees or the management of the Group.



As referred to earlier in this Part I of this document, all of Columbia's existing property development projects are being undertaken for companies that are owned or controlled by the Concert Party of whom David Anthony Kennedy is a member. David Anthony Kennedy has been a property developer for over 20 years and has overseen property developments and building projects throughout the UK and Ireland during this time.

The Board recognises that Columbia's ability to generate profit depends on Columbia's ongoing relationship with David Anthony Kennedy, certain other members of the Concert Party and the companies that are owned or controlled by the Concert Party. The Group currently has little existing in-house resource for developing property related sales and marketing leads and the Board also recognises that Columbia will need to develop its sales and marketing skills set if it is to market its services to new clients.

6. Dividend policy

Any cash generated by the Enlarged Group's operations in the short to medium term will be devoted to funding the Enlarged Group's planned development. Nevertheless, the Board will continue to review, and expects to continue, an annual dividend payment policy.

7. Directors and Proposed Director

Directors

The Board currently comprises the following directors in respect of whom brief biographies are set out below:

John Edward Lawrence MBE (Aged 62) Non-Executive Chairman

John Edward Lawrence MBE formed JEL Energy Conservation Services Limited in 1975, which was sold to Thorn EMI. Following this he was Chairman and CEO of a number of Thorn EMI technology companies. Since 1993 he has been an investor and has held non-executive positions with a number of public and private companies. He is currently a director of WH Ireland Group PLC and Aberdeen Growth VCT 1 plc and non-executive Chairman of BES Consulting Limited.

Neil Rodford (Aged 37) Chief Executive

Neil Rodford joined the Group in January 2001 and was previously the Group's chief operating officer. He has previously held positions as managing director of Fulham FC and was business development manager at the Keegan Partnership.

Mark Page ACA (Aged 43) Finance Director and Company Secretary

Mark Page joined the Group as financial controller in February 2002 having previously held positions at Coopers & Lybrand and Big Food Group PLC.

Ian Battersby (Aged 49) Director of Wealth Management

Ian Battersby joined Kingsbridge in July 2000 at the time of its admission to AIM and has been the business development director of the Group since that date. Prior, to joining Kingsbridge, Ian was Regional Commercial Director for Lloyds TSB Group and has held senior positions with Hill Samuel and National Westminster Bank Plc. Alongside his activities in developing Kingsbridge's penetration into wider sports markets, he has been influential in the Group's dialogue with institutions and the professional sector, and the ongoing development of the Group's property division.

Michael Kennedy (Aged 62) Non-Executive Director

Michael Kennedy joined the Group in January 2005. He is a senior partner at the law firm Herbert Reeves and specialises in property law. He has also represented football players for more than 20 years.

Ian Alexander (Alec) Craig (Aged 49) Non-Executive Director

Alec Craig is senior partner of Halliwells LLP solicitors and is also non-executive chairman of Tepnel Life Sciences PLC and a non-executive director of Aberdeen Growth Opportunities VCT PLC. He was appointed to the Board in September 2003.

Proposed Director

The Proposed Director is:

Richard Noel O'Carroll M.R.I.C.S (Aged 47) Property Director

Richard Noel O'Carroll is managing director of Columbia, having joined the business in 1986 as chief surveyor. He is a member of the Royal Institution of Chartered Surveyors. Noel has a professional practice and contracting background, both in the UK and overseas, in civil engineering and general construction.

8. Principal terms and conditions of the Acquisition

Pursuant to the terms of the Acquisition Agreement, Formation has agreed subject to, *inter alia*, approval by Shareholders to acquire from the Columbia Vendor, the entire issued share capital of Columbia. Upon completion of such Acquisition, the consideration payable by Formation to the Columbia Vendor will be £19,411,765 and will be satisfied by the issue and allotment of the Consideration Shares.

9. The City Code

The terms of the Acquisition give rise to certain considerations under the City Code.

The City Code is issued and administered by the Panel. The Company is subject to the City Code and therefore Shareholders are currently entitled to the protections afforded by the City Code.

Under Rule 9, a person (or group of persons acting in concert) who acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with them are interested) carry 30% or more of the voting rights of a company which is subject to the City Code, is normally required to make a general offer in cash to all other shareholders of that company to acquire the balance of the shares not held by such a person (or group of persons acting in concert).

In addition, Rule 9 provides that where any person is interested in shares in a company which is subject to the City Code and which in aggregate carry not less than 30% but not more than 50% of that company's voting rights, and such person, or any person acting in concert with them, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in that company in which they are interested, such person is normally required, in the same way, to make a general offer to all shareholders.

An offer under Rule 9 must be in cash and at the highest price paid within the preceding 12 months for any shares in the company by the person required to make the offer or any person acting in concert with them.

Information on members of the Concert Party and details of the Ordinary Shares held by them (both before and after the Acquisition is completed) is set out in paragraphs 15 and 16 of Part VI of this document.

After completion of the Acquisition, but before completion of the Subscription Agreement, the Concert Party's interest in shares carrying voting rights in the Company will represent, in aggregate, 51.4% of the voting rights attaching to the Enlarged Issued Share Capital.

If the Subscription Agreement completes the Concert Party's interest carrying voting rights in the Company will represent, in aggregate 53.5% of the voting rights attaching to the Further Enlarged Issued Share Capital.

The Panel has agreed, subject to the passing of Resolution 2 on a poll at the EGM, to waive the obligation of the members of the Concert Party to make a general offer under Rule 9 that would otherwise arise as a result of the Proposals.

Shareholders should be aware that, following the Acquisition, the members of the Concert Party will together hold more than 50% of the voting rights attaching to the Company's issued share capital. Accordingly, the Concert Party (for so long as they are treated as acting in concert) may be able to increase their aggregate shareholding without incurring any further obligation under Rule 9 to make a general offer. However, individual members of the Concert Party will not be able to increase their percentage shareholdings through a Rule 9 threshold without Panel consent.

10. Lock-in agreement

The Columbia Vendor, who, following Admission, will hold approximately 35.8% of the Enlarged Issued Share Capital has entered into a lock-in and orderly market agreement not to dispose (save in certain circumstances referred to below) of certain Ordinary Shares (being the Consideration Shares for a period of 12 months following Admission and only dispose of such Ordinary Shares through WH Ireland or other broker of the Company for a period of 12 months thereafter.

The above-mentioned restrictions do not apply in the event of an intervening court order, the death of a party who has been subject to this rule or to disposals in the event of a take-over offer, or the giving of an irrevocable undertaking to accept a takeover offer, for the entire issued share capital of the Company.

David Anthony Kennedy has, under the terms of the same agreement, agreed (in respect of the Subscription Shares) to dispose of the Subscription Shares only through WH Ireland or other broker of the Company for a period of 12 months thereafter.

Details of the lock-in and orderly market agreement are set out in paragraph 11.1.3 of Part VI of this document.

11. Proposed Changes to Executive Remuneration and Board Composition

The Remuneration Committee of the Company, in consultation with Deloitte & Touche LLP, has reviewed the existing short and long term incentives, remuneration and benefits offered at present by the Company to the Board. Following that review, the Remuneration Committee concluded that, in order to (i) recruit and retain an appropriate calibre of Board member and (ii) reflect the market trends highlighted by Deloitte & Touche LLP for the incentivisation of directors of similar sized AIM-listed companies, the Board should:

- (a) increase the salary of Neil Rodford (from £135,000 to £175,000) and Mark Page (from £85,000 to £110,000);
- (b) increase the fees paid to John Edward Lawrence MBE (from £35,000 to £45,000) and Alec Craig (from £25,000 to £27,500); and
- (c) introduce an executive bonus plan whereby a maximum bonus of 50% of basic salary can be earned based on EPS growth, further details of which are set out in paragraph 8 of Part VI of this document.

On a separate note, it is with regret that the Board has to announce the resignation of Laurie Turnbull as a non-executive director of the Company with immediate effect. The Board has accepted the resignation, which was due to the volume of other commitments that Laurie Turnbull has in the public and private arena, and would like to take this opportunity to thank Laurie Turnbull for his contribution during his time on the Board.

The resignation of Laurie Turnbull has presented the Nominations Committee of the Company with an opportunity to re-address the composition of the Board. The Nominations Committee is pleased to announce that Michael Kennedy (formerly an Executive Director) has accepted, with immediate effect, the role of non-executive director of the Company.

In addition to the appointment of Michael Kennedy as a non-executive director, the Company has entered into a nominations agreement with Balchan (in its capacity as trustee of the David Kennedy Family Trust) pursuant to which Balchan has the right, whilst the Concert Party holds more than 50% of the Enlarged Issued Share Capital of the Company, to appoint two non-executive directors to the Board. Further details of this agreement are set out in paragraphs 10.8 and 11.1.18 of Part VI of this document. To date, no nominations for the appointment of any non-executive directors have been received by Balchan. Balchan has also agreed, under the terms of the nominations agreement, not to exercise the right to appoint a non-executive director for a period of six months from the date of Admission.

12. Proposed adoption of the New Option Scheme and Long Term Incentive Plan

As mentioned above the Remuneration Committee has been reviewing the short and long term incentive arrangements offered by the Company to the Board.

As a result of the review, the Remuneration Committee has also considered the share based incentive arrangements operated by the Company. The conclusion reached by the Remuneration Committee is that, to ensure there is a sufficient range of share based incentive arrangements available to the Group (in particular, for the benefit of the Executive Directors and other senior employees of the Group), the approval of Shareholders should be sought for the adoption of two new share based plans.

Details of the New Option Scheme are set out at paragraph 5.2 of Part VI of this document and details of the Long Term Incentive Plan are set out at paragraph 5.3 of Part VI of this document.

13. Corporate Governance

The Board recognises the importance of sound corporate governance whilst taking into account the size and nature of the Company. As the Company grows, the intention of the Board is that the Company should maintain policies and procedures which reflect the Principles of Good Governance and Code of Best Practice, as published by the Committee on Corporate Governance (commonly known as the "Combined Code") and which are appropriate for a company of its size. The Board will take such measures, as far as is practicable, to comply with the Combined Code.

The Company has an audit committee, a nominations committee and a remuneration committee, each comprised of Non-Executive Directors.

The audit committee meets at least twice per annum and is responsible for ensuring the integrity of the financial information reported to the Shareholders and the systems of internal controls and determines the terms of engagement of the Company's auditors. This committee provides an opportunity for reporting by the Company's auditors.

The remuneration committee meets at least twice per annum to determine and agree with the Board the framework or broad policy for the remuneration of any executive directors of the Company and such other members of any future executive management as it is designed to consider. The objective of this committee is to attract, retain and motivate executives capable of delivering the Company's objectives.

The nomination committee meets at least once per annum to, *inter alia*, identify, consider and nominate candidates to fill vacancies to the Board and to review the composition of the Board.

The Company will ensure, in accordance with Rule 21 of the AIM Rules, that its Directors do not deal in any of the Ordinary Shares during a close period (as defined in the AIM Rules) and will take reasonable steps to ensure such compliance by Directors and applicable employees. The Company has adopted a share dealing code for this purpose.

14. Admission, dealings and settlement

Application will be made to the London Stock Exchange for the Existing Ordinary Shares and the Consideration Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings, for normal settlement, will commence on 22 June 2007.

The Directors are arranging with CrestCo Limited for the Existing Ordinary Shares and the Consideration Shares to be eligible for settlement through CREST from Admission. Accordingly, settlement of transactions in the Ordinary Shares following Admission may take place within CREST if the relevant shareholder so wishes. Settlement of transactions in the Ordinary Shares through CREST is voluntary and Shareholders who wish to receive and retain certificates will be able to do so.

15. Taxation

Information on taxation in the UK with regard to holdings of Ordinary Shares is set out in paragraph 13 in Part VI of this document. **Shareholders who are in any doubt as to their tax position or who are subject to tax in any other jurisdiction should consult an appropriate independent professional adviser immediately.**

16. Extraordinary General Meeting

As mentioned earlier in this Part I of this document, the Acquisition constitutes a reverse take-over for the purpose of the AIM Rules and is therefore conditional, *inter alia*, upon approval by Independent Shareholders. The Extraordinary General Meeting has been convened for 12 pm on 21 June 2007 to be held at DLA Piper UK LLP, 101 Barbirolli Square, Manchester, M2 3DL.

You will find set out at the end of this document a notice convening the EGM for the purpose of considering and if thought fit approving the Resolutions to:

- (i) approve the Acquisition for the purposes of Rule 14 of the AIM Rules (ordinary resolution);
- (ii) approve the waiver of the obligation by the Concert Party to make a general offer under Rule 9 as described above (ordinary resolution, to be taken on a poll);
- (iii) increase the authorised share capital of the Company (ordinary resolution);
- (iv) grant the directors of the Company authority to allot the Consideration Shares and the Subscription Shares pursuant to section 80 of the Act in connection with the Acquisition and the Subscription Agreement and generally to allot a further 41,187,065 Ordinary Shares (ordinary resolution);
- (v) disapply statutory pre-emption rights upon the issue of the Consideration Shares, the Subscription Shares and further Ordinary Shares for cash up to an aggregate nominal value of £126,361.20 (special resolution);
- (vi) approve, *inter alia*, the rules of, and the adoption by the Company of, the New Option Scheme (special resolution);
- (vii) approve, *inter alia*, the rules of, and the adoption by the Company of, the Formation Group PLC Long Term Incentive Plan (special resolution); and
- (viii) approve certain amendments to the articles of association of the Company (special resolution).

The members of the Concert Party will not be voting at the EGM as they are not independent for the purposes of the Proposals.

17. Action to be taken

A Form of Proxy is enclosed with this document. Completion and return of the Form of Proxy does not preclude a Shareholder from attending the EGM and voting in person, if you so wish. Whether or not you intend to be present at the EGM, you are asked to complete and return the Form of Proxy in accordance with the instructions printed thereon as soon as possible but in any event so as to arrive with Lloyds TSB Registrars of The Causeway, Worthing, West Sussex BN99 6DA not later than 48 hours before the time of the EGM, to be held at 12 noon on 21 June 2007 at DLA Piper UK LLP, 101 Barbirolli Square, Manchester, M2 3DL.

18. Further Information

Your attention is drawn to the additional information set out in Parts II to VI of this document.

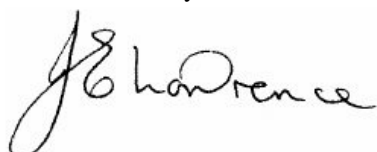
19. Recommendation

The Directors and the Proposed Director, who have been advised by WH Ireland, consider that the terms of the Acquisition are in the best interests of the Company and the Shareholders. Accordingly, the Directors recommend Shareholders to vote in favour of the Resolutions, as they have irrevocably undertaken to do in respect of their aggregate holding of 2,860,847 Ordinary Shares which represents approximately 2.27% of the issued share capital of the Company at the date of this document. In providing advice to the Directors, WH Ireland has taken into account the Directors' commercial assessment of the Acquisition.

The Board has also received irrevocable undertakings to vote in favour of the Resolutions from those Shareholders whose names are set out at paragraph 22.11 in Part VI of this document and who, in aggregate, hold 45,435,333 Ordinary Shares which represents approximately 35.97% of the issued share capital of the Company at the date of this document.

In total, the Board has therefore received irrevocable undertakings in respect of 48,296,180 Ordinary Shares which represents 38.24% of the issued share capital of the Company at the date of this document.

Yours faithfully



John Edward Lawrence MBE
Non-executive Chairman

PART II

RISK FACTORS

Potential investors should carefully consider the risks described below before making a decision to invest in the Company. If any of the following risks actually occur, the Enlarged Group's business, financial conditions, results or future operations could be materially affected. In such circumstances, the price of the Ordinary Shares could decline and investors could lose all or part of their investment. This document contains forward-looking statements that involve risks and uncertainties. The Enlarged Group's results could differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Enlarged Group, which are described below and elsewhere in this document. Additional risks and uncertainties not currently known to any of the Directors and/or the Proposed Director may also have an adverse effect on the Enlarged Group's business. The information set out below does not constitute an exhaustive summary of the risks affecting the Enlarged Group and is not set out in any order of priority.

1. Risks relating to the Enlarged Group

Restrictions on Columbia's growth

At the time of Admission, Columbia does not have any key ongoing customer contracts in place. All projects referred to in this document are either completed or the heads of terms and associated bank funding for the developments are still being finalised and negotiated. The success of Columbia is therefore wholly dependent on new contracts being executed on, or shortly after, Admission. More particularly Columbia's ability to generate a profit in the short to medium term is wholly dependent on the execution of the contracts for the development of 52-58 Commercial Road, for the development of 1 Commercial Street/111-120 Whitechapel High Street, London and for the development of Clancy Quay, Dublin. There can be no guarantee that these contracts will be signed, that the projects will attract the necessary funding, that Columbia's role in the development will be as outlined in this document or, that as a consequence, Columbia will generate any profit going forward. However, all of Columbia's current client base including the clients involved in the development of Commercial Road, Commercial Street and Clancy Quay are companies which are ultimately controlled for the benefit of the Concert Party. Accordingly, the Directors do not see any reason why, if the requisite funding is obtained, Columbia will not be instructed to act on the projects as set out in this document.

Columbia's ability to expand may also be restricted by the lack of suitable development sites in the UK and Ireland, and by increased competition for development sites in the UK from foreign investors. The macro-economic environment and continued demand for residential and office space is key to its future success. Interest rates and continued economic growth are important factors here.

Columbia's future trading

The Enlarged Group currently has very little existing in-house resource for developing sales leads and without this resource and the continued support of members of the Concert Party, it is likely that the future trading of Columbia will differ materially from the Board's anticipation of its performance. Furthermore, Columbia has historically only charged fees that were very competitive due to the continuous workload it was receiving from the Concert Party. The pricing of its work has not been subject to market testing. The track record of Columbia cannot, therefore, be used as evidence of its profit generating capacity.

Importance of major shareholder

The influence on the Enlarged Group of certain members of the Concert Party will be significant to the Group's future performance. Their ability to identify appropriate and commercially attractive building projects will materially affect the financial performance in the short to medium term of the Group's newly formed property division. In addition, as Columbia's client base has historically only been companies which have ultimately been controlled for the benefit of members of the Concert Party, the continued performance of Columbia will, until it is able to source new clients, depend significantly on the continued referral of similar projects from contacts of certain members of the Concert Party.

Demand for commercial and residential property within the UK, in particular London, and the Republic of Ireland, in particular Dublin

The continued demand for space for business and private use particularly within Greater London is key to the Enlarged Group's future prospects. The Enlarged Group has launched one product and intends to produce between one and three per annum moving forward. The Enlarged Group's ability to sell these schemes and the

Enlarged Group's revenue in short, medium and long term is very much dependent on the continued demand of products of this nature. These investments will continue to be attractive or otherwise based on the sustainability and viability of redevelopment projects which will be underpinned by the value of commercial, retail and residential values going forward.

Demand for television rights for UK domestic and international football

Many of the Enlarged Group's ultimate clients are in, or are associated with, the game of football. The sustainability of clubs, directors, managers, coaching staff and, ultimately, players is very much geared around the European broadcasters demand for live football. This income stream which represented 43% of Premier League clubs according to The Deloitte & Touche Annual Review of Football Finance for the 2004/2005 season demonstrates the importance of this source of income. The Group's ability to predict broadcasters' future demand for this content and, ultimately, consumers desire for subscription services is not possible.

Management of growth

The ability of the Enlarged Group to implement its strategy requires effective planning and management control systems. The Board anticipates that further expansion will be required to respond to market opportunities and growth in the Group's underlying client base. The Enlarged Group's growth plans may place a significant strain on the Enlarged Group's management, operational, financial and management information. Any failure to maintain operational, financial and management information and quality control systems in line with the Enlarged Group's growth could have a material adverse effect on the Enlarged Group's business, financial condition and results of operations.

Competition and restrictions on growth

The Enlarged Group may face significant competition, including from competitors who may have greater resources than the Enlarged Group. There can be no guarantee that the Enlarged Group will be able to complete successfully in such a marketplace.

Attraction and retention of key employees

The future success of the Enlarged Group is substantially dependent on the continued services and performance of its executive directors, senior management and other key personnel, and the Group's ability to attract and retain highly skilled and qualified personnel. The Directors and the Proposed Director cannot give assurances that members of the senior management team, the Executive Directors and the Proposed Director will remain with the Enlarged Group. The loss of the services of the continuing Directors, members of the senior management and the other key employees could affect the Enlarged Group's business. Equally, the ability to attract new employees with appropriate experience and skills cannot be guaranteed.

Health and safety

Given the nature of Columbia's business, the health and safety of its employees and that of third parties is of paramount importance to Columbia and the Enlarged Group. Whilst the historical health and safety record of Columbia is relatively favourable (given the nature of the construction industry), the Board is considering the appointment of health and safety consultants on a global basis (as opposed to a project by project basis as is currently undertaken by Columbia) or a health and safety officer who would be responsible for the proposed property division's health and safety systems and procedures.

Even after such systems and procedures are put in place, any design fault, accident or injury on any of the projects that Columbia has undertaken or will undertake in the future could have a material adverse effect on the profits, prospects, business and operations of Columbia and the Enlarged Group.

Competing interests

It has been disclosed to Formation under the terms of the Acquisition Agreement that the Columbia Vendor has an interest in J Reddington Limited (registered in England and Wales with company number 3228216) ("J Reddington") and entities that are connected to it. J Reddington carries out in-house infrastructure, groundworks, complex concrete substructures and superstructures. The main contracting division of J Reddington, known as Midgard, has a stated focus on designing and building new facilities for the business, leisure, educational and home environment. As the Columbia Vendor forms part of the Concert Party, Shareholders ought to be aware that the Concert Party's interest in J Reddington may affect the future performance of the business of Columbia (including the value and/or quantum of projects that it undertakes with companies that are controlled by the Concert Party).

Litigation

As set out in paragraph 12.1.2 of Part VI, the Football Association has issued a number of charges against Paul Stretford an employee of Proactive Sports Management and the Company's founder, in connection with alleged breaches by him of the FIFA Players' Agents Regulations and the Football Association's Rules. As also set out in that paragraph 12.1.2 of Part VI of this document, Proactive Sports Management has agreed that, to the extent that its directors and officers' liability insurance is insufficient to meet the costs, penalties and/or fines arising from the charges levied against him, Proactive Sports Management will meet such costs, penalties and/or fines. The level of these costs, penalties and/or fines is, to date, unquantifiable.

Contingent liability in respect of Whitechapel

In return for a success based fee on Whitechapel, Formation has agreed to underwrite the loan notes and associated interest in the event that Whitechapel does not generate sufficient profit to return at least the minimum investment to each of the subscribers to the fund. The Directors believe that the maximum liability in relation to this is £4 million.

The Board intends that this type of arrangement will be replicated on other projects in the future in the short to medium term. It is likely that as a consequence of such an arrangement, additional material contingent liabilities will be entered into by Formation.

2. General risks

Legislation and compliance

This document has been prepared on the basis of current legislation, rules and practice and the Directors' and the Proposed Director's interpretation thereof. Such interpretation may not be correct and it is always possible that legislation, rules and practice may change. Any changes in legislation, and in particular any changes to bases of taxation, tax relief and rates of tax may affect the availability of any tax relief received.

Trading market for the Ordinary Shares

The market price of the Ordinary Shares may be subject to fluctuations in response to many factors, including variations in the operating results of the Enlarged Group, divergence in financial results from analysts' expectations, changes in earnings estimates by stock market analysts, general economic conditions, legislative changes in the Enlarged Group's sector and other events and factors outside the Enlarged Group's control.

In addition, stock markets have from time to time experienced extreme price and volume fluctuations, which, as well as general economic and political conditions, could adversely affect the market price for the Ordinary Shares.

Investment risk and AIM

The Existing Ordinary Shares and the Consideration Shares will be admitted to trading on AIM rather than the Official List. The rules of AIM are less demanding than those of the Official List and an investment in shares on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed. Investors should be aware that the value of Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Enlarged Group's net assets. The price at which investors may dispose of their shares in the Enlarged Group may be influenced by a number of factors, some of which may pertain to the Enlarged Group, and others of which are extraneous. On any disposal, investors may realise less than the original amount invested.

Admission to AIM should not be taken as implying that there will be a liquid market for the Ordinary Shares. It may be more difficult for an investor to realise their investment in the Company than in a company whose shares are quoted on the Official List.

Market Perception

Market perception of the Enlarged Group may change for a number of reasons, potentially affecting the value of investors' holdings and the ability of the Enlarged Group to raise further funds by the issue of further Ordinary Shares or otherwise. Some of the reasons affecting the market perception of the Enlarged Group may be outside the control of the Enlarged Group.

Additional capital and dilution

The Directors and Proposed Director anticipate that the Enlarged Group will require additional capital in the future in order to develop products and technologies. If the Enlarged Group fails to generate sufficient cash through the provision of its services, then it may need to raise additional capital from equity or debt sources to fund any such expansion or development. If the Enlarged Group is unable to obtain this financing on terms acceptable to it then it may be forced to curtail its planned development. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro-rata basis to existing Shareholders, the percentage ownership of Shareholders may be reduced. Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares. There can be no guarantee that any further capital raising will be successful.

Dividends

There can be no assurance as to the level of any future dividends. The declaration, payment and amount of any future dividends of the Company are subject to the discretion of the Shareholders or, in the case of interim dividends, to the discretion of the directors of the Company at the time in question, and will depend upon, among other things, the Enlarged Group's earnings, financial position, cash requirements, availability of profits, as well as provisions for relevant laws or generally accepted accounting principles from time to time.

City Code

Following the acquisition of Columbia by Formation, the members of the Concert Party together hold more than 50% of the voting rights attaching to Formation's issued share capital. Accordingly, the members of the Concert Party, may be able to increase their aggregate shareholding without incurring any further obligation under Rule 9 to make a general offer.

The risks listed above do not necessarily comprise all those faced by the Enlarged Group.

PART III

FINANCIAL INFORMATION RELATING TO FORMATION GROUP PLC

The Group's annual report and accounts for the financial periods ended 31 August 2006, 31 August 2005 and 31 August 2004 and the unaudited interim accounts of the Group for the financial period ended 28 February 2007 are incorporated in this document by reference. These accounts are available from the registered office of Formation at 11 Manchester Road, Wilmslow, Cheshire, SK9 1BQ and from Formation's website (www.formationgroupplc.com).

Financial information for the Group, as required by the City Code has been extracted without material adjustment from the Group's Financial Statements, is set out below.

Deloitte & Touche LLP acted as auditors of the Company in respect of the financial periods ended 31 August 2006, 31 August 2005 and 31 August 2004. The auditors have made reports under section 235 of the Act which were unqualified within the meaning of section 262(1) of the Act and contained no statements under section 237(2) or (3) of the Act, in respect of each of these financial periods.

SECTION A

Financial information for the Group for the 2 years ended 31 August 2006, prepared in accordance with IFRS.

Consolidated income statements

	Notes	2006 £'000	2005 £'000
Continuing operations			
Revenue	3	15,091	13,350
Cost of sales		(5,267)	(4,528)
		<hr/>	<hr/>
Gross profit		9,824	8,822
Administrative expenses		(8,217)	(7,517)
		<hr/>	<hr/>
Operating profit from continuing operations	3	1,607	1,305
Investment income	4	9	7
Finance costs	4	(108)	(56)
		<hr/>	<hr/>
Profit before taxation		1,508	1,256
Taxation	8	(431)	(387)
		<hr/>	<hr/>
Profit for the year from continuing operations		1,077	869
Discontinued operations			
(Loss)/profit for the year for discontinued operations	9	(534)	200
		<hr/>	<hr/>
Profit for the year attributable to equity holders of parent	5	543	1,069
Dividends	11	(109)	(98)
		<hr/>	<hr/>
Retained profit for the financial year		434	971
		<hr/> <hr/>	<hr/> <hr/>
Earnings per share			
From continuing operations			
Basic and diluted	10	0.91p	0.76p
		<hr/> <hr/>	<hr/> <hr/>
From continuing & discontinued operations			
Basic and diluted	10	0.46p	0.93p
		<hr/> <hr/>	<hr/> <hr/>

Consolidated statements of recognised income and expenses

	2006	2005
	£'000	£'000
Exchange (loss)/gain on foreign currency translation of foreign operations	(17)	8
Profit for the year attributable to equity holders of the parent	543	1,069
	<hr/>	<hr/>
Total recognised income and expenses for the year attributable to equity holders of the parent	526	1,077
	<hr/> <hr/>	<hr/> <hr/>

Statement of changes in shareholders' equity

	2006	2005
	£'000	£'000
Opening shareholders' equity	14,691	13,676
Dividends paid	(109)	(98)
Profit for the period attributable to equity holders of the parent	543	1,069
Issue of new share capital	791	–
Purchase of treasury shares	(138)	–
Other reserves movement due to share options charge	47	36
Exchange (loss)/gain on foreign currency translation recognised directly in equity	(17)	8
	<hr/>	<hr/>
Closing shareholders' equity	15,808	14,691
	<hr/> <hr/>	<hr/> <hr/>

Consolidated balance sheets

	Notes	2006 £'000	2005 £'000
Non-current assets			
Goodwill	13	15,917	17,275
Other intangible assets	12	42	51
Property, plant and equipment	14	349	425
Deferred tax asset	21	124	27
		<hr/>	<hr/>
		16,432	17,778
		<hr/>	<hr/>
Current assets			
Trade and other receivables	15	6,782	9,446
Cash and cash equivalents	16	2,187	1,674
		<hr/>	<hr/>
		8,969	11,120
		<hr/>	<hr/>
Total assets		25,401	28,898
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	17	(8,419)	(11,407)
Tax liabilities		(753)	(726)
Obligations under finance leases	19	(4)	(12)
Bank overdrafts and loans	18	(44)	(400)
		<hr/>	<hr/>
		(9,220)	(12,545)
		<hr/>	<hr/>
Net current liabilities		(251)	(1,425)
		<hr/>	<hr/>
Non-current liabilities			
Trade and other payables	17	(343)	(820)
Obligations under finance leases	19	(30)	(42)
Bank loans and overdrafts	18	–	(800)
		<hr/>	<hr/>
		(373)	(1,662)
		<hr/>	<hr/>
Total liabilities		(9,593)	(14,207)
		<hr/>	<hr/>
Net assets		15,808	14,691
		<hr/>	<hr/>
Equity			
Share capital	22	1,264	1,149
Share premium account	23	694	18
Treasury shares	23	(138)	–
Capital redemption reserve	23	61	61
Currency and other reserves	23	3,839	3,809
Profit and loss account	23	10,088	9,654
		<hr/>	<hr/>
Total equity		15,808	14,691
		<hr/>	<hr/>

Consolidated cash flow information

	Notes	2006 £'000	2005 £'000
Cash generated by operations	26	1,017	2,167
Income taxes paid		(395)	(129)
Interest paid		(108)	(56)
Net cash inflow from operating activities		<u>514</u>	<u>1,982</u>
Investing activities			
Interest received		14	12
Proceeds on disposal of property, plant and equipment		18	62
Purchases of property, plant and equipment		(170)	(153)
Purchases of trade marks and rights		(2)	(2)
Deferred consideration paid		(356)	(3,031)
Acquisition of subsidiaries		(242)	(468)
Cash acquired with subsidiaries		135	342
Acquisition expenses		(107)	–
Proceeds on disposal of subsidiary		1,366	–
Cash disposed of with subsidiary		(8)	–
Net cash generated by/(used in) investing activities		<u>648</u>	<u>(3,238)</u>
Financing activities			
Dividends paid		(109)	(98)
Proceeds on issue of shares		791	–
Purchase of own shares		(138)	–
Repayments of obligations under finance leases		(20)	(12)
New bank loans raised		–	1,200
Repayment of bank loan		(1,200)	–
Net cash (used in)/generated by financing activities		<u>(676)</u>	<u>1,090</u>
Net increase/(decrease) in cash and cash equivalents		<u>486</u>	<u>(166)</u>
Cash and cash equivalents at the beginning of the year		1,674	1,829
Effect of foreign exchange rate changes		(17)	11
Cash and cash equivalents at the end of the year		<u><u>2,143</u></u>	<u><u>1,674</u></u>

Notes to the consolidated financial statements

General information

Formation Group PLC is a company incorporated in England and Wales under the Act. The address and registered office is 11 Manchester Road, Wilmslow, Cheshire, SK9 1BQ.

The financial information is presented in pounds sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the policies set out in note 1.

1 Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU), including International Accounting Standards (IAS) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC). Results for the comparative period have been restated under IFRS as adopted for use in the EU. Practice is continuing to evolve on the application and interpretation of IFRS. Further standards may be issued by the International Accounting Standards Board (IASB) and standards currently in issue and endorsed by the EU may be subject to interpretations issued by the IFRIC.

IFRS, as adopted by the EU, differs in certain respects from IFRS as issued by the IASB. However, the consolidated financial statements for the periods presented would be no different had the Group applied IFRS as issued by the IASB. References to IFRS hereafter should be construed as references to IFRS as adopted by the EU.

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates.

The disclosures required by IFRS 1 'First-time adoption of International Financial Reporting Standards' concerning the transition from United Kingdom Generally Accepted Accounting Practice (UK GAAP) to IFRS are given in note 2 of the financial information.

The financial statements have been prepared on a historical cost basis.

Basis of consolidation

The Group's financial statements consolidate the results of Formation Group PLC and entities controlled by the Company (its subsidiaries) made up to the 31 August each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of subsidiaries is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is recognised as an asset. Goodwill is reviewed for impairment at least annually and any impairment will be recognised in the income statement and is not subsequently reversed. As such it is stated at cost less provision for impairment in value.

Intangible assets

Trademarks are included at cost and amortised in equal annual instalments over a period of ten years which is their estimated useful economic life. Provision is made for any impairment.

Other rights are image rights which are included at cost and written off in equal instalments over their useful economic life. Provision is made for any impairment.

Plant, property and equipment

Plant, property and equipment are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all plant, property and equipment at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold land and buildings	20 years
Short leasehold improvements	Term of lease
Fixtures and fittings	5 years
Office equipment	Between 3 and 5 years
Plant & equipment	Between 3 and 10 years
Motor vehicles	4 years

Residual value is calculated on prices prevailing at the date of acquisition.

The gains or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

Taxation

The tax expense represents the sum of the corporation tax currently payable and the deferred tax charge. The corporation tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using the rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries and associates, and interests in joint ventures where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and where they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and that these benefits can be measured reliably. It is measured at the fair value of the consideration received or receivable for goods and services provided, net of discounts, value added tax and excludes intra-group transactions.

Revenue for football management services is recognised in accordance with the terms and conditions of the contract.

Revenue derived from image rights held by the Group are recognised on a straight line basis over the terms of the contract.

Revenue for sports marketing services represents the commission earned when the service is provided.

Revenue for corporate hospitality events is recognised when the event takes place.

Revenue is net of VAT and other sales related taxes. Invoices raised by the Group but not yet recognised as revenue, in line with the profit recognition policy above, are credited to accruals and deferred income. Similarly invoices received by the Group but not yet recognised as costs, in line with the profit recognition policy above, are debited to prepayments and accrued income.

Employee benefits – retirement benefit costs

The Group operates a defined contribution scheme. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

The individual financial statements of each Group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group company are expressed in pounds sterling, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in foreign currency are not retranslated. Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised as income or as expenses in the period in which the operation is disposed of.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. The Group has elected to treat goodwill and fair value adjustments arising on acquisitions before the date of transition to IFRS as sterling denominated assets and liabilities.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all of the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised in the balance sheet and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term.

Finance costs

Finance costs of debt are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

Share-based payments

The Group issues equity-settled share-based payments to certain employees (including Directors). The fair value of these payments is calculated by the Group using the Black Scholes option pricing model. The expense is recognised on a straight line basis over the period from the date of award to the date of vesting, based on the Group's best estimate of shares that will eventually vest.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank loans and overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accruals basis in the consolidated income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. Due to the relatively stable nature of the foreign currencies used by the Group, the use of forward exchange contracts is not considered necessary.

The use of financial derivatives is governed by the Group's policies approved by the Board of Directors, which provide principles in the use of financial derivatives consistent with the Group's risk management strategy. The Group does not use derivative financial instruments for speculative purposes. Changes in the fair value of derivative financial instruments, if any, are recognised in the income statement as they arise.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that the Group will be required to settle that obligation. Provisions are measured at the Directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Operating profit

Operating profit from operations is stated excluding the results of discontinued operations, investment income, finance costs and taxation.

Critical accounting policies and key sources of uncertainty

Estimates and accounting judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of financial statements under IFRS requires management to make assumptions and estimates about future events. The resulting accounting estimates will, by definition, differ from the actual results. The assumptions and estimates that have a significant risk of causing a material adjustment within the next financial year are:

- Impairment of Goodwill – Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

Standards and interpretations

At the date of the authorisation of the Company's financial statements, the following standards and interpretations, which have not been applied in the financial statements, were in issue but not yet effective. The Directors anticipate the adoption of these standards and interpretations will have no material impact on the Group's financial statements. The Directors anticipate that the Group will adopt these standards and interpretations on their effective dates.

- IAS 1 Amendment 'Capital disclosures', is effective for periods commencing on or after 1 January 2007;
- IAS 39 Amendment 'Cashflow hedge accounting of forecast intragroup transactions', issued in April 2005, is effective for periods commencing on or after 1 January 2006;
- IAS 39 Amendment 'The fair value option', issued in June 2005, is effective for periods commencing on or after 1 January 2006;
- IAS 39 Amendment 'Financial guarantee contracts', issued in August 2005, is effective for periods commencing on or after 1 January 2006;
- IAS 21 Amendment 'The effects of changes in foreign exchange rates – net investment in a foreign operation', issued in December 2005, is effective for periods commencing on or after 1 April 2006;
- IFRS 7 'Financial instruments: disclosures', issued in August 2005, is effective for periods commencing on or after 1 January 2007 and introduces new disclosures to improve the information about financial instruments;
- IFRIC 4 'Determining whether an arrangement contains a lease', issued in December 2004, is effective for periods commencing on or after 1 January 2006 and requires the determination of whether an arrangement is or contains a lease to be based on the substance of the arrangement;
- IFRIC 8 'Scope of IFRS 2', issued in January 2006, is effective for periods commencing on or after 1 May 2006; and
- IFRIC 9 'Reassessment of embedded derivatives', issued in March 2006, is effective for periods commencing on or after 1 June 2006.

Interpretations in issue but not considered relevant to the activities of the Group are as follows:

- IFRIC 1 'Changes in existing decommissioning, restoration and similar liabilities';
- IFRIC 2 'Members shares in cooperative entities and similar instruments';
- IFRIC 5 'Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds';
- IFRIC 6 'Liabilities arising from participating in a specific market – waste electrical and electronic equipment'; and
- IFRIC 7 'Applying the restatement approach under IAS 29 'Financial reporting in hyperinflationary economies''.

2 Explanation of the transition to International Financial Reporting Standards (IFRS)

The year ended 31 August 2006 was the first year that the Group has presented its financial statements under IFRS. The following disclosures are required in the year of transition. The Group has adopted IFRS from 1 September 2004, the date of transition. The Group is required to define its accounting policies under IFRS and then apply these policies retrospectively in determining the opening balance sheet under IFRS at the date of transition, these are set out in note 1.

IFRS transitional arrangements and early adoption

The rules for the first-time adoption of IFRS are set out in IFRS 1 'First-time adoption of International Financial Reporting Standards'. IFRS 1 requires that IFRS be applied retrospectively unless a specific exemption is applied. In preparing these consolidated financial statements, the Group has opted to take the following exemptions permitted under IFRS 1:

- IFRS 3 'Business combinations': Business combinations that took place before the transition date have not been restated and therefore all goodwill written-off to reserves or amortised prior to the date of transition remains written-off to reserves and will not be taken into account either for subsequent impairment reviews or on disposal of the subsidiary.
- IAS 16 'Property, plant and equipment': To treat the property valuations as undertaken at 31 August 2004 as deemed cost at 1 September 2004; the related asset values therefore are unchanged on transition to IFRS.
- IFRS 2 'Share based payments': The provisions of the standard has only been applied to options issued after 7 November 2002 which had not vested at 1 January 2005.

Differences between IFRS and UK GAAP and explanation of adjustments

The changes in principal accounting policies which have arisen from the adoption of IFRS are:

Share option charge – IFRS 2, Share-based payments

This charge to the income statement is for share-based payments in accordance with IFRS 2. The charge is based on the fair value of the option at the date of grant recognised over the vesting period of the option. The fair value has been measured using the Black-Scholes method.

Employee benefits – IAS 19, Employee benefits

The cost of holidays accrued to staff but not taken has been included in the income statement.

Dividend recognition – IAS 10, Events after the balance sheet date

Under IFRS dividends are not recognised as liabilities until approved and so proposed dividends under UK GAAP have been removed from the accounts.

Goodwill amortisation – IFRS 3, Business combinations

In accordance with IFRS goodwill is no longer amortised but is subject to regular impairment reviews. An adjustment has been made to remove the goodwill amortisation charge under UK GAAP.

Cumulative translation differences – IAS 21, The effects of changes in foreign exchange rates

Under IFRS, exchange rate differences arising on consolidation from the translation of overseas subsidiary companies are required to be recognised in a separate equity reserve.

Reclassification of finance lease receivable – IAS 17, Leases

The Group leases certain assets to customers which were previously treated as operating leases and held within property, plant and equipment and the income associated with the assets treated as rental income. Under IFRS these are treated as finance leases and the asset de-recognised from property, plant and equipment and recognised as a finance lease receivable.

Derecognition of financial liabilities – IAS 39, Financial instruments: recognition and measurement

A financial liability is derecognised under IFRS when, and only when, it is extinguished. This liability has not been legally discharged and therefore has been restated.

Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group's net income and equity are included below.

a Reconciliation of consolidated balance sheet and equity at 1 September 2004

	Accounting policy changes under IFRS					IFRS £'000
	UK GAAP £'000	Share option charge £'000	Employee benefits £'000	Dividend recognition £'000	Cumulative translation differences £'000	
Non-current assets						
Goodwill	16,336					16,336
Other intangible assets	60					60
Property, plant and equipment	504					504
Deferred tax asset	18	7	17			42
	<u>16,918</u>	<u>7</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>16,942</u>
Current assets						
Trade and other receivables	6,240					6,240
Cash and casequivalents	1,829					1,829
	<u>8,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,069</u>
Total assets	<u><u>24,987</u></u>	<u><u>7</u></u>	<u><u>17</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>25,011</u></u>
Current liabilities						
Trade and other payables	(8,735)		(57)	98		(8,694)
Tax liabilities	(404)					(404)
Obligations under finance leases	(12)					(12)
	<u>(9,151)</u>	<u>-</u>	<u>(57)</u>	<u>98</u>	<u>-</u>	<u>(9,110)</u>
Net current liabilities	<u>(1,082)</u>	<u>-</u>	<u>(57)</u>	<u>98</u>	<u>-</u>	<u>(1,041)</u>
Non-current liabilities						
Trade and other payables	(2,171)					(2,171)
Obligations under finance leases	(54)					(54)
	<u>(2,225)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,225)</u>
Total liabilities	<u>(11,376)</u>	<u>-</u>	<u>(57)</u>	<u>98</u>	<u>-</u>	<u>(11,335)</u>
Net assets	<u><u>13,611</u></u>	<u><u>7</u></u>	<u><u>(40)</u></u>	<u><u>98</u></u>	<u><u>-</u></u>	<u><u>13,676</u></u>
Equity						
Called-up share capital	1,149					1,149
Share premium account	18					18
Capital redemption reserve	61					61
Currency and other reserves	3,689	24			52	3,765
Profit and loss account	8,694	(17)	(40)	98	(52)	8,683
	<u>13,611</u>	<u>7</u>	<u>(40)</u>	<u>98</u>	<u>-</u>	<u>13,676</u>

b Reconciliation of consolidated balance sheet and equity at 31 August 2005

Accounting policy changes under IFRS

	UK GAAP £'000	Share option charge £'000	Employee benefits £'000	Goodwill amortisation £'000	Dividend recognition £'000	Cumulative translation differences £'000	Reclassification of finance lease receivable £'000	Restatement of financial liability £'000	IFRS £'000
Non-current assets									
Goodwill	16,350			925					17,275
Other intangible assets	51								51
Property, plant and equipment	459	17	21				(34)	25	425
Deferred tax asset	(36)								27
	16,824	17	21	925			(34)	25	17,778
Current assets									
Trade and other receivables	9,412								9,446
Cash and cash equivalents	1,674						34		1,674
	11,086						34		11,120
	27,910	17	21	925				25	28,898
Total assets									
Current liabilities									
Trade and other payables	(11,365)		(69)		109			(82)	(11,407)
Tax liabilities	(726)								(726)
Obligations under finance leases	(12)								(12)
Bank overdrafts and loans	(400)								(400)
	(12,503)		(69)		109			(82)	(12,545)
Non-current liabilities									
Trade and other payables	(820)								(820)
Obligations under finance leases	(42)								(42)
Bank overdrafts and loans	(800)								(800)
	(1,662)								(1,662)
	(14,165)		(69)		109			(82)	(14,207)
Total liabilities									
Net assets	13,745	17	(48)	925	109			(57)	14,691
Equity									
Called-up share capital	1,149								1,149
Share premium account	18								18
Capital redemption reserve	61								61
Currency and other reserves	3,689	60	(48)	925	109	60	3,809	(57)	3,809
Profit and loss account	8,828	(43)				(60)			9,654
	13,745	17	(48)	925	109			(57)	14,691
Total equity									

c Reconciliation of Group income for the year ended 31 August 2005

Accounting policy changes under IFRS

	UK GAAP £'000	Share option charge £'000	Employee benefits amortisation £'000	Goodwill £'000	Dividend recognition £'000	Reclassi- fication of financial liability £'000	Reclassi- fication of discontinued operations £'000	IFRS £'000
Revenue – continuing operations	14,903					(1,553)		13,350
Cost of sales	(4,794)					(82)	348	(4,528)
Gross profit	10,109	–	–	–	–	(82)	(1,205)	8,822
Administrative expenses	(9,322)	(36)	(12)	925			928	(7,517)
Operating profit from continuing operations	787	(36)	(12)	925	–	(82)	(277)	1,305
Investment income	12						(5)	7
Finance costs	(56)						–	(56)
Profit before taxation from continuing operations	743	(36)	(12)	925	–	(82)	(282)	1,256
Taxation	(508)	10	4			25	82	(387)
Profit for the year from continuing operations	235	(26)	(8)	925	–	(57)	(200)	869
Profit for the year from discontinued operations							200	200
Profit for the year attributable to equity holders of the parent	235	(26)	(8)	925	–	(57)	–	1,069
Dividends	(109)				11		–	(98)
Retained profit	126	(26)	(8)	925	11	(57)	–	971
Earnings per share								
Basic	0.20p							0.93p
Diluted	0.20p							0.93p

3 Segment information

For management purposes, the Group is currently organised into three operating divisions; Sports Marketing, Representation and Wealth Management and Professional Services. These divisions are the basis on which the Group reports its primary segment information. The Group was also previously involved in the European representation sector through Proactive Scandinavia, this operation was discontinued with effect from 31 May 2006, see note 25. Segment information about these businesses is presented below:

2006	Sports marketing £'000	Wealth management and professional services £'000	Represen- tation £'000	Discontinued operations £'000	Eliminations £'000	Consolidated £'000
Revenue						
External sales	8,325	3,635	3,803	(672)	–	15,091
Inter-segment sales	–	–	167	–	(167)	–
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total revenue	8,325	3,635	3,970	(672)	(167)	15,091
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Segment operating profit	1,261	543	757	238	–	2,799
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Unallocated corporate expenses						(1,192)
						<hr/>
Operating profit						1,607
Investment income						9
Finance costs						(108)
						<hr/>
Profit before taxation						1,508
Taxation						(431)
						<hr/>
Profit for the year from continuing operations						1,077
Loss for the year from discontinued operations						(534)
						<hr/>
Profit for the year attributable to equity shareholders						543
						<hr/> <hr/>

2005	Wealth management and		Represent- tation	Discontinued operations	Eliminations	Consolidated
	Sports marketing	professional services				
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue						
External sales	6,734	3,259	4,910	(1,553)	–	13,350
Inter-segment sales	–	–	119	–	(119)	–
Total revenue	<u>6,734</u>	<u>3,259</u>	<u>5,029</u>	<u>(1,553)</u>	<u>(119)</u>	<u>13,350</u>
Segment operating profit	<u>1,213</u>	<u>526</u>	<u>1,338</u>	<u>(277)</u>	<u>–</u>	<u>2,800</u>
Unallocated corporate expenses						(1,495)
Operating profit						1,305
Investment income						7
Finance costs						(56)
Profit before taxation						1,256
Taxation						(387)
Profit for the year from continuing operations						869
Profit for the year from discontinued operations						200
Profit for the year attributable to equity shareholders						<u>1,069</u>

Other information 2006	Wealth management and		Represent- tation	Discontinued operations	Central costs	Consolidated
	Sports marketing	professional services				
	£'000	£'000	£'000	£'000	£'000	£'000
Capital additions	277	41	17	15	31	381
Depreciation and amortisation	<u>57</u>	<u>18</u>	<u>63</u>	<u>21</u>	<u>20</u>	<u>179</u>

Assets	Wealth management and		Represent- tation	Discontinued operations	Eliminations	Consolidated
	Sports marketing	professional services				
	£'000	£'000	£'000	£'000	£'000	£'000
Segment assets	<u>13,839</u>	<u>6,453</u>	<u>12,996</u>	<u>–</u>	<u>(8,169)</u>	25,119
Unallocated corporate assets						282
Consolidated total assets						<u>25,401</u>
Liabilities						
Segment liabilities	<u>(10,372)</u>	<u>(1,278)</u>	<u>(4,949)</u>	<u>–</u>	<u>8,169</u>	(8,430)
Unallocated corporate liabilities						(1,163)
Consolidated total liabilities						<u>(9,593)</u>

Other information 2005	Wealth management and					Consolidated £'000
	Sports marketing £'000	professional services £'000	Represen- tation £'000	Discontinued operations £'000	Central costs £'000	
Capital additions	694	28	364	35	4	1,125
Depreciation and amortisation	<u>66</u>	<u>9</u>	<u>66</u>	<u>28</u>	<u>19</u>	<u>188</u>

Assets	Wealth management and					Consolidated £'000
	Sports marketing £'000	professional services £'000	Represen- tation £'000	Discontinued operations £'000	Eliminations £'000	
Segment assets	<u>12,998</u>	<u>6,392</u>	<u>14,015</u>	<u>2,282</u>	<u>(7,501)</u>	28,186
Unallocated corporate assets						<u>712</u>
Consolidated total assets						<u>28,898</u>
Liabilities						
Segment liabilities	<u>(9,669)</u>	<u>(1,774)</u>	<u>(6,772)</u>	<u>(223)</u>	<u>7,501</u>	(10,937)
Unallocated corporate liabilities						<u>(3,270)</u>
Consolidated total liabilities						<u>(14,207)</u>

Intra-segment sales are charged at prevailing market prices.

Discontinued operations

Discontinued operations had the following effect on the segment results of representation, analysed into continuing and discontinued components.

	Discontinued	Continuing Representation		Discontinued	Continuing Representation	
	2006 £'000	2006 £'000	2006 £'000	2005 £'000	2005 £'000	2005 £'000
Revenue						
External sales	672	3,131	3,803	1,553	3,357	4,910
Inter-segment sales	–	167	167	–	119	119
Total revenue	<u>672</u>	<u>3,298</u>	<u>3,970</u>	<u>1,553</u>	<u>3,476</u>	<u>5,029</u>
Segmental operating profit	<u>(238)</u>	<u>995</u>	<u>757</u>	<u>277</u>	<u>1,061</u>	<u>1,338</u>

The segment result from discontinued operations stated above is equal to the profit before tax and investment income from discontinued operations disclosed in note 9, which provides reconciliation to the net loss from discontinued operations.

Geographical segments

The Group's principal operations are located in the United Kingdom, Scandinavia and the United States of America. The Group's Wealth Management division is located in the United Kingdom. Representation is located in the United Kingdom and the United States of America and the Group's Sports Marketing division is based in the United Kingdom and Scandinavia. Revenue from the Group's discontinued operations was derived from Scandinavia (2006 – £672,000 2005 – £1,553,000). The following table provides an analysis of the Group's sales from continuing operations by geographical market irrespective of the origin of the services:

	Revenue by geographical market	
	2006 £'000	2005 £'000
United Kingdom	13,847	10,082
Rest of Europe	721	2,689
Rest of the World	523	579
	<u>15,091</u>	<u>13,350</u>

The following is an analysis of the carrying amount of segment assets, and additions to property, plant and equipment and intangible assets, analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Additions to property plant, equipment and intangible assets	
	2006 £000's	2005 £000's	2006 £000's	2005 £000's
United Kingdom	14,666	11,623	342	1,010
Rest of Europe	513	2,730	37	106
Rest of the World	629	338	2	9
	<u>15,808</u>	<u>14,691</u>	<u>381</u>	<u>1,125</u>

4 Investment income and finance costs

Investment income

	2006 £'000	2005 £'000
Bank interest receivable	9	5
Other	–	2
	<u>9</u>	<u>7</u>

Finance costs

	2006 £'000	2005 £'000
Bank loan and overdraft	99	50
Interest on obligations under finance leases	6	4
Other	3	2
	<u>108</u>	<u>56</u>

5 Profit for the year attributable to equity holders of parent

Profit for the year attributable to equity holders of parent is stated after charging/(crediting):

	Continuing Operations		Discontinued Operations		Total	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Net foreign exchange (gains)/loss	(22)	6	(1)	–	(23)	6
Depreciation of property, plant and equipment	147	150	21	28	168	178
Profit on disposal of property, plant and equipment	–	(18)	–	1	–	(17)
Amortisation of trademarks and image rights	11	10	–	–	11	10
Employee costs	5,239	4,570	471	574	5,710	5,144
Auditors' remuneration (see below)	134	137	4	10	138	147
	<u>134</u>	<u>137</u>	<u>4</u>	<u>10</u>	<u>138</u>	<u>147</u>

A more detailed analysis of auditors' remuneration on a worldwide basis is provided below:

	2006 £'000	2005 £'000
Audit fees	86	81
Tax advisory	28	15
Tax compliance	24	51
	<u>138</u>	<u>147</u>

Included in the above is £31,000 (2005: £20,000) relating to auditors' remuneration for audit services provided to the Company.

6 Employee costs

The average monthly number of employees (including Executive Directors) was:

	2006 Number	2005 Number
Representation	22	23
Sports Marketing	25	21
Wealth Management and Professional Services	29	25
Administration	18	20
	<u>94</u>	<u>89</u>
	2006 £'000	2005 £'000
Their aggregate remuneration comprised:		
Wages and salaries	5,096	4,558
Social security costs	494	489
Other pension costs (see note 28)	120	97
	<u>5,710</u>	<u>5,144</u>

7 Directors' remuneration, interests and transactions

Aggregate remuneration

The total amounts for Directors' remuneration and other benefits were as follows:

	2006	2005
	£'000	£'000
Emoluments	892	737
Money purchase pension contributions	61	31
	<u>953</u>	<u>768</u>

Directors' emoluments

Name of Director	Fees/basic salary £'000	Bonuses £'000	Taxable benefits £'000	2006 Total £'000	2005 Total £'000
Executive					
N. Rodford	135	–	8	143	190
M. Page	86	15	1	102	105
D. McKee	215	–	–	215	133
J. Foxcroft	264	–	–	264	187
M. Kennedy	100	–	–	100	62
Non-Executive					
J.E. Lawrence	35	–	–	35	35
L.A. Turnbull	–	–	–	–	–
J.E. Smith	33	–	–	33	25
Aggregate emoluments	<u>868</u>	<u>15</u>	<u>9</u>	<u>892</u>	<u>737</u>
Fees to third parties				<u>25</u>	<u>25</u>

Fees to third parties comprise amounts paid to Grantsearch under an agreement to provide the Group with the services of Mr I.A. Craig.

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of the options are as follows, none of which have been exercised during the year ended 31 August 2006:

Name of Director	Scheme	At 1 September 2005 Number	Options surrendered Number	At 31 August 2006 Number	Exercise price	Date from which exercisable	Expiry Date
N. Rodford	Unapproved	1,000,000	–	1,000,000	7.13p	12/12/06	11/12/13
M. Page	EMI	500,000	–	500,000	7.13p	12/12/06	11/12/13
J. Foxcroft	EMI	400,000	(400,000)	–	–	–	–
M. Kennedy	Unapproved	1,000,000	–	1,000,000	8.13p	2/2/08	1/2/15
J.E. Lawrence	NED	500,000	–	500,000	7.13p	12/12/06	11/12/13
I.A. Craig	NED	500,000	–	500,000	7.13p	12/12/06	11/12/13
J.E. Smith	NED	500,000	–	500,000	7.25p	1/6/07	31/5/14

The market price of the ordinary shares at 31 August 2006 was 16.5p and the range during the year was 5.25p to 18.25p. Share options are issued to senior executives of the Group and have performance targets relating to the Group's operating profit for each of the three years following the grant of the options. The remuneration committee believed that the use of the operating profit represents the most appropriate measure of the Group's financial performance.

Certain Executive Directors are permitted under their service contracts to receive contributions from the Company to their personal pension schemes. Contributions payable by the Company in respect of such Directors were as follows:

	2006	2005
	£'000	£'000
N. Rodford	53	13
D. McKee	–	10
M. Page	8	8
	<u>61</u>	<u>31</u>

Directors' interests

The Directors who held office at 31 August 2006 had the following beneficial interests in the 1p ordinary shares of the Company:

	31 August	31 August
	2006	or date of
	Number	2006 appointment
	Number	Number
N. Rodford	1,075,454	1,066,124
M. Page	332,493	319,493
D. McKee	11,986,667	15,736,667
J. Foxcroft	140,000	140,000
M. Kennedy	50,000	50,000
J.E. Lawrence	765,000	765,000
I.A. Craig	350,000	350,000
L.A. Turnbull	364,000	364,000

The Directors had no other interests, beneficial or otherwise, in the shares and debentures of any Group undertaking.

8 Tax on profit on ordinary activities

The tax charge comprises:

	Continuing		Discontinued		Total	
	Operations		Operations			
	2006	2005	2006	2005	2006	2005
	£'000	£'000	£'000	£'000	£'000	£'000
Current tax	479	375	(65)	82	414	457
Deferred tax (note 20)	(48)	12	–	–	(48)	12
	<u>431</u>	<u>387</u>	<u>(65)</u>	<u>82</u>	<u>366</u>	<u>469</u>

UK corporation tax is calculated at 30% (2005: 30%) of the estimated assessable profits for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The tax on Discontinued Operations related to profits/losses arising in the Scandinavian representation division, which was disposed of during the year ended 31 August 2006. No tax charge or credit arose on the disposal of the relevant subsidiary.

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2006	2005
	£'000	£'000
Profit before tax		
Continuing operations	1,508	1,256
Discontinued operations	(234)	282
	<u>1,274</u>	<u>1,538</u>
Tax after UK corporation tax rate of 30% (2005: 30%)	382	461
Tax effect of expenses not deductible for tax purposes	35	29
Effect of different tax rates of subsidiaries in overseas jurisdictions	–	(9)
Prior period adjustment	(51)	(12)
	<u>366</u>	<u>469</u>

9 Discontinued operations

On 10 July 2006, the Group sold its holding in Proactive Scandinavia which carried out all of the Group's representation activities in Scandinavia. The disposal was effected due to the future development potential of Proactive Scandinavia within Formation. The results of this company were previously included in the Representation division.

Results of discontinued operations

The results of the discontinued operations which have been included in the consolidated income statement, were as follows:

	2006	2005
	£'000	£'000
Revenue	672	1,553
Expenses	(910)	(1,276)
Investment income	4	5
	<u>(234)</u>	<u>282</u>
(Loss)/profit before tax	(234)	282
Attributable tax expenses	65	(82)
	<u>(169)</u>	<u>200</u>
(Loss)/profit on discontinued operations	(169)	200
Loss on disposal of discontinued operations	(365)	–
Attributable tax expenses	–	–
	<u>(365)</u>	<u>–</u>
Loss on disposal of discontinued operations	(365)	–
Net (loss)/profit attributable to discontinued operations	(534)	200

During the year, Proactive Scandinavia had a net outflow of £16,000 (2005: £30,000) to the Group's net operating cash flows, paid £11,000 (2005: £22,000) in respect of investing activities and paid £61,000 (2005: £nil) in respect of financing activities.

A loss of £365,000 arose on the disposal of Proactive Scandinavia, being the proceeds of the disposal less the carrying amount of the subsidiary's net assets and attributable goodwill.

The effect of discontinued operations on segment results is disclosed in note 3.

10 Earnings per share

The calculation of basic and diluted earnings per share is based on the following profits and numbers of shares:

	2006	2005
	£'000	£'000
Basic and diluted earnings – continuing operations	1,077	869
Basic and diluted earnings – discontinued operations	(534)	200
	<u>543</u>	<u>1,069</u>
	<u><u>543</u></u>	<u><u>1,069</u></u>

	2006	2005
	Number of	Number of
	shares	shares
	'000	'000
Weighted average number of shares: For basic and diluted earnings per share	118,462	114,874
	<u>118,462</u>	<u>114,874</u>
	<u><u>118,462</u></u>	<u><u>114,874</u></u>

Earnings per share is calculated by dividing the profit for the year attributable to equity shareholders by the weighted average number of shares in issue during the year.

11 Dividends

Amounts recognised as distributions to equity holders in the period:

	2006	2005
	£'000	£'000
Final dividend paid for the year ended 31 August 2005 of 0.095p per ordinary share (2004: 0.085p)	109	98
	<u>109</u>	<u>98</u>
Proposed final dividend for the year end 31 August 2006 of 0.105p per ordinary share (2005: 0.095p)	133	109
	<u>133</u>	<u>109</u>
	<u><u>133</u></u>	<u><u>109</u></u>

The proposed final dividend is subject to approval by shareholders at the Annual General Meeting and has not been included as a liability in these financial statements.

12 Other intangible assets

Group	Trademarks £'000	Other rights £'000	Total £'000
Cost			
At 1 September 2004	13	65	78
Additions	2	–	2
	-----	-----	-----
At 31 August 2005	15	65	80
Additions	2	–	2
	-----	-----	-----
At 31 August 2006	17	65	82
	=====	=====	=====
Depreciation			
At 1 September 2004	3	15	18
Charge for the year	1	9	10
Adjustment to fair value of previously acquired assets	1	–	1
	-----	-----	-----
At 31 August 2005	5	24	29
Charge for the year	2	9	11
	-----	-----	-----
At 31 August 2006	7	33	40
	=====	=====	=====
Net book value			
At 31 August 2006	10	32	42
	=====	=====	=====
At 31 August 2005	10	41	51
	=====	=====	=====
At 1 September 2004	10	50	60
	=====	=====	=====

Trademarks are amortised over their estimated useful lives, which on average is 10 years. Other rights relate principally to player image rights and are amortised over their estimated useful lives of eight years.

13 Goodwill

	Goodwill £'000
At 1 September 2004	16,336
Recognised on acquisition of subsidiaries	970
Changes in contingent consideration payable	(77)
Adjustment to fair value of previously acquired assets	46

At 31 August 2005	17,275
Recognised on acquisition of a subsidiary	209
Derecognised on disposal of a subsidiary	(1,551)
Changes in contingent consideration payable	(45)
Additional acquisition costs	18
Adjustment to fair value of previously acquired assets	11

At 31 August 2006	15,917
	=====

During the year ended 31 August 2006, goodwill arising on acquisition relates to the acquisition of Bermitz Sports Advertising Limited (see note 24) and the goodwill on disposal relates to the disposal of Proactive Scandinavia A/S (see note 25).

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGU's) that are expected to benefit from that business combination. The carrying amount of goodwill has been allocated as follows:

	2006	2005
	£'000	£'000
Sports Marketing	3,138	2,956
Wealth Management and Professional Services	4,905	4,905
Representation	7,874	9,414
	<u>15,917</u>	<u>17,275</u>
	<u><u>15,917</u></u>	<u><u>17,275</u></u>

The Group tests goodwill annually for impairment, or more frequently if there are indicators in that goodwill might be impaired.

The recoverable amounts of the CGU's are determined from value in use calculations. The key assumptions to the value in use calculations are those regarding the discount rates, growth rates and expected changes to the selling prices and direct costs. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU's. The growth rates are based on the Directors' growth forecasts. Changes in selling prices and direct costs are based on past practices and expectations of future changes in the market.

14 Property, plant and equipment

	Short leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 September 2004	192	357	71	140	760
Exchange differences	–	3	–	–	3
Additions	5	96	28	24	153
Disposals	–	(21)	(45)	(52)	(118)
Adjustment to fair value of acquired assets	–	(21)	(6)	–	(27)
Acquisition of subsidiary undertakings	–	5	11	–	16
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2005	197	419	59	112	787
Exchange differences	–	–	(1)	–	(1)
Additions	17	96	–	57	170
Disposals	–	(4)	–	(41)	(45)
Disposal of subsidiary	–	(142)	–	–	(142)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2006	214	369	58	128	769
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Accumulated Depreciation					
At 1 September 2004	40	180	4	32	256
Exchange differences	–	1	–	–	1
Disposals	–	(10)	(18)	(45)	(73)
Charge for the year	17	98	23	40	178
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2005	57	269	9	27	362
Disposals	–	(4)	–	(23)	(27)
Disposal of subsidiary	–	(94)	–	–	(94)
Fair value adjustment	–	11	–	–	11
Charge for the year	19	89	12	48	168
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2006	76	271	21	52	420
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value					
At 31 August 2006	138	98	37	76	349
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 August 2005	140	150	50	85	425
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 1 September 2004	152	177	67	108	504
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

The carrying value of the Group's motor vehicles includes an amount of £18,000 (2005: £41,000) in respect of assets held under finance leases.

15 Trade and other receivables

	2006	2005
	£'000	£'000
Trade receivables	4,692	7,022
Other debtors	74	106
Prepayments and accrued income	2,016	2,318
	<u>6,782</u>	<u>9,446</u>

The Group's principal financial assets are bank balances and trade receivables. The Group's credit risk is primarily attributable to its trade receivables. The amounts shown in the balance sheet are net of allowances for doubtful receivables, which totals £130,167 at 31 August 2006 (2005: £216,066). Allowances are estimates by management based on past default experience and their assessment of the current economic environment. The Group has no significant concentration of credit risk, with exposure spread over a large number of customers in a number of different segments.

The average credit period taken on sales ranges from 35 days to 188 days due to the differing nature of trade receivables in the Group's geographical segments. Trade receivables do not carry interest.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

16 Cash and bank deposits

	2006	2005
	£'000	£'000
Cash in hand and at bank	<u>2,187</u>	<u>1,674</u>

The effective interest rate on short term deposits for the year ended 31 August 2006 is 4.78%. No funds were placed on deposit in year ended 31 August 2005.

17 Trade and other payables

	2006	2005
	£'000	£'000
Current:		
Trade creditors	2,371	3,966
VAT	330	832
Other taxation and social security	126	131
Contingent and deferred acquisition consideration	216	240
Other creditors	556	804
Accruals and deferred income	4,820	5,434
	<u>8,419</u>	<u>11,407</u>
Non current:		
Contingent and deferred acquisition consideration	135	363
Other creditors	208	457
	<u>343</u>	<u>820</u>

Trade creditors and accruals principally comprise amounts outstanding from trade purchases and ongoing costs. The average credit period taken for trade purchases is 57 days (2005: 94 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

18 Bank overdrafts and loans

	2006	2005
	£'000	£'000
Current:		
Bank overdrafts	44	–
Bank loan	–	400
	<u>44</u>	<u>400</u>
Non-current:		
Bank loan	–	800
	<u>–</u>	<u>800</u>

The borrowings are repayable as follows:

	2006	2005
	£'000	£'000
On demand or within one year	44	400
In the second year	–	400
In the third to fifth years inclusive	–	400
	<u>44</u>	<u>1,200</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	(44)	(400)
	<u>–</u>	<u>800</u>

The weighted average interest rates paid were as follows:

	2006	2005
	%	%
Bank overdrafts	6.02	6.23
Bank loans	6.27	6.48
	<u>6.02</u>	<u>6.48</u>

Bank loans of £nil (2005: £1,200,000) were arranged at fixed interest rates and expose the Group to fair value interest risk.

The Directors estimate the fair value of the Group's borrowings as follows:

	2006	2005
	£'000	£'000
Bank overdrafts	44	–
Bank loans	–	1,162
	<u>44</u>	<u>1,162</u>

The other principal features of the Group's borrowings are as follows:

- (i) Bank overdrafts are repayable on demand and have been secured by debentures from Formation Group PLC and certain of the Group's subsidiary companies as well as an inter company cross guarantee between these companies. The average effective interest rate on bank overdrafts approximates 6.02% (2005: 6.23%) per annum and are determined based on 1.5% plus prime rate.
- (ii) The Group has a £2,500,000 rolling credit facility which was taken out on 5 May 2006. There were no drawings on this facility at the year end. This facility replaced the Group's loan facility (2005: £1,200,000). This facility is reduced from 1 September 2007 and ceases on 31 August 2009. The facility have been secured by debentures from Formation Group PLC and certain of the Group's subsidiary companies as well as an inter company cross guarantee between these companies and carried an interest rate at 1.75% above LIBOR.

At 31 August 2006, the Group had available £3,000,000 (2005: £1,400,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

Analysis of borrowings by currency:

	Total £'000	Danish Kroner £'000	Sterling £'000
31 August 2006			
Bank overdrafts	44	44	–
Bank loan	–	–	–
	<u>44</u>	<u>44</u>	<u>–</u>
31 August 2005			
Bank overdrafts	–	–	–
Bank loans	1,200	–	1,200
	<u>1,200</u>	<u>–</u>	<u>1,200</u>

19 Finance leases

Amounts payable under finance leases are as follows:

	2006 £'000	2005 £'000
Within one year	4	12
Between one and two years	4	12
Between two and five years	26	30
	<u>34</u>	<u>54</u>

	Minimum lease payments		Present value of lease payments	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Within one year	7	17	4	12
In the second to fifth year	34	52	30	42
After five years	–	–	–	–
	<hr/>	<hr/>	<hr/>	<hr/>
	41	69	34	54
Less: Future finance charge	(7)	(15)	N/A	N/A
	<hr/>	<hr/>	<hr/>	<hr/>
Present value of lease obligation	34	54	34	54
	<hr/>	<hr/>	<hr/>	<hr/>
Less: Amounts due for settlement within 12 months			(4)	(12)
			<hr/>	<hr/>
Amounts due for settlement after 12 months			30	42
			<hr/>	<hr/>

The Group has one finance lease at the year end which expires in March 2008. For the year ended 31 August 2006, the average effective borrowing rate was 7.65% (2005: 7.65%). Interest rates are fixed at the contract date.

All leases are on a fixed repayment basis and no amounts have been entered into for contingent rental payments. All lease obligations are denominated in sterling and the value of the Group's lease obligations under finance leases are secured by the lessor's rights over the leased assets.

20 Derivatives and other financial instruments

The primary risk faced by the Group is exchange rate risk. The board has reviewed and agreed policies for management of this risk, as summarised below. All of the Group's activities involve analysis, acceptance and management of some degree of risk or combination of risks. The most important types of financial statement risk are credit risk, liquidity risk and interest rate risk.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and limits continually by means of reliable up-to-date systems. The Group modifies and enhances its risk management policies and systems to reflect changes in markets and products. The Audit Committee, under authority delegated by the Board, formulates high level Group risk management policy and monitors risk management to allow it to review the effectiveness of the Group's risk management policies.

Credit risk management

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Group has dedicated standards, policies and procedures to control and monitor all such risks. Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through reviews of counterparties and limiting the exposure to any single counterparty. The Group does not believe it is exposed to any material concentrations of credit risk.

Treasury risk management

The Group maintains a centralised treasury function. All transactions entered into by the Group's treasury operations are required to be in support of, or as a consequence of, underlying commercial transactions.

Finance and interest rate risk

The interest on the Group's borrowings is linked to Nat West's base rate.

Liquidity risk

The Group has managed its cash in a manner designed to ensure maximum benefit is gained, whilst ensuring security of investment sources. The Group's policy on investment of surplus funds limits the placing of deposits to institutions with strong credit ratings.

Foreign exchange risk

The Group's current activities are predominantly Sterling, Euro, US Dollar and Danish Kroner based and as a result the impact of changes in foreign exchange rates has been limited and no hedging has been necessary. The Group's transactional currency exposure, which arises from sales and purchases in currencies other than the Group's base currency, has been limited and so there has been no significant transactional exposure to hedge.

Borrowings and cash

The carrying values of cash and short-term borrowings approximate to their fair value because of the short-term maturity.

21 Deferred taxation

The following are the major deferred taxation assets and liabilities recognised by the Group and movements thereon during the current and prior reporting period.

	Accelerated tax depreciation £'000	Share based payment £'000	Employee benefits £'000	Other £'000	Total £'000
At 1 September 2004	2	7	17	16	42
(Charge)/credit to income	16	10	4	(42)	(12)
Acquisition of subsidiary	(3)	–	–	–	(3)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 1 September 2005	15	17	21	(26)	27
(Charge)/credit to income	6	15	(3)	30	48
Acquisition of subsidiary	2	–	–	–	2
Disposal of subsidiary	(6)	–	–	–	(6)
Other movement	–	–	–	53	53
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2006	17	32	18	57	124

Certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes.

	2006 £'000	2005 £'000
Deferred tax liabilities	(6)	(99)
Deferred tax assets	130	126
	<hr/>	<hr/>
	124	27

22 Share capital

	2006	2005
	£'000	£'000
Authorised		
170,000,000 ordinary shares of 1p each (2005: 170,000,000)	1,700	1,700
	<u> </u>	<u> </u>
Allotted and called-up		
126,361,196 ordinary shares of 1p each (2005: 114,873,815)	1,264	1,149
	<u> </u>	<u> </u>
		£'000
At 1 September 2004		1,149
		<u> </u>
At 31 August 2005		1,149
Issue of new equity (11,487,381 ordinary shares of 1p)		115
		<u> </u>
At 31 August 2006		<u> </u> <u> </u>

The Company has one class of ordinary shares which carry no right to fixed income.

The Company operates three share option schemes in relation to Group employees. Options are exercisable three years from the date of grant if stated performance criteria have been met. Options lapse if not exercised within ten years from the grant or if the participant leaves the Group's employment.

Options have been granted under the following schemes to subscribe for ordinary shares of the Company as follows:

Scheme	Date of grant	Exercise period	Subscription price per share	Number of options outstanding	
				2006	2005
Enterprise management incentive plan	16-May-01	16-May-04 to 15-May-11	25.00p	112,000	192,000
Unapproved share option scheme	12-Dec-03	12-Dec-06 to 11-Dec-13	7.13p	1,000,000	1,650,000
Enterprise management incentive plan	12-Dec-03	12-Dec-06 to 11-Dec-13	7.13p	1,850,000	2,500,000
Non Executive plan	12-Dec-03	12-Dec-06 to 11-Dec-13	7.13p	1,000,000	1,000,000
Non Executive plan	1-Jun-04	1-Jun-07 to 31-May-14	7.25p	500,000	500,000
Enterprise management incentive plan	27-Jul-04	27-Jul-07 to 26-Jul-14	8.25p	–	650,000
Unapproved share option scheme	22-Nov-04	22-Nov-07 to 21-Nov-14	7.25p	200,000	200,000
Unapproved share option scheme	9-Dec-04	9-Dec-07 to 8-Dec-14	7.13p	400,000	400,000
Unapproved share option scheme	2-Feb-05	2-Feb-08 to 1-Feb-15	8.13p	1,000,000	1,000,000
Enterprise management incentive plan	30-Aug-05	30-Aug-08 to 29-Aug-14	8.00p	–	400,000
				<u> </u>	<u> </u>
				<u>6,062,000</u>	<u>8,492,000</u>

Movements in share options are summarised as follows:

	2006	2006 Weighted average exercise price p	2005	2005 Weighted average exercise price p
	Number of options		Number of options	
Outstanding at the beginning of the period	8,492,000	7.79	7,892,000	7.66
Options issued during the period	–	N/A	2,000,000	7.82
Surrendered or expired during the year	(2,430,000)	8.16	(1,400,000)	7.13
Outstanding at the end of the period	6,062,000	7.64	8,492,000	7.79
Exercisable at the end of the period	–	–	–	–

The options outstanding at 31 August 2006 has a weighted average exercise price of 7.64p and a weighted average remaining contractual life of 7.6 years.

The inputs into the Black-Scholes model are as follows:

		2006	2005
Weighted average share price	pence	7.33	7.33
Weighted average exercise price	pence	7.33	7.33
Expected volatility	%	37.65	37.65
Expected life	years	3.55	3.55
Risk-free rate	%	4.69	4.69
Expected dividend rate	%	1.20	1.20

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 2 years. The Group and Company recognised total expenses of £47,000 (2005: £36,000) related to equity settled share based payment transactions.

23 Reserves

	Own shares held £'000	Share premium account £'000	Capital redemption reserve £'000	Currency and other reserves £'000	Profit and loss account £'000	Total £'000
At 1 September 2004	–	18	61	3,765	8,683	12,527
Gain on foreign currency translation	–	–	–	8	–	8
Share options charge	–	–	–	36	–	36
Profit for the year	–	–	–	–	971	971
At 1 September 2005	–	18	61	3,809	9,654	13,542
Loss on foreign currency translation	–	–	–	(17)	–	(17)
Share options charge	–	–	–	47	–	47
Profit for the year	–	–	–	–	434	434
Acquisition of own share capital	(138)	–	–	–	–	(138)
Issue of new share capital	–	676	–	–	–	676
At 31 August 2006	(138)	694	61	3,839	10,088	14,544

The own shares reserve represents 1,100,000 ordinary shares of 1p each in the share capital of the Company.

24 Acquisition of subsidiary

Acquisition of Bermitz Sports Advertising Limited

On 4 August 2006 the Group acquired 100% of the issued share capital of Bermitz Sports Advertising Limited, an outdoor advertising and corporate hospitality company based in the UK. The initial consideration paid on completion was £192,500, with an initial payment for the net assets of the business of £50,000. A further payment due for the net assets of the business is estimated to be £46,000. The following table sets out the book and fair value of the identifiable assets and liabilities acquired.

	Book value	Adjustments	Fair value
	£'000	£'000	£'000
Non-current assets			
Deferred tax asset	2	–	2
Current assets			
Trade and other receivables	537	(108)	429
Cash	135	–	135
Total assets	<u>674</u>	<u>(108)</u>	<u>566</u>
Trade and other payables	(453)	–	(453)
Corporation tax	(15)	–	(15)
Total liabilities	<u>(468)</u>	<u>–</u>	<u>(468)</u>
Net assets	<u>206</u>	<u>(108)</u>	98
Goodwill			209
			<u>307</u>
Satisfied by:			
Cash consideration			242
Expenses incurred			19
Deferred consideration			46
			<u>307</u>
Net cash outflows in respect of the acquisition comprised:			£'000
Cash consideration			(242)
Net cash acquired			135
			<u>(107)</u>

Bermitz generated a profit after taxation of £45,000 in the year ended 31 July 2006 (year ended 31 July 2005: £11,000). Following the acquisition, the results of the company have been absorbed into Fox Advertising, as such it is impracticable to disclose the amount of the company's profit since the acquisition date.

25 Disposal of subsidiary

As referred to in note 9, on 10 July 2006, the Group disposed of its interest in Proactive Scandinavia.

The net assets of Proactive Scandinavia, at the date of disposal and at 31 August 2005 were as follows:

	10 July 2006 £'000	31 August 2005 £'000
Property plant and equipment	48	54
Trade receivables	369	581
Bank balances and cash	8	96
Deferred tax asset/(liability)	6	(60)
Current tax liability	(56)	(24)
Trade payables	(155)	(139)
Attributable goodwill	1,551	1,551
	<u>1,771</u>	<u>2,059</u>
Fees and bonuses	594	
Loss on disposal	(365)	
	<u>2,000</u>	
Total consideration	<u>2,000</u>	
Satisfied by:		
Cash	1,960	
Deferred consideration	40	
	<u>2,000</u>	
Net cash inflow arising on disposal:		
Cash consideration	1,960	
Fees and bonuses	(594)	
Cash and cash equivalents disposed of	(8)	
	<u>1,358</u>	

The deferred consideration will be settled in cash by the purchaser on or before 10 July 2007.

The impact of Proactive Scandinavia on the Group's results in the current and prior periods is disclosed in note 9.

26 Reconciliation of profit from operations to net cash from operations

	2006 £'000	2005 £'000
Profit from continuing operations	1,607	1,305
(Loss)/profit from discontinued operations	(238)	277
Depreciation of property, plant and equipment	168	178
Amortisation of intangible assets	11	10
Share option charge	47	36
Profit on sale of tangible fixed assets	–	(17)
	<u>1,595</u>	<u>1,789</u>
Operating cash flows before movements in working capital	1,595	1,789
Decrease/(increase) in receivables	2,776	(2,037)
(Decrease)/increase in payables	(3,354)	2,415
	<u>1,017</u>	<u>2,167</u>

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short term highly liquid investments with a maturity of three months or less.

27 Operating lease arrangements

	2006 £'000	2005 £'000
Minimum payments under operating leases recognised in income in the year	216	271

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Group				
Within one year	148	197	2	2
In the second to fifth years inclusive	474	589	6	–
After five years	617	733	–	–
	<u>1,239</u>	<u>1,519</u>	<u>8</u>	<u>2</u>

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

28 Pension arrangements

The Group makes pension contributions to the personal pension plans of certain full-time employees. The pension cost charge for the year amounted to £120,000 (2005: £97,000).

29 Related party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

During the year, Group companies entered into the following transactions with related parties who are not members of the Group.

The Group's head office is occupied on a 15 year lease from 17 May 2001 from James Hay Pension Trustees Limited which owns the property on trust for the personal pension plans of P. Stretford, K.B. Moran (both directors of Proactive Sports Management Limited) and J. Olsen.

The terms of the lease, which were set by an independent commercial valuer at arm's length, are as follows:

- rental of £65,000 p.a. invoiced quarterly in advance;
- rent reviews every five years which are upwards only and no break clauses.

The charge for the year was £65,000 (2005: £65,000) and no amount was due to James Hay Pension Trustees Limited at 31 August 2006 (2005: £nil).

The office of Kingsbridge Asset Management Limited is occupied on a 15 year lease from 1 October 2003 from National Mutual Pension Trustees Limited which owns the property on trust for the personal pension plans of D. McKee and K. McMenemy (both employees of Kingsbridge Asset Management Limited).

The terms of the lease, which were set by an independent commercial valuer at arm's length, are as follows:

- rental of £51,000 p.a. invoiced quarterly in advance;
- rent reviews every 3 years which are upwards only.

The charge for the year was £51,000 (2005: £51,000) and no amount was due to National Mutual Pension Trustees Limited at 31 August 2006 (2005: £nil).

Kingsbridge Asset Management has established a joint venture company, CBG Sports Limited, with CBG Group PLC. Laurie Turnbull, a Non-Executive Director of the Company, is Chairman of CBG Group PLC.

30 Subsequent Events

On 5 October 2006, the Group announced the sale of its Sports Marketing business for a maximum consideration of £11.273 million. This sale was approved at an Extraordinary General Meeting on 24 October 2006 and the disposal was completed on 31 October 2006.

SECTION B

Financial information for the Group for the 2 years ended 31 August 2005, prepared in accordance with UK GAAP.

Consolidated profit and loss accounts

	Notes	Before Goodwill £'000	Goodwill £'000	2005 Total £'000	Before goodwill £'000	Goodwill £'000	2004 Total £'000
Turnover							
Continuing operations		14,774	–	14,774	12,609	–	12,609
Acquisitions		129	–	129	–	–	–
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Cost of sales	2 3	14,903 (4,794)	– –	14,903 (4,794)	12,609 (3,786)	– –	12,609 (3,786)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Gross profit	3	10,109	–	10,109	8,823	–	8,823
Other administrative expenses		(8,200)	–	(8,200)	(7,166)	–	(7,166)
Amortisation of goodwill		–	(925)	(925)	–	(907)	(907)
Depreciation and other amortisation		(197)	–	(197)	(151)	–	(151)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Administrative expenses	3	(8,397)	(925)	(9,322)	(7,317)	(907)	(8,224)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit							
Continuing operations		1,664	(922)	742	1,699	(907)	792
Acquisitions		48	(3)	45	–	–	–
Discontinued operations		–	–	–	(193)	–	(193)
		<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Operating profit		<u>1,712</u>	<u>(925)</u>	<u>787</u>	<u>1,506</u>	<u>(907)</u>	<u>599</u>
Finance (charge)/income (net)	4			(44)			1
				<hr/>			<hr/>
Profit on ordinary activities before taxation							
Tax on profit on ordinary activities	5 8			743 (508)			600 (432)
				<hr/>			<hr/>
Profit on ordinary activities after taxation							
Dividends	10			235 (109)			168 (108)
				<hr/>			<hr/>
Retained profit for the financial year							
	23			<u>126</u>			<u>60</u>
Earnings per share							
Basic	9			0.20p			0.15p
Diluted	9			0.20p			0.15p
IIMR headline	9			<u>1.01p</u>			<u>0.95p</u>

Consolidated statements of total recognised gains and losses

	2005	2004
	£'000	£'000
Profit for the financial year	235	168
Gain/(loss) on foreign currency translation	8	(9)
Total recognised gains and losses relating to the year	<u>243</u>	<u>159</u>

Consolidated balance sheets

	Notes	2005 £'000	2004 £'000
Fixed assets			
Trademarks and other rights	11	51	60
Goodwill	12	16,350	16,336
		<hr/>	<hr/>
Intangible assets		16,401	16,396
Tangible assets	13	459	504
		<hr/>	<hr/>
		16,860	16,900
		<hr/>	<hr/>
Current assets			
Debtors	15	9,412	6,258
Cash at bank and in hand	16	1,674	1,829
		<hr/>	<hr/>
		11,086	8,087
Creditors: Amounts falling due within one year	17	(12,503)	(9,151)
		<hr/>	<hr/>
Net current liabilities		(1,417)	(1,064)
		<hr/>	<hr/>
Total assets less current liabilities		15,443	15,836
Creditors: Amounts falling due after more than one year	18	(1,662)	(2,225)
Provisions for liabilities and charges	20	(36)	–
		<hr/>	<hr/>
Net assets		13,745	13,611
		<hr/> <hr/>	<hr/> <hr/>
Capital and reserves			
Called-up share capital	21	1,149	1,149
Share premium account	22	18	18
Capital redemption reserve	22	61	61
Merger reserve	22	3,689	3,689
Profit and loss account	22	8,828	8,694
		<hr/>	<hr/>
Equity shareholders' funds		13,745	13,611
		<hr/> <hr/>	<hr/> <hr/>

Consolidated cash flow statements

	Notes	2005 £'000	2004 £'000
Net cash inflow from operating activities	24	2,221	2,366
Returns on investments and servicing of finance	25	(44)	1
Taxation	25	(129)	(310)
Capital expenditure and financial investment	25	(136)	(20)
Acquisitions and disposals	25	(3,157)	(2,854)
Equity dividends paid		(98)	(74)
		<hr/>	<hr/>
Cash outflow before management of liquid resources and financing		(1,343)	(891)
Management of liquid resources	25	–	373
Financing	25	(12)	(10)
		<hr/>	<hr/>
Decrease in cash in the year	26	<u>(1,355)</u>	<u>(528)</u>

Notes to the consolidated financial information

1. Statement of accounting policies

The principal accounting policies are summarised below. They have all been applied consistently throughout both years.

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable United Kingdom accounting standards.

Basis of consolidation

The Group's financial statements consolidate the financial statements of Formation Group PLC and its subsidiary undertakings drawn up to 31 August each year. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Intangible assets – Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is between ten and twenty years. Provision is made for any impairment.

Intangible assets

Trademarks are included at cost and depreciated in equal annual instalments over a period of ten years which is their estimated useful economic life. Provision is made for any impairment.

Other rights are image rights which are included at cost and written off in equal instalments over their useful economic life. Provision is made for any impairment.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold land and buildings	20 years
Short leasehold improvements	Term of lease
Fixtures and fittings	Five years
Office equipment	Between three and five years
Plant & equipment	Between three and ten years
Motor vehicles	Four years

Residual value is calculated on prices prevailing at the date of acquisition.

Investments

Fixed asset investments are shown at cost less provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are

differences between the Group's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Turnover and profit recognition

Turnover and profit for football management services is recognised in accordance with the terms and conditions of the contract.

Turnover derived from image rights held by the Group are recognised on a straight line basis over the terms of the contract.

Turnover for sports marketing services represents the commission earned when the service is provided.

Turnover and profit for corporate hospitality events is recognised when the event takes place.

Turnover is net of VAT and other sales related taxes.

Invoices raised by the Group but not yet recognised as turnover, in line with the profit recognition policy above, are credited to accruals and deferred income. Similarly invoices received by the Group but not yet recognised as costs, in line with the profit recognition policy above, are debited to prepayments and accrued income.

Pension costs and other post retirement benefits

The Group operates a defined contribution scheme. The amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the forward contract rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if appropriate, at the forward contract rate.

The results of overseas operations and their balance sheets are translated at the rates ruling at the balance sheet date. Exchange differences arising on translation of the opening net assets and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the statement of total recognised gains and losses. All other exchange differences are included in the profit and loss account.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term, except where the period to the review date on which the rent is first expected to be adjusted to the prevailing market rate is shorter than the full lease term, in which case the shorter period is used.

Finance costs

Finance costs of debt are recognised in the profit and loss account over the term of such instruments at a constant rate on the carrying amount.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

2 Segment information

Classes of business:

	Sports Marketing	Wealth Management	Re- presentation	Legal & Professional	Group
	2005	2005	2005	2005	2005
	£'000	£'000	£'000	£'000	£'000
Turnover	6,734	3,153	4,910	106	14,903
Segment profit	1,295	485	1,338	41	3,159
Common costs					(1,447)
Operating profit before goodwill amortisation *					1,712
Segment net assets	3,872	4,563	8,502	31	16,968
Unallocated liabilities					(3,223)
Net assets					13,745
					(1,235)
					1,506
Segment net assets	2,323	4,668	10,668	–	17,659
Unallocated liabilities					(4,048)
Net assets					13,611

* The goodwill amortisation charge of £925,000 (2004: £907,000) relates to the Sports Marketing division £126,000 (2004: £125,000), the Wealth Management division £256,000 (2004: £245,000), the Representation division £540,000 (2004: £537,000) and the Legal & Professional Services division £3,000 (2004: £Nil).

Common costs consist of head office administration costs.

Unallocated liabilities consist of the net assets of the Company, less its investment in subsidiary undertakings and intercompany balances.

2 Segment information (continued)

Geographical segments:

	United Kingdom 2005 £'000	Rest of Europe 2005 £'000	Rest of World 2005 £'000	Group 2005 £'000
Turnover by destination	10,979	3,345	579	14,903
Turnover by origin	12,254	2,370	279	14,903
Operating profit	379	333	75	787
Net assets	10,802	2,629	314	13,745

	United Kingdom 2004 £'000	Rest of Europe 2004 £'000	Rest of World 2004 £'000	Group 2004 £'000
Turnover by destination	10,944	1,227	438	12,609
Turnover by origin	11,364	1,047	198	12,609
Operating profit/(loss)	603	(95)	91	599
Net assets	11,556	2,007	48	13,611

Acquisitions and disposals

Segmental information regarding acquisitions and disposals has not been disclosed by class of business and by geographical segment as the Directors consider that the disclosure of this information would be seriously prejudicial to the interests of the Group.

3 Cost of sales, gross profit and other operating expenses (net)

In relation to the acquisition of Transworld Sport (now Capital Sports Solutions Limited), continuing operations in 2005 include cost of sales £nil, gross profit £106,000 and administrative expenses £58,000. In relation to the acquisition of RC & A Sports Management Limited continuing operations in 2005 include cost of sales £21,000, gross profit £2,000 and administrative expenses £2,000.

4 Finance (charge)/income (net)

Investment income

	2005	2004
	£'000	£'000
Bank interest receivable	10	15
Other	2	–
	<u>12</u>	<u>15</u>

Interest payable and similar charges

	2005	2004
	£'000	£'000
Bank loan and overdraft	50	12
Interest on obligations under finance leases	4	2
Other	2	–
	<u>56</u>	<u>14</u>

Finance (charge)/income (net)

	2005	2004
	£'000	£'000
Investment income	12	15
Less: Interest payable and similar charges	(56)	(14)
	<u>(44)</u>	<u>1</u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging/(crediting):

	2005	2004
	£'000	£'000
Depreciation and amounts written off tangible fixed assets		
– owned	168	136
– held under finance leases and hire purchase contracts	19	6
Profit on sale of fixed assets	(17)	(2)
Amortisation of trademarks and image rights	10	9
Amortisation of goodwill	925	907
Operating lease rentals		
– plant and machinery	16	25
– other	255	250
Auditors' remuneration – audit	81	71
Auditors' remuneration – other fees	66	41
	<u>66</u>	<u>41</u>

6 Staff costs

The average monthly number of employees (including Executive Directors) was:

	2005	2004
	Number	Number
Representation	23	19
Sports Marketing	21	19
Wealth Management	24	24
Legal and Professional	1	–
Administration	20	19
	<u>89</u>	<u>81</u>
	2005	2004
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	4,558	3,477
Social security costs	489	361
Other pension costs (see note 28)	97	88
	<u>5,144</u>	<u>3,926</u>

7 Directors' remuneration, interests and transactions

Aggregate remuneration

The total amounts for Directors' remuneration and other benefits were as follows:

	2005	2004
	£'000	£'000
Emoluments	737	417
Money purchase contributions	31	28
	<u>768</u>	<u>445</u>

Directors' emoluments

Name of Director	Fees/basic salary £'000	Bonuses £'000	Taxable benefits £'000	2005 Total £'000	2004 Total £'000
Executive					
N. Rodford	130	50	10	190	160
M. Page	84	20	1	105	94
D. McKee	132	–	1	133	118
J. Foxcroft	51	136	–	187	–
M. Kennedy	62	–	–	62	–
Non-Executive					
J.E. Lawrence	35	–	–	35	35
J.E. Smith	25	–	–	25	10
	<u>519</u>	<u>206</u>	<u>12</u>	<u>737</u>	<u>417</u>
Fees to third parties				<u>25</u>	<u>25</u>

Mr. J. Foxcroft's and Mr. M. Kennedy's remuneration is included from the date of their appointment as directors.

Fees to third parties comprise amounts paid to Grantsearch under an agreement to provide the Group with the services of Mr I.A. Craig.

7 Directors' remuneration, interests and transactions (continued)

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the Company granted to or held by the Directors. Details of the options are as follows:

Name of Director	At	Options issued Number	At	Exercise price
	1 September 2004 or date of appointment Number		31 August 2005 Number	
N. Rodford	1,000,000	–	1,000,000	7.13p
M. Page	500,000	–	500,000	7.13p
J. Foxcroft	400,000	–	400,000	7.13p
M. Kennedy	–	1,000,000	1,000,000	8.13p
J.E. Lawrence	500,000	–	500,000	7.13p
I.A. Craig	500,000	–	500,000	7.13p
J.E. Smith	500,000	–	500,000	7.25p

The market price of the ordinary shares at 31 August 2005 was 8.00p and the range during the year was 5.75p to 8.75p.

Certain Executive Directors are permitted under their service contracts to receive contributions from the Company to their personal pension schemes. Contributions payable by the Company in respect of such Directors were as follows:

	2005 £'000	2004 £'000
N. Rodford	13	12
D. McKee	10	9
M. Page	8	7
	<u>31</u>	<u>28</u>

Directors' interests

The Directors who held office at 31 August 2005 had the following beneficial interests in the 1p ordinary shares of the Company:

	31 August 2005 Number	31 August 2004 Number
N. Rodford	1,066,124	1,016,964
M. Page	319,493	276,383
D. McKee	15,736,667	15,666,667
J. Foxcroft	140,000	140,000
M. Kennedy	50,000	–
J.E. Lawrence	765,000	735,000
I.A. Craig	350,000	150,000
J.E. Smith	90,000	50,000

The Directors had no other interests, beneficial or otherwise, in the shares and debentures of any Group undertaking.

8 Tax on profit on ordinary activities

The tax charge comprises:

	2005	2004
	£'000	£'000
Current tax:		
UK corporation tax	385	455
Foreign tax	84	63
	<u>469</u>	<u>518</u>
Adjustments in respect of prior years:		
UK corporation tax	(12)	(67)
	<u>457</u>	<u>451</u>
Deferred tax	51	(19)
	<u>508</u>	<u>432</u>
Total tax on profit on ordinary activities	<u><u>508</u></u>	<u><u>432</u></u>

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the profit before tax are as follows:

	2005	2004
	£'000	£'000
Profit on ordinary activities before tax	<u>743</u>	<u>600</u>
Tax on Group profit on ordinary activities at standard UK corporation tax at 30% (2004: 30%)	223	180
<i>Effects of:</i>		
Expenses not deductible for tax purposes	306	287
Capital allowances for period in excess of depreciation	16	8
Higher tax rates on overseas earnings	(9)	4
Movement in short term differences	(67)	12
Tax losses not utilised	–	27
Adjustments to tax charge in respect of previous periods	(12)	(67)
	<u>457</u>	<u>451</u>
Group current tax charge for the year	<u><u>457</u></u>	<u><u>451</u></u>

9 Earnings per share

The calculations of earnings per share are based on the following profits and numbers of shares:

	2005	2004
	£'000	£'000
Profit for the financial year	235	168
Adjustment for goodwill amortisation	925	907
	<hr/>	<hr/>
Profit for the financial year – IIMR earnings	<u>1,160</u>	<u>1,075</u>

	2005	2004
	Number	Number of
	of shares	shares
	'000	'000
Weighted average number of shares:		
For basic and IIMR earnings per share	114,874	112,761
Diluted earnings per share	<u>114,874</u>	<u>112,919</u>

Earnings per share is calculated by dividing the profit for the financial year by the weighted average number of shares in issue during the year. An additional measure of earnings per share has been recommended by the Institute of Investment Management and Research (“IIMR”) which requires the adjustment of earnings to eliminate certain items adjusted for any tax effect.

Any difference between the weighted average number of shares and diluted number of shares is due to the potential dilutive effect of the shares to be issued. The Directors consider that headline IIMR earnings per share gives a better understanding of the Group’s earnings.

10 Dividends

	2005	2004
	£'000	£'000
Dividends proposed at 0.095p per ordinary share (2004: 0.085p)	109	98
Dividend paid on shares issued post year end	–	10
	<hr/>	<hr/>
	<u>109</u>	<u>108</u>

11 Intangible fixed assets – Trademarks and other rights

	Trademarks £'000	Other rights £'000	Total £'000
Cost			
At 1 September 2004	13	65	78
Additions	2	–	2
	<hr/>	<hr/>	<hr/>
At 31 August 2005	15	65	80
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Depreciation			
At 1 September 2004	3	15	18
Charge for the year	1	9	10
Adjustment to fair value of acquired asset	1	–	1
	<hr/>	<hr/>	<hr/>
At 31 August 2005	5	24	29
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value			
At 31 August 2005	10	41	51
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
At 31 August 2004	10	50	60
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

12 Intangible fixed assets – Goodwill

	Positive goodwill £'000
Cost	
At 1 September 2004	32,262
Arising on acquisitions	970
Changes in contingent consideration payable	(77)
Adjustment to fair value of acquired assets	46
	<hr/>
At 31 August 2005	33,201
	<hr/> <hr/>
Amortisation	
At 1 September 2004	15,926
Charge for the year	925
	<hr/>
At 31 August 2005	16,851
	<hr/> <hr/>
Net book value	
At 31 August 2005	16,350
	<hr/> <hr/>
At 31 August 2004	16,336
	<hr/> <hr/>

Goodwill arising on acquisitions principally consists of £611,000 in respect of the acquisition of RC & A Sports Management Limited, £18,000 on the acquisition of the trade and assets of Transworld Sport, £275,000 on the acquisition of the trade and assets of George Urquhart Associates and £66,000 arising on the acquisition of the trade and assets of Wroe Sports Management.

13 Tangible fixed assets

	Short leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost					
At 1 September 2004	192	357	71	140	760
Exchange differences	–	3	–	–	3
Additions	5	96	71	24	196
Disposals	–	(21)	(45)	(52)	(118)
Adjustment to fair value of acquired assets	–	(21)	(6)	–	(27)
Acquisition of subsidiary undertakings	–	5	11	–	16
At 31 August 2005	<u>197</u>	<u>419</u>	<u>102</u>	<u>112</u>	<u>830</u>
Depreciation					
At 1 September 2004	40	180	4	32	256
Exchange differences	–	1	–	–	1
Disposals	–	(10)	(18)	(45)	(73)
Charge for the year	17	98	32	40	187
At 31 August 2005	<u>57</u>	<u>269</u>	<u>18</u>	<u>27</u>	<u>371</u>
Net book value					
At 31 August 2005	<u>140</u>	<u>150</u>	<u>84</u>	<u>85</u>	<u>459</u>
At 31 August 2004	<u>152</u>	<u>177</u>	<u>67</u>	<u>108</u>	<u>504</u>

The carrying value of the Group's motor vehicles includes an amount of £41,000 (2004: £69,000) in respect of assets held under finance leases.

14 Fixed asset investments

	2005 £'000	2004 £'000
Subsidiary undertakings	—	—

Principal Group investments

The Parent Company and the Group have investments in the following subsidiary undertakings, all of which are wholly owned, which principally affected the profits or net assets of the Group. To avoid a statement of excessive length, details of investments which are not significant have been omitted.

<i>Subsidiary undertakings</i>	<i>Country of incorporation or principal business address</i>	<i>Principal activity</i>
Proactive Sports Management Limited *	England	Representation
Fox Sports Limited (trading as Fox Advertising) *	England	Outdoor advertising and media
Kingsbridge Asset Management Limited *	England	Wealth management
Active Sports Marketing Limited *	England	Sports marketing and corporate hospitality
Proactive Sports Management Scandinavia *	Denmark	Representation
Proactive Sports Management USA Inc *	USA	Representation
Sponsormatic ApS *	Denmark	Outdoor advertising and media
Capital Sports Solutions Limited *	England	Financial brokerage
RC & A Sports Management Limited	England	Outdoor advertising and media

* held directly by Formation Group PLC.

Acquisition of Capital Sports Solutions Limited

On 21 March 2005 the Group acquired the trade and assets of Transworld Sport, a financial brokerage business based in the UK. This business now trades as Capital Sports Solutions Limited. The initial consideration paid on completion was £1. Additional consideration of up to a maximum of £3.1 million will become payable in cash to the Vendor depending on the future financial and trading performance of Capital Sports Solutions Limited in the three year period from completion satisfying agreed post-tax profit targets over the relevant periods.

The following table sets out the book and fair value of the identifiable assets and liabilities acquired.

	Book and fair value to Group £'000
Net assets	—
Goodwill	18
	18
Satisfied by:	
Expenses incurred	8
Contingent consideration	10
	18

14 Fixed asset investments (continued)

Net cash outflows in respect of the acquisition comprised:

	£'000
Acquisition expenses paid	8
	<u>8</u>

The previous trading history of those assets purchased from Transworld Sport is not available.

Acquisition of RC & A Sports Management Limited

On 29 August 2005 Fox Advertising acquired Imagealert Limited (now RC & A Sports Management Limited), an outdoor media and corporate hospitality company based in the UK. The initial consideration paid on completion was £250,000 in cash. Additional consideration of up to a maximum of £742,000 will become payable in cash to the Vendor depending on the future financial and trading performance of RC & A Sports Management Limited in the two years to 31 August 2007 satisfying agreed post-tax profit targets over the relevant periods.

The following table sets out the book values of the identifiable assets and liabilities acquired and their fair value to the Group.

	Fair value and book value £'000
Fixed assets	
Tangible fixed assets	16
Current assets	
Debtors	1,188
Cash	342
	<u>1,546</u>
Total assets	1,546
	<u>(1,540)</u>
Creditors less than one year	(1,540)
Corporation tax	(3)
Provisions	(3)
	<u>(1,546)</u>
Total liabilities	(1,546)
Net assets	–
	<u>611</u>
Goodwill	611
	<u>611</u>
	<u>611</u>
Satisfied by:	
Cash consideration	250
Expenses incurred	89
Contingent consideration	272
	<u>611</u>
	<u>611</u>

14 Fixed asset investments (continued)

Acquisition of RC & A Sports Management Limited

Net cash inflows in respect of the acquisition comprised:

	£'000
Cash consideration	(250)
Net cash acquired	342
	<hr/>
	92
	<hr/> <hr/>

RC & A Sports Management Limited generated a profit after taxation of £9,000 in the two months ended 31 August 2005 (year ended 30 June 2005: loss of £20,000). The summarised profit and loss account for the period from 1 July 2005 to 29 August 2005, shown on the basis of the accounting policies of RC & A Sports Management Limited prior to the acquisition, is as follows:

Profit and loss account	£'000
Turnover	217
Cost of sales	(198)
	<hr/>
Gross profit	19
Other operating expenses (net)	(11)
	<hr/>
Operating profit	8
Finance charges (net)	–
	<hr/>
Profit on ordinary activities before taxation	8
Tax on profit on ordinary activities	–
	<hr/>
Profit for the financial period	8
	<hr/> <hr/>

15 Debtors

	2005	2004
	£'000	£'000
Amounts falling due within one year:		
Trade debtors	7,022	4,725
Amount owed by Group undertakings	–	–
VAT	–	–
Other debtors	72	229
Prepayments and accrued income	2,318	1,286
Deferred tax asset (see note 20)	–	18
	<hr/>	<hr/>
	9,412	6,258
	<hr/> <hr/>	<hr/> <hr/>

16 Cash and bank deposits

	2005	2004
	£'000	£'000
Money market deposit	–	1,200
Cash in hand and at bank	1,674	629
	<hr/>	<hr/>
	1,674	1,829
	<hr/> <hr/>	<hr/> <hr/>

17 Creditors: Amounts falling due within one year

	2005	2004
	£'000	£'000
Obligations under finance leases	12	12
Bank loan	400	–
Bank overdraft	–	–
Trade creditors	3,886	2,336
Amounts owed to Group undertakings	–	–
Corporation tax	726	404
VAT	832	324
Other taxation and social security	131	171
Contingent and deferred acquisition consideration	240	1,920
Other creditors	804	323
Accruals and deferred income	5,363	3,563
Proposed dividend	109	98
	<u>12,503</u>	<u>9,151</u>

18 Creditors: Amounts falling due after more than one year

	2005	2004
	£'000	£'000
Obligations under finance leases	42	54
Bank loan	800	–
Other creditors	457	708
Contingent acquisition consideration	363	1,463
	<u>1,662</u>	<u>2,225</u>

Contingent acquisition consideration represents amounts payable on previous acquisitions of the Group and is contingent upon the acquired businesses performance over periods of up to three years.

Finance leases are repayable as follows:

	2005	2004
	£'000	£'000
Within one year	12	12
Between one and two years	12	12
Between two and five years	30	42
	<u>54</u>	<u>66</u>

Bank loans are repayable as follows:

	2005	2004
	£'000	£'000
Within one year	400	–
Between one and two years	400	–
Between two and five years	400	–
	<u>1,200</u>	<u>–</u>

19 Derivatives and other financial instruments

Treasury risk management

The Group maintains a centralised treasury function. All transactions entered into by the Group's treasury operations are required to be in support of, or as a consequence of, underlying commercial transactions.

Finance and interest rate risk

The interest on the Group's borrowings is linked to Nat West's base rate.

Liquidity risk

The Group has managed its cash in a manner designed to ensure maximum benefit is gained, whilst ensuring security of investment sources. The Group's policy on investment of surplus funds limits the placing of deposits to institutions with strong credit ratings.

Foreign exchange risk

The Group's current activities are predominantly Sterling, Euro, US Dollar and Danish Kroner based and as a result the impact of changes in foreign exchange rates has been limited and no hedging has been necessary. The Group's transactional currency exposure, which arises from sales and purchases in currencies other than the Group's base currency, has been limited and so there has been no significant transactional exposure to hedge.

The numerical disclosures in this note deal with financial assets and financial liabilities as defined in Financial Reporting Standard 13 "Derivatives and other financial instruments: Disclosures" ("FRS 13"). Certain financial assets such as investments in subsidiary companies are also excluded from the scope of these disclosures.

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than the currency disclosures.

Interest rate profile

The Group's financial assets are analysed as follows:

	Floating rate and total 2005 £'000	Floating rate and total 2004 £'000
Money market deposits	–	1,200
Cash at bank and in hand	1,674	629
	<hr/>	<hr/>
	1,674	1,829
	<hr/> <hr/>	<hr/> <hr/>

19 Derivatives and other financial instruments (continued)

Currency exposures

Gains and losses arising from the Group's exposures from its net investment overseas are recognised in the statement of total recognised gains and losses.

The table below shows the Group's other currency exposures; in other words, those transactional exposures that give rise to the net currency gains and losses recognised in the profit and loss account. Such exposures comprise the monetary assets and monetary liabilities of the Group that are not denominated in the operating (or "functional") currency of the operating unit involved. As at 31 August 2005 these exposures were as follows:

Functional currency of Group operation	Net foreign currency monetary assets			
	Danish Kroner £'000	US dollar £'000	Euro £'000	Total £'000
Sterling	1	3	372	376
	<u>1</u>	<u>3</u>	<u>372</u>	<u>376</u>

The exposures at 31 August 2004 for comparison purposes were as follows:

Functional currency of Group operation	Net foreign currency monetary assets			
	Danish Kroner £'000	US dollar £'000	Euro £'000	Total £'000
Sterling	–	106	414	520
	<u>–</u>	<u>106</u>	<u>414</u>	<u>520</u>

Maturity of financial liabilities

The maturity profile of the Group's financial liabilities at 31 August 2005 was as follows:

	Total 2005 £'000	Total 2004 £'000
Within one year	652	1,932
In more than one year but not more than two years	604	785
Over two years but less than five years	601	732
	<u>1,857</u>	<u>3,449</u>

Borrowing facilities

The Group has an overdraft facility of £1,400,000. The Group also has a loan facility of £1,200,000 which is repayable over three years. These facilities are secured by debentures from Formation Group PLC and certain of the Group's subsidiary companies as well as an inter company cross guarantee between these companies.

19 Derivatives and other financial instruments (continued)

Fair values

Set out below is a comparison by category of book values and fair values of the Group's financial assets and liabilities at 31 August 2005:

	2005		2004	
	Book value £'000	Fair value £'000	Book value £'000	Fair value £'000
Deferred acquisition consideration, bank loan and finance leases	(1,857)	(1,764)	(3,449)	(3,217)
Other financial assets	1,674	1,674	1,829	1,829
	<u>1,674</u>	<u>1,674</u>	<u>1,829</u>	<u>1,829</u>

The fair value of fixed rate borrowings and interest free deferred acquisition consideration shown above have been calculated by discounting cash flows at loan interest rates.

Gains and losses on hedges

There are no unrecognised gains and losses on hedges at 31 August 2005 or 31 August 2004.

20 Provisions for liabilities and charges

	Deferred taxation £'000
At 1 September 2004	(18)
Transfer to profit and loss account	51
Acquired with subsidiary company	3
At 31 August 2005	<u>36</u>

Deferred tax (liability)/asset provided is analysed as follows:

	2005 £'000	2004 £'000
Accelerated capital allowances	15	2
Other timing differences	(51)	16
	<u>(36)</u>	<u>18</u>

21 Called-up share capital

	2005	2004
	£'000	£'000
<i>Authorised</i>		
170,000,000 ordinary shares of 1p each (2004: 170,000,000)	1,700	1,700
<i>Allotted and called-up</i>		
114,873,815 ordinary shares of 1p each (2004: 114,873,815)	1,149	1,149

Options have been granted under the following schemes to subscribe for ordinary shares of the Company as follows:

Scheme	Number of shares under option	Subscription price per share	Exercise period
Unapproved share option scheme	1,650,000	7.13p	12 December 2006 to 11 December 2013
Enterprise management incentive plan	192,000	25.00p	16 May 2004 to 15 May 2011
Enterprise management incentive plan	2,500,000	7.13p	12 December 2006 to 11 December 2013
Enterprise management incentive plan	650,000	8.25p	20 July 2007 to 19 July 2014
Non Executive plan	1,000,000	7.13p	12 December 2006 to 11 December 2013
Non Executive plan	500,000	7.25p	1 June 2007 to 31 May 2014
Unapproved share option scheme	200,000	7.25p	23 November 2007 to 22 November 2014
Unapproved share option scheme	400,000	7.13p	10 December 2007 to 9 December 2014
Unapproved share option scheme	1,000,000	7.25p	2 February 2008 to 1 February 2015
Enterprise management incentive plan	400,000	8.25p	31 August 2008 to 30 August 2015

22 Reserves

	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
At 1 September 2004	18	61	3,689	8,694	12,462
Gain on foreign currency translation	–	–	–	8	8
Profit for the year	–	–	–	126	126
At 31 August 2005	<u>18</u>	<u>61</u>	<u>3,689</u>	<u>8,828</u>	<u>12,596</u>

23 Reconciliation of movements in shareholders' funds

	2005 £'000	2004 £'000
Profit for the financial year	126	60
Other recognised gains and losses	8	(9)
New shares issued	–	951
Net addition to shareholders' funds	<u>134</u>	<u>1,002</u>
Opening shareholders' funds	13,611	12,609
Closing shareholders' funds	<u>13,745</u>	<u>13,611</u>

24 Reconciliation of operating profit to operating cash flows

	2005 £'000	2004 £'000
Operating profit	787	599
Depreciation and amortisation charges	1,122	1,058
Profit on sale of tangible fixed assets	(17)	(2)
Increase in debtors	(2,003)	(1,538)
Increase in creditors	2,321	2,258
Other	11	(9)
Net cash inflow from operating activities	<u>2,221</u>	<u>2,366</u>

25 Analysis of cash flows

	2005	2004
	£'000	£'000
<i>Returns on investments and servicing of finance</i>		
Interest received	12	15
Interest paid	(56)	(14)
	<u> </u>	<u> </u>
Net cash (outflow)/inflow	(44)	1
	<u> </u>	<u> </u>
<i>Taxation</i>		
Corporation tax paid	(129)	(310)
	<u> </u>	<u> </u>
<i>Capital expenditure and financial investment</i>		
Purchase of intangible fixed assets	(2)	(45)
Purchase of tangible fixed assets	(196)	(159)
Sale of tangible fixed assets	62	184
	<u> </u>	<u> </u>
Net cash outflow	(136)	(20)
	<u> </u>	<u> </u>
<i>Acquisitions and disposals</i>		
Purchase of subsidiary undertakings	(433)	(1,236)
Deferred acquisition consideration subsequently paid	(3,031)	(1,433)
Acquisition expenses	(35)	(192)
Cash acquired with subsidiary undertakings	342	9
Cash held by subsidiary undertaking disposed of	–	(2)
	<u> </u>	<u> </u>
Net cash outflow	(3,157)	(2,854)
	<u> </u>	<u> </u>
<i>Management of liquid resources</i>		
Movement in bank deposit	–	373
	<u> </u>	<u> </u>
<i>Financing</i>		
Capital element of finance lease rental payments	(12)	(10)
	<u> </u>	<u> </u>

Companies acquired in the year generated £37,000 of the net operating cash flows (2004: £132,000).

26 Analysis and reconciliation of net funds

	At 1 September 2004 £'000	Cash flow £'000	Other changes £'000	At 31 August 2005 £'000
Cash in hand, at bank	629	1,045	–	1,674
Cash on short-term deposit	1,200	(1,200)	–	–
	1,829	(155)	–	1,674
Bank loan	–	(1,200)	–	(1,200)
Finance leases	(66)	12	–	(54)
Net funds	1,763	(1,343)	–	420
			2005 £'000	2004 £'000
Decrease in cash in the year			(1,355)	(528)
Cash outflow from decrease in lease financing			12	10
Cash inflow from change in liquid resources			–	(373)
Change in net funds resulting from cash flows			(1,343)	(891)
New finance leases			–	(76)
Movement in net funds in year			(1,343)	(967)
Net funds at 1 September 2004			1,763	2,730
Net funds at 31 August 2005			420	1,763

27 Financial commitments

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Expiry date				
– within one year	–	12	–	24
– between two and five years	156	96	3	7
– after five years	116	116	–	–
	272	224	3	31

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

28 Pension arrangements

The Group makes pension contributions to the personal pension plans of certain full-time employees. The pension cost charge for the year amounted to £97,000 (2004: £88,000).

29 Related party transactions

The Group's head office is occupied on a 15 year lease from 17 May 2001 from James Hay Pension Trustees Limited which owns the property on trust for the personal pension plans of P. Stretford, K.B. Moran and J. Olsen.

The terms of the lease, which were set by an independent commercial valuer at arm's length, are as follows:

- rental of £65,000 p.a. invoiced quarterly in advance;
- rent reviews every five years which are upwards only and no break clauses.

The charge for the year was £65,000 (2004: £65,000) and no amount was due to James Hay Pension Trustees Limited at 31 August 2005 (2004: £Nil).

The office of Kingsbridge Asset Management Limited is occupied on a 15 year lease from 1 October 2003 from National Mutual Pension Trustees Limited which owns the property on trust for the personal pension plans of D. McKee and K. McMennamin (a director of Kingsbridge Asset Management Limited).

The terms of the lease, which were set by an independent commercial valuer at arm's length, are as follows:

- rental of £51,000 p.a. invoiced quarterly in advance;
- rent reviews every three years which are upwards only; and
- a break clause exercisable on the third anniversary of term commencement.

The charge for the year was £51,000 (2004: £46,750) and no amount was due to National Mutual Pension Trustees Limited at 31 August 2005 (2004: £Nil).

SECTION C

Interim Results for the six months ended 28 February 2007

Set out below are the financial results of Formation for the six months ended 28 February 2007 from the interim statement issued by Formation on 17 May 2007.

Consolidated income statement

For the six months ended 28 February 2007

	6 months ended 28 Feb 2007	6 months ended 28 Feb 2006	Year ended 31 Aug 2006	
Note	(Unaudited) £'000	(Unaudited) £'000	(Audited) £'000	
Continuing operations				
Revenue	2	3,027	3,252	6,766
Cost of sales		(202)	(314)	(343)
Gross profit		2,825	2,938	6,423
Administrative expenses		(2,587)	(3,026)	(6,077)
Operating profit/(loss) from continuing operations	2	238	(88)	346
Investment income		120	2	8
Finance costs		(29)	(42)	(107)
Profit/(loss) before taxation		329	(128)	247
Taxation	4	(99)	31	(88)
Profit/(loss) for the financial period from continuing operations		230	(97)	159
Discontinued operations				
Profit for the financial period from discontinued operations	3	4,372	420	384
Profit for the financial period attributable to equity holders of parent		4,602	323	543
Dividends	5	(131)	(109)	(109)
Retained profit for the financial period		4,471	214	434
Earnings/(loss) per share				
From continuing operations				
Basic	6	0.18p	(0.08)p	0.13p
Diluted	6	0.18p	(0.08)p	0.13p
From continuing and discontinued operations				
Basic	6	3.64p	0.28p	0.46p
Diluted	6	3.54p	0.28p	0.46p

Consolidated statement of recognised income and expense

For the six months ended 28 February 2007

	6 months ended 28 Feb 2007 (Unaudited) £'000	6 months ended 28 Feb 2006 (Unaudited) £'000	Year ended 31 Aug 2006 (Audited) £'000
Exchange loss on foreign currency translation of foreign operations	(7)	(1)	(17)
Profit for the financial period attributable to equity holders of parent	<u>4,602</u>	<u>323</u>	<u>543</u>
Total recognised income and expenses for the period attributable to equity holders of the parent	<u><u>4,595</u></u>	<u><u>322</u></u>	<u><u>526</u></u>

Consolidated balance sheet

As at 28 February 2007

	28 Feb 2007 (Unaudited) £'000	28 Feb 2006 (Unaudited) £'000	31 Aug 2006 (Audited) £'000
Non-current assets			
Goodwill	12,773	17,305	15,917
Other intangible assets	31	46	42
Property, plant and equipment	221	414	349
Deferred tax asset	115	94	124
	<u>13,140</u>	<u>17,859</u>	<u>16,432</u>
Current assets			
Trade and other receivables	2,568	5,434	6,782
Cash and cash equivalents	7,538	554	2,187
	<u>10,106</u>	<u>5,988</u>	<u>8,969</u>
Total assets	<u>23,246</u>	<u>23,847</u>	<u>25,401</u>
Current liabilities			
Trade and other payables	(2,994)	(6,477)	(8,419)
Tax liabilities	(44)	(809)	(753)
Obligations under finance leases	(13)	(12)	(4)
Bank overdrafts and loans	–	(100)	(44)
	<u>(3,051)</u>	<u>(7,398)</u>	<u>(9,220)</u>
Net current assets/(liabilities)	<u>7,055</u>	<u>(1,410)</u>	<u>(251)</u>
Non-current liabilities			
Trade and other payables	(83)	(539)	(343)
Tax liabilities	(99)	(150)	–
Obligations under finance leases	(45)	(35)	(30)
Bank overdrafts and loans	–	(800)	–
	<u>(227)</u>	<u>(1,524)</u>	<u>(373)</u>
Total liabilities	<u>(3,278)</u>	<u>(8,922)</u>	<u>(9,593)</u>
Net assets	<u>19,968</u>	<u>14,925</u>	<u>15,808</u>
Equity			
Share capital	1,264	1,149	1,264
Share premium account	694	18	694
Treasury shares	(433)	–	(138)
Capital redemption reserve	61	61	61
Currency and other reserves	3,823	3,829	3,839
Profit and loss account	14,559	9,868	10,088
Total equity	<u>19,968</u>	<u>14,925</u>	<u>15,808</u>

Statement of changes in shareholders' equity

For the six months ended 28 February 2007

	6 months ended 28 Feb 2007 (Unaudited) £'000	6 months ended 28 Feb 2006 (Unaudited) £'000	Year ended 31 Aug 2006 (Audited) £'000
Opening shareholders' equity	15,808	14,691	14,691
Dividends paid	(131)	(109)	(109)
Profit for the period attributable to equity holders of the parent	4,602	323	543
Issue of new share capital	–	–	791
Purchase of treasury shares	(295)	–	(138)
Other reserves movement due to share options charge and disposal of subsidiaries	(9)	21	47
Exchange loss on foreign currency translation recognised directly in equity	(7)	(1)	(17)
Closing shareholders' equity	<u>19,968</u>	<u>14,925</u>	<u>15,808</u>

Consolidated cash flow statement

For the six months ended 28 February 2007

	6 months ended 28 Feb 2007 (Unaudited) £'000	6 months ended 28 Feb 2006 (Unaudited) £'000	Year ended 31 Aug 2006 (Audited) £'000	
Cash (used in)/generated by operations	7	(8)	(338)	1,017
Income taxes (paid)/received		(127)	23	(395)
Interest paid		(29)	(47)	(108)
Net cash (outflow)/inflow from operating activities		<u>(164)</u>	<u>(362)</u>	<u>514</u>
Investing activities				
Interest received		121	5	14
Proceeds on disposal of property, plant and equipment		8	–	18
Purchases of property, plant and equipment		(999)	(73)	(170)
Purchases of trademarks and rights		–	–	(2)
Deferred consideration paid		(335)	(231)	(356)
Acquisition of subsidiaries		–	(42)	(242)
Cash acquired with subsidiary		–	–	135
Acquisition expenses		(29)	–	(107)
Proceeds on disposal of subsidiary companies, net of disposal costs		9,208	–	1,366
Cash disposed of with subsidiary companies		(1,987)	–	(8)
Net cash generated by/(used in) investing activities		<u>5,987</u>	<u>(341)</u>	<u>648</u>
Financing activities				
Dividends paid		(131)	(109)	(109)
Proceeds on issue of shares		–	–	791
Purchase of own shares		(295)	–	(138)
New obligations under finance leases		29	–	–
Repayments of obligations under finance leases		(5)	(7)	(20)
Net cash (used in)/generated by financing activities		<u>(402)</u>	<u>(116)</u>	<u>524</u>
Net increase/(decrease) in cash and cash equivalents		<u>5,421</u>	<u>(819)</u>	<u>1,686</u>
Cash and cash equivalents at the beginning of the period		2,143	474	474
Effect of foreign exchange rate changes		(26)	(1)	(17)
Cash and cash equivalents at end of the period		<u><u>7,538</u></u>	<u><u>(346)</u></u>	<u><u>2,143</u></u>

Notes to the Interim Information

For the six months ended 28 February 2007

1. Basis of preparation

The Group's interim results for the six months ended 28 February 2007 have been prepared in accordance with International Financial Reporting Standards (IFRS). The accounting policies adopted are consistent with those adopted in the preparation of the annual financial statements for the year ended 31 August 2006.

The comparative figures are an abridged version of the Group's full financial statements and, together with other financial information contained in these interim results, do not constitute statutory financial statements of the Group within the meaning of section 240 of the Companies Act 1985.

Statutory financial statements for the year ended 31 August 2006 have been filed with the Registrar of Companies for England and Wales and have been reported on by the Group's auditors. The report of the auditors was not qualified and did not contain a statement under section 273(2) or (3) of the Companies Act 1985.

2. Segment information

	6 months ended 28 Feb 2007 (Unaudited)		6 months ended 28 Feb 2006 (Unaudited)		Year ended 31 Aug 2006 (Audited)	
	Profit from continuing operations		Profit/(loss) from continuing operations		Profit from continuing operations	
	Revenue £'000	£'000	Revenue £'000	£'000	Revenue £'000	£'000
By class of business:						
Wealth management and professional services	1,841	416	2,076	497	3,635	543
Representation	1,186	187	1,176	(25)	3,131	995
	<u>3,027</u>	<u>603</u>	<u>3,252</u>	<u>472</u>	<u>6,766</u>	<u>1,538</u>
Central costs		(365)		(560)		(1,192)
Profit/(loss) from operations		<u>238</u>		<u>(88)</u>		<u>346</u>

Notes to the Interim Information - continued

For the six months ended 28 February 2007

3. Results of discontinued operations

On 10 July 2006, the Group sold its holding in Proactive Scandinavia which carried out all of the Group's representation activities in Scandinavia. The results of this company were previously included in the Representation division. On 31 October 2006, the Group completed the disposal of its Sports Marketing business. The results of the discontinued operations which have been included in the consolidated income statement, were as follows:

	6 months ended 28 Feb 2007 (Unaudited) £'000	6 months ended 28 Feb 2006 (Unaudited) £'000	Year ended 31 Aug 2006 (Audited) £'000
Revenue	1,742	5,295	8,997
Cost of sales	(1,154)	(3,049)	(4,924)
Gross profit	588	2,246	4,073
Administrative expenses	(326)	(1,648)	(3,050)
Operating profit from discontinued operations	262	598	1,023
Investment income	1	3	6
Finance costs	–	(5)	(1)
Profit before taxation	263	596	1,028
Attributable tax expense	(92)	(176)	(279)
Profit for the financial period from continuing operations	171	420	749
Profit/(loss) on disposal of discontinued operations	4,201	–	(365)
Attributable tax expense	–	–	–
Profit/(loss) on disposal of discontinued operations	4,201	–	(365)
Net profit attributable to discontinued operations	4,372	420	384

4. Taxation

The taxation charge at 30.0% of profit before taxation, is based on the estimated effective rate of tax on earnings for the full year ending 31 August 2007.

Notes to the Interim Information – continued

For the six months ended 28 February 2007

5. Dividends

	6 months ended 28 Feb 2007 (Unaudited) £'000	6 months ended 28 Feb 2006 (Unaudited) £'000	Year ended 31 Aug 2006 (Audited) £'000
Dividend paid per share in the period of 0.105 pence (2006 - 0.095 pence)	(131)	(109)	(109)

6. Earnings per share

Earnings per share are based on the following profits and numbers of shares:

	6 months ended 28 Feb 2007 (Unaudited) £'000	6 months ended 28 Feb 2006 (Unaudited) £'000	Year ended 31 Aug 2006 (Audited) £'000
Profit/(loss) for the period:			
Basic and diluted earnings - continuing operations	230	(97)	159
Basic and diluted earnings - discontinued operations	4,372	420	384
Basic and diluted earnings - continuing and discontinued operations	<u>4,602</u>	<u>323</u>	<u>543</u>
	Number of shares '000	Number of shares '000	Number of shares '000
Weighted average number of shares:			
Basic	<u>126,361</u>	<u>114,874</u>	<u>118,462</u>
Diluted	<u>129,923</u>	<u>114,874</u>	<u>118,462</u>

7. Reconciliation of profit from operations to net cash from operations

	6 months ended 28 Feb 2007 (Unaudited) £'000	6 months ended 28 Feb 2006 (Unaudited) £'000	Year ended 31 Aug 2006 (Audited) £'000
Profit/(loss) from continuing operations	238	(88)	346
Profit from discontinued operations	262	598	1,023
Depreciation of property, plant and equipment	46	85	168
Amortisation of intangible assets	10	5	11
Share option charge	11	21	47
Loss on sale of fixed assets	20	–	–
Operating cash flows before movements in working capital	<u>587</u>	<u>621</u>	<u>1,595</u>
Decrease in receivables	100	4,009	2,776
Decrease in payables	(695)	(4,968)	(3,354)
Cash (used in)/generated by operations	<u>(8)</u>	<u>(338)</u>	<u>1,017</u>

Notes to the Interim Information – continued

For the six months ended 28 February 2007

8. Contingent liability

During the period under review, the Group acted as investment adviser to a bespoke property investment product, The Whitechapel Property Fund Limited (“Whitechapel”), which was listed on the Channel Islands Stock Exchange on 28 February 2007. This fund provided an opportunity for the Group’s high net worth clients to invest in a property development in a prime regeneration area in London. Whitechapel issued £5.4 million of loan notes which have been lent to the property developer to part fund the project, with investors receiving a fixed compounded return. The Loan Notes will be in issue for a minimum period of two years or maximum of four depending on the build programme and success of the scheme.

In return for a success based fee, Formation has agreed to underwrite half of the value of the loan notes and associated interest. The maximum liability in relation to this is £4 million.

INDEPENDENT REVIEW REPORT TO FORMATION GROUP PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 28 February 2007 which comprises the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the reconciliation of changes in equity, the consolidated cash flow statement and related notes 1 to 8. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company, in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 28 February 2007.

Deloitte & Touche LLP

Chartered Accountants

Manchester

17 May 2007

PART IV

FINANCIAL INFORMATION ON COLUMBIA DESIGN & BUILD LIMITED

Section A – Historical financial information for the three years ended 29 September 2006

Income statement

	Note	Year ended 29 September		
		2006 £'000	2005 £'000	2004 £'000
Continuing operations				
Revenue		14,845	27,501	26,157
Cost of sales		(14,634)	(27,087)	(25,583)
		211	414	574
Gross profit				
Net valuation gains on property	9	123	–	–
Other operating income		7	17	4
Administrative expenses		(196)	(286)	(382)
		145	145	196
Operating profit	3			
Investment income	6	25	48	20
Finance costs	7	(15)	(7)	(14)
		155	186	202
Profit before tax				
Tax	8	(46)	(67)	(24)
		109	119	178
Profit for the year	16			
		109	119	178
Attributable to the equity holders of the parent				
		109	119	178

There were no items of recognised income and expense other than those included in the income statement. Accordingly, a statement of recognised income and expense has not been presented.

Balance sheet

		29 September		
	Note	2006	2005	2004
		£'000	£'000	£'000
Non Current assets				
Investment properties	9	218	95	95
		<hr/>	<hr/>	<hr/>
Current assets				
Inventories	10	1,744	1,465	3,298
Trade and other receivables	11	905	1,430	749
		<hr/>	<hr/>	<hr/>
Total current assets		2,649	2,895	4,047
		<hr/>	<hr/>	<hr/>
Total assets		2,867	2,990	4,142
		<hr/>	<hr/>	<hr/>
Current liabilities				
Trade and other payables	12	(2,245)	(1,860)	(2,600)
Current tax liabilities		(106)	(83)	(16)
Bank overdraft		(178)	(818)	(1,416)
		<hr/>	<hr/>	<hr/>
Total liabilities		(2,529)	(2,761)	(4,032)
		<hr/>	<hr/>	<hr/>
Net current assets		120	134	15
		<hr/>	<hr/>	<hr/>
Net assets		338	229	110
		<hr/>	<hr/>	<hr/>
Equity				
Share capital	15	20	20	20
Profit and loss account	16	318	209	90
		<hr/>	<hr/>	<hr/>
Equity attributable to equity holders of the parent	16	338	229	110
		<hr/>	<hr/>	<hr/>

Cash flow statement

	Note	Year ended 29 September		
		2006 £'000	2005 £'000	2004 £'000
Cash generated by/(used in) operations	17	653	557	(856)
Income taxes paid		(23)	–	–
Interest paid		(15)	(7)	(14)
Net cash inflow/(outflow) from operating activities		<u>615</u>	<u>550</u>	<u>(870)</u>
Investing activities				
Interest received		25	48	20
Net cash generated by investing activities		<u>25</u>	<u>48</u>	<u>20</u>
Net increase/(decrease) in cash and cash equivalents		<u>640</u>	<u>598</u>	<u>(850)</u>
Cash and cash equivalents at the beginning of the year		<u>(818)</u>	<u>(1,416)</u>	<u>(566)</u>
Cash and cash equivalents at the end of the year		<u><u>(178)</u></u>	<u><u>(818)</u></u>	<u><u>(1,416)</u></u>

Notes to the historical financial information

Year ended 29 September 2006

1 GENERAL INFORMATION

Columbia is a limited liability company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is Oakwood House, 414-422 Hackney Road, London, E2 7SY. The nature of Columbia's operations is that of project manager/building contractor. This historical financial information is presented in pounds sterling because that is the currency of the primary economic environment in which Columbia operates.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation and statement of compliance with International Financial Reporting Standards

The historical financial information incorporates the financial information of Columbia made up to 29 September each year. The financial information is prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted for use in the European Union (EU) except in respect of the following matter:

- the historical financial information does not constitute a set of general purpose financial statements under paragraph 3 of IAS 1 – 'Presentation of Financial Statements' and consequently Columbia does not make an explicit and unreserved statement of compliance with IFRS as contemplated by paragraph 14 of IAS 1. A company is only permitted to apply the first-time adoption rules of IFRS 1 in its first set of financial statements where such an unreserved statement of compliance has been made. Although such a statement has not been made here, the combined historical financial information has been prepared as if the date of transition to IFRS was 30 September 2003, the beginning of the first period presented, and the requirements of IFRS 1 have been applied since that date. There is no impact of utilising 30 September 2003 as the date of transition.

The basis of presentation and accounting policies used in the preparation of the financial information

These accounting policies have been consistently applied to all the periods presented. The historical financial information has been prepared on a historical cost basis. In the process of applying the Group's accounting policies, management is required to make judgements, estimates and assumptions that may affect the financial statements. Management believes that the judgements made in the preparation of the financial statements are reasonable. However, actual outcomes may differ from those anticipated.

As explained above, for the purposes of this document Columbia's deemed transition date to IFRS is 30 September 2003. The rules for first-time adoption of IFRS are set out in IFRS 1. In preparing subsequent financial statements in accordance with IFRS, the date of transition, as determined in accordance with IFRS 1, will not be 30 September 2003 and therefore the first-time adoption rules will be applied at a date other than 30 September 2003 with a consequential impact on the opening IFRS balance sheet.

IFRS 1 allows certain exemptions in the application of particular standards to prior periods in order to assist companies with the transition process. The Group has not applied any such exemptions.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Columbia and that these benefits can be measured reliably. It is measured at the fair value of the consideration received or receivable for goods and services provided, net of value added tax.

Revenue represents amounts chargeable to clients for services provided and expenses recharged during the year on client assignments and is stated exclusive of value added tax. Services provided to clients during the year, which at the balance sheet date have not been billed, have been recognised as revenue. Revenue recognised in this manner is based on an assessment of the fair value of the services provided at the balance sheet date as a proportion to the total value of the contract.

Management and consultancy fees – Operating income is typically derived from retainer fees and services performed subject to specific agreement. Operating income is recognised when the service is performed in accordance with the contractual arrangement.

Employee benefits – retirement benefit costs

Columbia operates a defined contribution scheme. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Taxation

The tax expense represents the sum of the corporation tax currently payable and the deferred tax charge. The corporation tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. Columbia's liability for current tax is calculated using the rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial information and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against of current tax liabilities and where they relate to income taxes levied by the same taxation authority and Columbia intends to settle its current tax assets and liabilities on a net basis.

Investment properties

Investment properties represent freehold reversionary interests. They are valued internally by management at a multiple of the annual ground rent receivable. Any surplus or deficit on revaluing investment properties is recognised in the income statement. Rental income is recognised on an accrual basis.

Inventories

Work in progress is stated at the lower of cost and net realisable value, net of payments received on account. Cost includes all expenses incurred in bringing each property to its present condition and level of completion. Net realisable value is based on the estimated selling price less any further costs expected to be incurred to completion and disposal.

Finance costs

Finance costs of debt are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount.

Financial instruments

Financial assets and liabilities are recognised in Columbia's balance sheet when it becomes a party to the contractual provisions of the instrument.

Trade receivables

Trade receivables are measured at initial recognition at fair value, and are subsequently measured at amortised cost using the effective interest rate method. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit or loss when there is objective evidence that the asset is impaired. The allowance recognised is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the effective interest rate computed at initial recognition.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of Columbia after deducting all of its liabilities.

Bank borrowings

Interest-bearing bank overdrafts are recorded at the proceeds received, net of direct issue costs. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are accounted for on an accrual basis in the consolidated income statement using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

Trade payables

Trade payables are not interest bearing and are stated at their nominal value.

Equity instruments

Equity instruments issued by Columbia are recorded at the proceeds received, net of direct issue costs.

Operating profit

Operating profit from operations is stated excluding investment income, finance costs and taxation.

Critical accounting policies and key sources of uncertainty

Estimates and accounting judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The preparation of financial information under IFRS requires management to make assumptions and estimates about future events. The resulting accounting estimates will, by definition, differ from the actual results.

Explanation of the transition to International Accounting Standards ("IFRS")

This is the first time that Columbia has presented financial information under IFRS. For the purposes of this document, Columbia has applied IFRS from 30 September 2003. Columbia is required to define its accounting policies under IFRS and then apply these policies retrospectively in determining the opening balance sheet under IFRS at the date of transition. For the purposes of this document, there have been no changes in accounting policies or adjustments to Columbia's net income or equity arising from the transition.

3 OPERATING PROFIT

Operating profit is stated after charging:

	2006 £'000	2005 £'000	2004 £'000
Auditors' remuneration – audit services	20	20	15
– non-audit services	3	8	3
Costs of inventories recognised as expense in cost of sales	14,511	27,086	25,583

4 DIRECTORS' EMOLUMENTS

	Basic salary £'000	Pension £'000	Total 2006 £'000	Basic salary £'000	Pension £'000	Total 2005 £'000	Basic salary £'000	Pension £'000	Total 2004 £'000
Executive									
N. O'Carroll	77	15	92	83	12	95	80	8	88

5 EMPLOYEE COSTS (INCLUDING DIRECTORS)

	2006 £'000	2005 £'000	2004 £'000
Wages and salaries	219	294	331
Social security costs	25	34	38
Other pension costs	15	12	8
	259	340	377

The average monthly number of employees (including directors) during the year was made up as follows:

	2006 £'000	2005 £'000	2004 £'000
Project management	5	6	7

6 INVESTMENT INCOME

	2006 £'000	2005 £'000	2004 £'000
Interest on bank deposits	25	48	20

7 FINANCE COSTS

	2006 £'000	2005 £'000	2004 £'000
Other interest	15	7	14

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2006	2005	2004
	£'000	£'000	£'000
Current tax:			
UK corporation tax	46	53	24
Under provision in respect of previous years	–	14	–
	<hr/>	<hr/>	<hr/>
Total current tax	46	67	24
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Factors affecting the tax charge for the year

The tax charge for the year does not equate to the profit for the year at the standard rate of UK corporation tax (30%). The differences are explained below:

	2006	2005	2004
	£'000	£'000	£'000
Profit for the year before tax	155	186	202
	<hr/>	<hr/>	<hr/>
Profit for the year before tax multiplied by the standard rate of UK corporation tax 30%	46	56	61
Effects of under provision in respect of previous years	–	14	–
Small company rates	–	(3)	(14)
Tax losses for the year not relieved	–	–	(23)
	<hr/>	<hr/>	<hr/>
	46	67	24
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

9 INVESTMENT PROPERTIES

	£'000
Carrying value at 30 September 2003, 2004 and 2005	95
Revaluation: included in income statement	123
	<hr/>
Carrying value at 29 September 2006	218
	<hr/> <hr/>

The carrying value of investment properties consists entirely of freehold reversionary interest during each of the reported periods. They were valued by management at a multiple of the annual ground rent receivable.

10 INVENTORIES

	2006	2005	2004
	£'000	£'000	£'000
Work in progress	1,744	1,465	3,298
	<hr/>	<hr/>	<hr/>

11 TRADE AND OTHER RECEIVABLES

	2006	2005	2004
	£'000	£'000	£'000
Trade receivables	298	935	343
Other receivables	307	422	367
Amounts due from related company (note 17)	–	73	–
Prepayments and accrued income	300	–	39
	<u>905</u>	<u>1,430</u>	<u>749</u>

The average credit period taken on provision of services is 5 days (2005: 9 days, 2004: 4 days).

The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

12 TRADE AND OTHER PAYABLES

	2006	2005	2004
	£'000	£'000	£'000
Trade payables	1,398	1,049	1,855
Other taxation and social security	491	344	247
Other payables	–	121	100
Amounts due to related companies (note 17)	312	322	384
Accruals and deferred income	44	24	14
	<u>2,245</u>	<u>1,860</u>	<u>2,600</u>

The average credit period taken for trade purchases is 12 days (2005: 11 days, 2004: 20 days). The directors consider that the carrying amount of trade payables approximates to their fair value.

13 BANK OVERDRAFTS

	2006	2005	2004
	£'000	£'000	£'000
Bank overdrafts	178	818	1,416
The borrowings are repayable as follows:			
On demand or within one year	178	818	1,416

All borrowings are in sterling. Columbia does not have an overdraft facility. The above balances represent cheques raised but not yet presented at the bank.

14 FINANCIAL INSTRUMENTS

Columbia's principal financial instruments comprise bank overdrafts and cash and various items such as trade receivables and trade payables that arise directly from its operations.

Columbia has not entered into any derivative transactions such as interest rate swaps or financial foreign currency contracts.

The main risks arising from Columbia's financial instruments are credit risk, liquidity risk and foreign currency risk. The policy for managing these risks is reviewed and agreed with the Board.

Credit risk

Columbia's credit risk is primarily attributable to trade receivables. The amounts shown in the balance sheet are net of allowances for doubtful receivables, estimated by management based on prior experience and the current economic environment.

14 FINANCIAL INSTRUMENTS (continued)

Foreign currency risk

In view of the low level of foreign currency transactions, the Board does not consider that there are significant risks in respect of this. All financial assets and liabilities are denominated in sterling.

Liquidity risk

The Board monitors the level of cash resources on a regular basis and management on a daily basis, to ensure that Columbia has sufficient liquid funds to enable it to continue as a going concern. Columbia's objective is to maintain a balance between continuity and flexibility of funding which it achieves through the use of cash and bank overdrafts.

Fair values of financial assets and liabilities

At 29 September 2006, 2005 and 2004 there was no material difference between the fair value of financial assets and liabilities and their book value.

15 SHARE CAPITAL

	Number	£'000
	<i>Authorised</i>	
Ordinary shares of £1 each	100,000	100
	<hr/>	<hr/>
	<i>Issued, called up and fully paid</i>	
Ordinary shares of £1 each At 29 September 2004, 2005 and 2006	20,000	20
	<hr/>	<hr/>

16 MOVEMENTS IN SHAREHOLDERS' EQUITY AND RESERVES

	Profit and loss account £'000	Total shareholders' equity £'000
At 29 September 2004	90	110
Profit for the year	119	119
	<hr/>	<hr/>
At 29 September 2005	209	229
Profit for the year	109	109
	<hr/>	<hr/>
At 29 September 2006	318	338
	<hr/>	<hr/>

17 RECONCILIATION OF OPERATING PROFIT TO CASH GENERATED FROM OPERATIONS

	2006 £'000	2005 £'000	2004 £'000
Operating profit	145	145	196
(Increase)/decrease in inventories	(402)	1,833	(900)
Decrease/(increase) in receivables	525	(681)	(538)
Increase/(decrease) in payables	385	(740)	386
	<hr/>	<hr/>	<hr/>
Cash generated/(absorbed) from operations	653	557	(856)
	<hr/>	<hr/>	<hr/>

18 RELATED PARTIES TRANSACTIONS

Trading transactions

During the year, Columbia purchased services to the value of £718,000 (2005: £411,000, 2004: £592,000) in the ordinary course of business and at arm's length market prices from Columbia Estates Limited, a company in which Noel O'Carroll is a shareholder and director, and Desmond Khan is a director. At the balance sheet date there were no amounts due to Columbia Estates Limited (2004: Nil and 2003: Nil).

During the year, Columbia purchased services to the value of £295,000 (2005: 378,000, 2004: £407,000) in the ordinary course of business and at arm's length market prices from Columbia Architectural Design Limited, a company in which Noel O'Carroll is a shareholder and director, and Desmond Khan is a director. At the balance sheet date there were no amounts due to Columbia Architectural Design Limited (2004: Nil and 2003: Nil).

The related party balances relate to short term loans from other companies of which Noel O'Carroll and Desmond Khan are directors.

Remuneration of key management personnel

The remuneration of the directors, who are the key management personnel of Columbia Design & Build Limited, is disclosed in note 4. Desmond Khan is paid through Columbia Estates Limited, and the charge for his services of £101,441 (2005: £85,148, 2004: £78,407) is included in the purchases described above.

19 ULTIMATE PARENT COMPANY

Columbia is a wholly owned subsidiary of Streetwise Limited.

Section B – Accountants’ Report

Grant Thornton Corporate Finance

Grant Thornton UK LLP
Chartered Accountants
UK member of
Grant Thornton International

Grant Thornton 

The Directors
Formation Group PLC
11 Manchester Road
WILMSLOW
Cheshire
SK9 1BQ

29 May 2007

Dear Sirs

COLUMBIA DESIGN & BUILD LIMITED

We report on the financial information set out Section A of Part IV. This financial information has been prepared for inclusion in the Admission Document of the AIM Admission Document dated 29 May 2007 (“Admission Document”) issued by Formation Group PLC relating to the acquisition of Columbia Design & Build Limited and other interests thereto of Formation Group PLC on the basis of the accounting policies set out in Section A of Part IV.

RESPONSIBILITIES

This report is required by Paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with that regulation and for no other purpose.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any responsibility to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules consenting to its inclusion in the Admission Document of Formation Group PLC.

The Directors of Formation Group PLC are responsible for preparing the financial information on the basis of the accounting policies set out in note 2 to the financial information and in accordance with IFRS.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

BASIS OF OPINION

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity’s circumstances, consistently applied and adequately disclosed.

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We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

OPINION

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Columbia Design & Build Limited as at the dates stated and of its profits, cash flows and changes in equity for the periods then ended in accordance with the basis of the accounting policies set out in note 2 to the financial information and IFRS and has been prepared in a form that is consistent with the accounting policies adopted for use in Formation Group PLC's annual accounts for the year ending 31 August 2007.

DECLARATION

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

GRANT THORNTON UK LLP

PART V

PRO FORMA STATEMENT OF NET ASSETS

Pro forma statement of the combined net assets of the Enlarged Group

The following table sets out the pro forma statement of combined net assets (“the pro forma financial information”) of the Enlarged Group following the completion of the Acquisition. This table has been prepared for illustrative purposes only and, because of its nature, may not give a complete picture of the financial position of the Enlarged Group. The pro forma financial information is compiled from the unaudited consolidated balance sheet of Formation as at 28 February 2007 and the audited balance sheet of Columbia at 29 September 2006 as set out in Part IV. By its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Enlarged Group’s actual financial position or results.

	Formation (notes 2 and 7) £'000	Columbia (note 3) £'000	Adjustments (notes 4,5 and 6) £'000	Pro forma Enlarged Group (note 1) £'000
Non-current assets				
Goodwill	12,773	–	19,624	32,397
Other intangible assets	31	–	–	31
Property, plant and equipment	221	–	–	221
Deferred tax asset	115	–	–	115
Investment properties	–	218	–	218
	13,140	218	19,624	32,982
Current assets				
Inventories	–	1,744	–	1,744
Trade and other receivables	2,568	905	–	3,473
Cash and cash equivalents	7,538	–	(550)	6,988
	10,106	2,649	(550)	12,205
Total assets	23,246	2,867	19,074	45,187
Current liabilities				
Trade and other payables	(2,994)	(2,245)	–	(5,239)
Current tax liabilities	(44)	(106)	–	(150)
Obligations under finance leases	(13)	–	–	(13)
Bank overdrafts	–	(178)	–	(178)
	(3,051)	(2,529)	–	(5,580)
Net current assets	7,055	120	(550)	6,625
Non-current liabilities				
Trade and other payables	(83)	–	–	(83)
Tax liabilities	(99)	–	–	(99)
Obligations under finance leases	(45)	–	–	(45)
	(227)	–	–	(227)
Total liabilities	(3,278)	(2,529)	–	(5,807)
Net assets	19,968	338	19,074	39,380

Notes:

1. The pro forma financial information has been prepared to illustrate the effect of the acquisition of Columbia.
2. The net assets of Formation as at 28 February 2007 have been extracted without material adjustment from the unaudited consolidated interim accounts of Formation as at 28 February 2007.
3. The net assets of Columbia as at 29 September 2006 have been extracted without material adjustment from Part IV of this document.
4. The pro forma statement of combined net assets of the Enlarged Group does not include any adjustments to reflect any fair value adjustments that may be necessary following the acquisition of Columbia. No account has been taken of trading results since the date of the respective balance sheets above.
5. For the purposes of the pro forma statement of net assets, the amounts for Goodwill and Other intangible assets will be determined following the Acquisition and therefore the excess of consideration, including transaction costs, over the fair value of the net assets to be acquired has provisionally been shown under Goodwill. The amount has been calculated as follows:

	£'000
Consideration	19,412
Transaction costs	550 (plus VAT where applicable)
Less: Net assets of Columbia	(338)
	<u>19,624</u>

6. No adjustments have been made to reflect any trading or other transactions since the date of the above balance sheets.
7. In accordance with section 240 of the Act:
 - (i) the pro forma financial information does not constitute the Company's statutory accounts;
 - (ii) the Company's statutory accounts dealing with its net assets as at 31 August 2006 have been delivered to the Registrar of Companies at Companies House; and
 - (iii) the Company's auditors have made a report on the statutory accounts of the Company under section 235 of the Act for the year ended 31 August 2006 and such report was unqualified.

PART VI

ADDITIONAL INFORMATION

1. RESPONSIBILITY STATEMENT

- 1.1 The Directors and the Proposed Director, whose names and functions are set out on page 4 of this document, hereby accept responsibility for the information contained in this document (other than the information contained in paragraph 9 of Part I and paragraphs 15 and 16 of this Part VI of this document on the Concert Party) including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge and belief of the Directors and the Proposed Director, who have taken all reasonable care to ensure that such is the case, the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The members of the Concert Party accept responsibility for the information contained in this document relating to themselves. To the best of the knowledge and belief of the members of the Concert Party (who have taken all reasonable care to ensure that such is the case) the information contained in this document for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.3 Grant Thornton UK LLP of 4 Hardman Square, Manchester, M3 3EB accepts responsibility for its report on the information set out in Section B of Part IV of this document. To the best of its knowledge and belief, having taken all reasonable care to ensure that such is the case, the information contained in such report is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. INCORPORATION AND REGISTRATION

- 2.1 The Company was incorporated in England and Wales under the Act as a private company limited by shares on 22 January 2001 under the name Hamsard 2277 Limited with registered number 4145632. On 26 April 2001 the Company re-registered as a public company under the name of Proactive Sports Group plc. On 21 July 2004, the Registrar of Companies issued the Company with a certificate on change on name to reflect the Company's change of name to Formation Group PLC.
- 2.2 The Company's registered and head office is at:
11 Manchester Road
Wilmslow
Cheshire
SK9 1BQ
Telephone: +44 (0)1625 539832
- 2.3 The ISIN number of the Existing Ordinary Shares and the Consideration Shares is GB0030432735.
- 2.4 In addition to the events described at paragraph 2.1 of this Part VI, the following are the important events in the development of the Company's business:
 - 2.4.1 4 May 2001 – the Company conditionally agreed to acquire the entire issued share capital of Libero Management Limited, a provider of management services in the football sector;
 - 2.4.2 17 May 2001 – the Company floated on AIM and placed 52,000,000 Existing Ordinary Shares raising £13,000,000 and achieving a market capitalisation of £32,000,000. Part of the proceeds of the placing was used to complete various purchases including Libero Management Limited, Proactive Sports Management and Proactive Sports Management Europe B.V.;
 - 2.4.3 24 October 2001 – the Company acquired the issued share capital of Tempo Management A/S, a provider of management services to football players based in Scandinavia;
 - 2.4.4 4 September 2002 – the Company acquired part of the business and certain of the assets of International Sports Management Group Limited, bringing the total number of represented players to 376 and adding a further six FIFA registered agents to the Group;

- 2.4.5 7 September 2002 – the Company acquired the issued share capital of Fox Advertising, a sports ground advertising and corporate hospitality business;
- 2.4.6 13 October 2003 – the Company formed a wealth management division through the acquisition of the issued share capital of Kingsbridge, a company offering financial advisory services;
- 2.4.7 22 July 2003 – the Company disposed of the issued share capital of Proactive Sports Management Europe B.V., its Dutch football agency;
- 2.4.8 13 October 2003 – Neil John Rodford was appointed chief executive of the Company having filled the role of Chief Operating Officer since joining the Company in January 2001;
- 2.4.9 2 July 2004 – the Company acquired the issued share capital of Sponsormatic ApS, a perimeter advertising company based in Copenhagen, servicing Northern Europe;
- 2.4.10 21 March 2005 – the Company acquired the issued share capital of Capital Sports Solutions, forming a new financial services business to the Group;
- 2.4.11 30 August 2005 – the Company acquired the issued share capital of Imagealert Limited trading as Richard Carpenter & Associates (“RC&A”), a business engaged in the provision of outdoor sports advertising and corporate hospitality;
- 2.4.12 20 April 2006 – Fox Advertising and RC&A entered into an agreement to purchase a portable LED system to increase the Group’s presence in the perimeter advertising market;
- 2.4.13 10 July 2006 – the Company disposed of the issued share capital of Proactive Scandinavia A/S, its Scandinavian football agency;
- 2.4.14 4 August 2006 – Fox Advertising acquired the issued share capital of Bermitz Sports Advertising Limited, an outdoor sports advertising business;
- 2.4.15 31 October 2006 – the Company disposed of its sports marketing division (consisting of Fox Advertising, Bermitz Sports Advertising Limited, RC&A, Sponsormatic ApS and Active Sports Marketing Limited) to Sportfive GmbH & Co KG; and
- 2.4.16 28 February 2007 – Whitechapel issues tradable loan notes on the Channel Islands Stock Exchange for the purposes of providing finance for a property development in London. The Company acted as investment adviser to Whitechapel.

3. MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

The Company’s memorandum and articles of association are available for inspection at the address specified in paragraph 2.2 above.

3.1 Memorandum of Association

The principal objects for which the Company was incorporated, which are set out in clause 4 of its memorandum of association, are to carry on business as a general commercial company. The objects of the Company are widely drawn and include; *inter alia*:

- 3.1.1 the right to amalgamate with any other company whose objects include objects similar to those of the Company, whether by sale or purchase (for fully or partly paid-up shares or otherwise) of the undertaking, subject to liabilities of this or any such other company as aforesaid, with or without winding up, or by sale or purchase (for fully or partly paid-up shares or otherwise) of all or a controlling interest in the shares or stock of this or any such other company, or in any other manner;
- 3.1.2 to carry on any other trade or business whatsoever which can, in the opinion of the Board, be advantageously carried on by the Company in connection with or ancillary to the general business of the Company, or further any of its objects.

3.2 Articles of Association

The articles of association of the Company (“Articles”) contain provisions, *inter alia*, to the following effect:

3.2.1 Votes of Members

Subject to any special rights or restrictions as to voting attached to any share by or in accordance with the Articles, on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by a duly authorised representative or proxy shall have one vote for every share of which they are holder.

3.2.2 Dividends

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the Board. The Board may pay interim dividends if it appears to the Board that they are justified by the financial position of the Company.

Except insofar as the rights attaching to any share otherwise provide, all dividends shall be declared and paid according to the amounts paid up on the share on which the dividend is paid, but no amount paid up on a share in advance of calls shall be treated as paid upon the share. All dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion(s) of the period in respect of which the dividend is paid; but, if any shares is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

A general meeting declaring a dividend may, upon the recommendation of the Board, by ordinary resolution direct that it shall be satisfied wholly or partly by the distribution of assets and, in particular, of paid-up shares or debentures of any other company and, where any difficulty arises concerning such distribution, the Board may settle it as it thinks expedient and may issue fractional certificates or authorise and instruct any person to sell and transfer any fractions or may ignore fractions altogether.

The Directors may, if authorised by ordinary resolution of the Company, offer the holders of ordinary shares the right to elect to receive new ordinary shares, credited as fully paid, instead of cash for all or part (as determined by the Directors) of the dividend specified by the ordinary resolution.

All dividends, interest or other sums payable unclaimed for six months or more after having been declared may be invested or otherwise made use of by the Directors for the benefit of the Company until claimed. Any dividend or interest unclaimed after a period of 12 years from the date when it was declared or became due for payment shall be forfeited and shall revert to the Company.

3.2.3 Distribution of assets on liquidation

In the event of the Company being wound up, the liquidator may, with the sanction of an extraordinary resolution of the Company:

3.2.3.1 divide among the members in kind the whole or any part of the assets of the Company (whether the assets are the same in kind or not) and may, for that purpose, value any assets and determined how the division shall be carried out as between the members or different classes of members as the resolution may provide; or

3.2.3.2 vest the whole or any part of the assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like sanction, shall determine,

but no member shall be compelled to accept any assets upon which there is a liability.

3.2.4 Transferability

All transfers of shares in the Company shall be in the usual common form, or any other form approved by the Directors.

The Directors may refuse to register a transfer of a share which is:

- 3.2.4.1 not duly stamped (if necessary);
- 3.2.4.2 not duly lodged at the Company's registered office or at such other place as the Directors may appoint, accompanied by the share certificate for the share to which it relates and such other evidence as the Directors may reasonably require to evidence the right of the transferor to make the transfer and the due execution by him of the transfer;
- 3.2.4.3 in respect of more than one class of share; or
- 3.2.4.4 in favour of four or more transferees except in the case of executors or trustees of a deceased member.

3.2.5 Pre-emption rights

Subject to the provisions of the Acts, any share in the Company may be issued with such preferred, deferred or other rights, or such restrictions, as the Company may from time to time determine.

3.2.6 Variation of rights

Subject to the provisions of the Acts, all or any of the rights attached to any shares in the Company may (unless otherwise provided by the terms of issue of the share of that class) be varied or abrogated with the written consent of the holders of three-quarters in nominal value of the issued shares in that class, or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the shares of that class.

3.2.7 Lien

The Company shall have a first and paramount lien in all partly paid shares for all monies called or payable at a fixed time in respect of that share, whether or not the due date for payment has arrived. The Company's lien on a share shall extend to any amount payable in respect of it. The Board may resolve that any share may be wholly or partly exempt from the Company's lien.

The Company may sell any shares over which the Company has a lien provided that:

- 3.2.7.1 the due date for payment of the relevant amount has arrived;
- 3.2.7.2 the Board has served notice on the shareholder concerned requesting payment of the amounts due and giving notice that unless payment is made within 14 clear days, the Company intends to sell the shares; and
- 3.2.7.3 the net proceeds of the sale, after payment of the costs, shall be applied towards payment of so much of the sum for which the lien exists as is presently payable and any residue shall be paid to the shareholder entitled to the shares immediately before the sale.

3.2.8 Forfeiture

Should a shareholder fail to pay a call or instalment of a call after it has become due and payable, the Board may at any time serve a notice on the holder requiring payment of so much of the call or instalment as remains unpaid, together with any interest which may have accrued thereon and all expenses incurred by the Company by reason of such non-payment. The notice shall specify:

- 3.2.8.1 a further date (not being less than 14 clear days from the date of the service of such notice) on or before which payment is to be made;
- 3.2.8.2 a place for payment; and
- 3.2.8.3 that if the notice is not complied with, the shares in respect of which the call was made or instalment is payable will be liable to be forfeited.

If any such notice is not complied with, any share in respect of which notice was given may, before payment of all calls or instalments and interest due in respect of it is made, be forfeited by a resolution of the Board. The forfeiture should include all dividends declared not paid before the forfeiture.

A forfeited share shall be deemed to be the property of the Company and may within three years of forfeiture be sold, re-allotted, or otherwise disposed of either to the person who was the holder before the forfeiture or to any other person upon such terms and in such manner as the Board thinks fit.

A person whose shares have been forfeited shall cease to be a member in respect of the forfeited shares and, shall surrender to the Company for cancellation the certificate for the forfeited shares but in all cases shall remain liable to the Company for all monies which at the date of forfeiture were payable by him to the Company in respect of those shares with interest thereon from the date of forfeiture until such payment at such rate not exceeding 25% per annum (unless the Company by ordinary resolution shall otherwise direct).

3.2.9 Changes in capital

The Company may by ordinary resolution:

- 3.2.9.1 increase its share capital by new shares of such an amount as the resolution prescribes;
- 3.2.9.2 consolidate and divide all or any of its share capital into share of larger amount than its existing shares;
- 3.2.9.3 subject to the provisions of the Acts, sub-divide its shares into shares of smaller amount and the resolution may determine that, as between the shares resulting from the subdivision, any of them may have any preference or advantage or have other special rights over, or deferred rights or be subject to any restrictions as compared with the others; and
- 3.2.9.4 cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken by any person and diminish the amount of its share capital by the amount of shares so cancelled.

Subject to the provisions of the Acts, the Company may by special resolution reduce its share capital, any capital redemption reserve fund and any share premium account in any manner.

3.2.10 Untraced shareholders

The Company may sell a shareholder's share, at the best price reasonably attainable if:

- 3.2.10.1 during a period of not less than 12 years (the "qualifying period"), no cheque or warrant sent by the Company has been cashed or the Company has paid at least three dividends and no dividend has been claimed;
- 3.2.10.2 the Company has at the expiration of the qualifying period given notice of its intention to sell such shares by way of advertisement in a national daily newspaper published in the United Kingdom and a local newspaper (circulated in the area of the shareholder's last known address);
- 3.2.10.3 so far as the Board is aware, the Company has not during the qualifying period or the period three months after the date of the advertisements referred to above (or the later of the two advertisement dates if applicable) and prior to the exercise of the power of sale received any communication from the shareholder or person entitled by transmission; and
- 3.2.10.4 the Company has first given notice in writing to the Quotations Department of the Stock Exchange of its intention to sell such shares or stock.

3.2.11 Directors' remuneration

Each of the Directors other than an executive or Managing Director shall be paid a fee for his services at a rate not exceeding £50,000 per annum or such higher amount as the Company may by ordinary resolution determine from time to time.

The Directors shall be paid all travelling, hotel and other expenses properly incurred in the conduct of the Company's business performing their duties as Directors including all such expenses incurred in connection with attending and returning from Board meetings, committee meetings, general meetings of the Company or otherwise in connection with the business of the Company.

Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company receive such remuneration by way of salary, commission or participation in profits or otherwise as the Board or any committee authorised by the Board may determine.

3.2.12 Directors' interests in contracts

Save as provided for below, a director shall not vote on, or be counted in the quorum in relation to any resolution of the Board or any committee of the Board in respect of any matter in which he has an interest which is a material interest.

A Director shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:

- 3.2.12.1 the giving to him of any security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company or any of its subsidiary undertakings;
- 3.2.12.2 his subscribing or agreeing to subscribe for, or purchasing or agreeing to purchase, any shares, debentures or other securities of the Company or any of its subsidiary undertakings as a holder of securities, or his being, or intending to become, a participant in the underwriting or sub-underwriting of an offer of any such shares, debentures, or other securities by the Company or any of its subsidiary undertakings for subscription, purchase or exchange;
- 3.2.12.3 any contract concerning any company not being a company in which the Director owns 1% or more, in which he is interested, directly or indirectly, and whether as an officer, shareholder, creditor or otherwise;
- 3.2.12.4 any arrangement for the benefit of employees of the Company or any of its subsidiary undertakings under which he benefits in a similar manner as the employees and which does not accord to any Director as such any privilege or advantage not accorded to the employees to whom the arrangement relates; and
- 3.2.12.5 any contract concerning any insurance which the Company is empowered to purchase or maintain for, or for the benefit of, any Directors or for person who include Directors.

A Director shall not vote on, or be counted in the quorum in relation to, any resolution of the Board concerning his own appointment, or the settlement or variation of the terms or the termination of his own appointment, but, where proposals are under consideration concerning the appointment, or the settlement or variation of the terms or the termination of the appointment of two or more Directors to offices or with the Company or any Company in which the Company is interested, a separate resolution may be put in relation to each Director and in that case each of the Directors concerned shall be entitled to vote on and be counted in the quorum in relation to each resolution which does not concern either:

- 3.2.12.6 his own appointment or the settlement or variation of the terms or the termination of his own appointment; or
- 3.2.12.7 the appointment of another Director to an office with a company in which the Company is interested and in which the Director seeking to vote or be counted in the quorum is interested by virtue of owning of 1% or more.

3.2.13 General meetings

Subject to the requirements of the Act, annual general meetings shall be held at such time and place as the Board may determine. Any general meeting of the Company other than an annual general meeting shall be called an extraordinary meeting. The Board may convene an extraordinary general meeting whenever it thinks fit and shall do so on requisition in accordance with the Statutes.

An annual general meeting and an extraordinary general meeting convened for the passing of a special resolution or a resolution appointing a person as a director shall be convened by at least 21 clear days' notice. All other extraordinary general meetings shall be convened by at least 14 clear days' notice. Notwithstanding that a meeting of the Company is convened by short notice, it shall be deemed to have been properly convened if it is so agreed:

- 3.2.13.1 in the case of an annual general meeting, by all the members entitled to attend and vote at the meeting; and
- 3.2.13.2 in the case of any other meeting, by a majority in number of the members having a right to attend and vote at the meeting, being a majority together holding not less than 95% in nominal value of the shares giving that right.

No business shall be transacted at any general meeting unless a quorum is present when the meeting proceeds to business, but the absence of a quorum shall not preclude the choice or appointment of a chairman of the meeting, which shall not be treated as part of the business of the meeting. Three members present in person or by proxy and entitled to vote shall be a quorum for all purposes.

3.2.14 Disclosure of shares

If a member or any other person appearing to be interested in any shares of the Company has been given notice under section 793 of the 2006 Act and fails within 28 days after the service of the notice to comply with any such notice or, in purported compliance, in the opinion of the Directors, makes a statement which he knows to be false or recklessly makes any statement which is false the Directors may in their absolute discretion serve or cause to be served upon the member a shares notice ("**28 Day Notice**") stating that:

- 3.2.14.1 his right to attend and/or vote at any general meeting of the Company or at any separate general meeting of the holders of any class of shares shall have been suspended and such 28 Day Notice shall take effect forthwith upon its service; and
- 3.2.14.2 if the member fails within 14 days after the service of the 28 Day Notice to comply with the 28 Day Notice or, in purported compliance, in the opinion of the Directors, makes a statement which he knows to be false or recklessly makes any statement which is false and the shares of the Company in respect of which the notice has been given represent not less than 0.25% of the issued shares of the Company of the same class then the Directors may in their absolute discretion serve or cause to be served upon the member the relevant notice ("**14 Day Notice**") stating that with effect from its service it shall have the effects of the suspending all or any of the following rights in respect of the shares held:
 - (a) to attend and/or vote at any general meeting of the Company or at any separate general meeting of the holders of any shares;
 - (b) to receive payment of any sum otherwise due from the Company or, to receive any transfer of property of whatever nature from the Company or to receive the issue or allotment of any shares by the Company in respect of the relevant shares, whether as dividend or in respect of capital or otherwise; and
 - (c) to dispose of, or deal with, including without limitation by sale, transfer or renunciation of, all or any of the relevant shares or any interest therein including any shares or other securities allotted provided that such restriction shall not prevent the registered holder of the relevant shares from entering into a sale on transfer of the relevant shares.

3.2.15 Retirement and removal of directors

At every annual general meeting one third of the Directors or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire. Subject to the Act, the Directors to retire by rotation on each occasion (both as to number and identity) shall be determined by the composition of the Board at start of business on the date of the notice convening the annual general meeting and shall comprise any Director who wishes to retire and not to offer himself for re-election; and those Directors who have been longest in office since their last appointment or reappointment.

No Director shall be required to retire or be relieved from retiring by reason of any change in the number or identity of the Directors after that time on the date of the notice but before the close of the meeting.

The Company at the meeting at which a Director retires may fill the vacated office and, in default, the retiring Director shall, if willing to act, be deemed to have been reappointed unless at the meeting it is resolved not to fill the vacancy or unless a resolution for the reappointment of the Director is put to the meeting and lost.

No person other than a Director retiring, whether by rotation or otherwise, shall be appointed or reappointed a Director at any general meeting unless not less than seven nor more than 14 days before the day appointed for the meeting (excluding the day the notice is lodged on the day of the meeting), notice executed by a member qualified to vote at the meeting (not being the person to be proposed) has been lodged at the registered office of the Company in writing by some member of the intention to propose that person for appointment or reappointment stating the particulars which would, if he were so appointed or reappointed, be required to be included in the Company's register of Directors together with notice executed by that person of his willingness to be appointed or reappointed.

3.2.16 Appointment of directors

The Company may by ordinary resolution appoint any person who is willing to act to be a Director, either to fill a vacancy on or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with the Articles.

Without prejudice to the power of the Company in general meeting under the Articles to appoint any person to be a Director, the Board may appoint a person who is willing to act to be a Director, either to fill a vacancy or as an addition to the existing Board, but so that the total number of Directors shall not at any time exceed any maximum number fixed by or in accordance with the Articles. Any Director so appointed shall hold office only until the next following annual general meeting and shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at the meeting. If not reappointed at such annual general meeting, he shall vacate office at the conclusion of the meeting.

In addition to any power conferred by the Acts, the Company may by an ordinary resolution remove any Director before the expiration of his period of office and may, subject to the Articles, by ordinary resolution appoint another person who is willing to act to be a Director in his place. Any person so appointed shall be treated, for the purposes of determining the time at which he or any other Director is to retire, as if he had become a Director on the day on which the person in whose place he is appointed was last appointed or reappointed a Director.

3.2.17 Powers of directors

Subject to the Acts, the Memorandum of Association of the Company and Articles and to any directions given by the Company in general meeting by special resolution, the business of the Company shall be managed by the Board which may exercise all the powers of the Company.

The Board may appoint any person to be the agent of the Company on such terms (including terms as to remuneration) and subject to such conditions as it may decide and may delegate to any person so appointed any of its powers, authorities and discretions (with power to sub-delegate).

The Board may entrust to and confer upon a Director any of its powers, authorities and discretions (with power to sub-delegate) upon such terms (subject to the Statutes) and subject to such conditions and with such restrictions as it may decide and either collaterally with or to the exclusion of its own powers, authorities and discretions. The Board may from time to time revoke or vary all or any of them but no person in good faith and without notice of the revocation or variation shall be affected by it.

3.2.18 Indemnity and insurance

Subject to the provisions of the Act, the Directors shall have the power to purchase and maintain insurance for or for the benefit of any persons who are or were at any time Directors, officers, or employees of the Company, or of any other company which is its holding company

or in which the Company or such holding company or any of the predecessors of the Company or of such holding company has any interest whether direct or indirect or which is in any way allied to or associated with the Company, or of any subsidiary undertaking of the Company or of any such other company, or who are or were at any time trustees of any pension fund in which employees of the Company or of any other such company or subsidiary undertaking are interested. This includes insurance against any liability incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or in the exercise or purported exercise of their powers and/or otherwise in relation to their duties, powers or offices in relation to the Company or any other such company, subsidiary undertaking or pension fund.

3.2.19 Dividend record dates

There are no specified dates on which entitlement to dividends on the shares arises.

3.2.20 Securities not representing share capital

As at the date of this document, there are no listed or unlisted securities issued by the Company not representing share capital.

4. SHARE CAPITAL

4.1 As at the date of this document, the authorised and issued share capital of the Company is as follows:

	<i>Nominal Value</i>	<i>Existing Ordinary Shares</i>
Authorised	£2,000,000	200,000,000
Issued and fully paid	<u>£1,263,611</u>	<u>126,361,196</u>

4.2 The table below sets out the changes to the allotted, called up and fully paid shares in the capital of the Company for the period covered by the historical financial information for the Company referred to in Part III of this document or its audited accounts for such period.

<i>Period</i>	<i>Existing Ordinary Shares allotted</i>	<i>Existing Ordinary Shares</i>
1 September 2003 – 31 August 2004	Nil	40,160,000
1 September 2004 – 31 August 2005	Nil	Nil
1 September 2005 – 31 August 2006	11,487,381	Nil

4.3 The changes to the authorised share capital of the Company can be summarised as follows:

4.3.1 on incorporation, the authorised share capital of the Company was £1 divided into 100 ordinary shares of one pence each of which two ordinary shares of one pence each were issued fully paid to the subscribers to the memorandum of association;

4.3.2 on 24 April 2001, the Company created 135,999,900 Existing Ordinary Shares to increase its authorised share capital to £1,360,400;

4.3.3 on 22 July 2003, pursuant to resolutions passed at an extraordinary general meeting as confirmed by an Order of the High Court of Justice, Chancery Division, the cancellation in the sum of £9,528,371 of the share premium account of the Company and the authorised share capital of the Company was reduced from £1,360,400 to £1,298,400;

4.3.4 on 12 December 2003, pursuant to resolutions passed at an extraordinary general meeting the authorised share capital was increased from £1,298,400 to £1,700,000 by the creation of an additional 40,160,000 Existing Ordinary Shares; and

4.3.5 on 19 December 2006 pursuant to resolutions passed at an extraordinary general meeting, the articles of association of the Company were amended so that the authorised share capital of the Company was increased by £300,000 to £2,000,000 by the creation of an additional 30,000,000 Existing Ordinary Shares.

- 4.4 The following is a reconciliation of the number of shares outstanding at the beginning and end of the period covered by the financial information set out in Part III of this document:

<i>Date</i>	<i>Description</i>	<i>Existing Ordinary Shares</i>
31 August 2004	Balance brought forward	170,000,000
1 September 2004	Start of year balance	170,000,000
31 August 2005	End of year balance	170,000,000
1 September 2005	Start of year balance	170,000,000
31 August 2006	End of year balance	170,000,000
1 September 2006	Start of year balance	170,000,000
28 February 2006	Balance at date of latest interim account	200,000,000

5. SHARE INCENTIVE SCHEMES

5.1 Unapproved share option scheme (“Unapproved Scheme”)

The Unapproved Scheme was adopted by the Company on 4 May 2001. The Unapproved Scheme has not been approved by HM Revenue & Customs (“HMRC”).

5.1.1 Eligibility

All employees and all full-time executive directors of the Company and of any subsidiary may be selected for participation in the Unapproved Scheme at the discretion of the Remuneration Committee, provided they are not within two years of their normal retirement date.

5.1.2 Grant of options

Options may be granted within six weeks following Admission and thereafter normally only within the periods of six weeks beginning on the first dealing day after the day on which the Company announces its annual or interim results or when in the opinion of the Board there are exceptional circumstances.

5.1.3 Exercise price

Options will be granted at a price which represents not less than the middle market value of an Ordinary Share on the dealing date before options are granted or, if greater, the nominal value of such a share.

5.1.4 Performance conditions

Options may be granted subject to specified conditions (to be determined prior to grant). It is intended that conditions will be set in the case of options granted to directors of the Company. The effect will be that options will only be exercisable if, in a defined period following grant, the financial performance of the Company so warrants.

5.1.5 Limitations on participation and normal exercise period

The aggregate exercise price of shares under options granted to an individual under the Unapproved Scheme when aggregated with the total exercise price payable under any other options granted to that individual under the Company’s other option schemes since the Unapproved Scheme was adopted cannot normally exceed four times the optionholder’s relevant earnings (broadly PAYE earnings excluding benefit in kind).

5.1.6 Other exercise periods

Generally, subject to satisfying any performance condition attached to the option, an option is first exercisable on the date specified by the Board at the date of grant. Options lapse on leaving employment subject to certain rights summarised in paragraphs 5.1.7 and 5.1.8 below.

5.1.7 Other exercise periods

Options may be exercised following the death of the optionholder or where the optionholder’s employment ceases because of injury, disability, redundancy or retirement or where the business for which the optionholder works is sold by the Company. Where employment is terminated for some other reason, options will lapse unless the Board permits the optionholder to exercise them. In the case of death, options may normally be exercised within the following 12 months, in the case of the sale of a business, options may normally be exercised within the following six months and, in other cases, options may (subject, where appropriate, to the Board’s permission) normally be exercised within the period ending 12 months after termination of employment.

5.1.8 Scheme limits

The maximum number of shares over which options to subscribe may be granted under the Unapproved Scheme when aggregated with shares issued or issuable under all the share schemes operated by the Company may not, in any 10 year period, exceed 10% of the issued ordinary share capital.

5.1.9 Change of control and winding up

In the event of a change in control of the Company, options may be exercised within one month of such event (or such other period as may be permitted by the Board or as may be appropriate under sections 974-991 of the 2006 Act) or may be released in exchange for options of equivalent value in relation to shares in the acquiring company or another eligible company. In the event of the reconstruction or amalgamation of the Company pursuant to Part 26 of the 2006 Act, options may be exercised within six months of the Court sanctioning the reconstruction or amalgamation, or released in exchange for new options as mentioned above. In the event of the voluntary winding-up of the Company, options may be exercised within six months of the passing of the appropriate resolution.

5.1.10 Variation of capital

If an increase or variation in the capital of the Company occurs by reason of a capitalisation or rights issue (including an increase or variation having an effect similar to a rights issue) or a subdivision, consolidation or reduction, then the Board will make appropriate adjustments to the exercise price and/or the number of shares under option and/or the Unapproved Scheme limits, provided that the Board have been independently advised in writing that such adjustments are fair and reasonable.

5.1.11 Amendment and termination

The principal terms of the Unapproved Scheme may only be amended to the advantage of current or potential optionholders with the prior authority of the Company in General Meeting save that any amendment may be made without such authority if it is made to obtain or maintain favourable tax, exchange control or regulatory treatment for participants of the Company or is a minor change to benefit the administration of the Unapproved Scheme. No options can be granted under the Unapproved Scheme later than 10 years after the date the Scheme was adopted by the Company.

5.1.12 The following options have been granted under the scheme which have neither lapsed nor been exercised:

Name	Options	Price
Neil Rodford	1,000,000	7.13p
Michael Kennedy	1,000,000	8.13p
Lyle Yorks	400,000	7.13p

5.2 Formation Group PLC Long Term Incentive Plan (“LTIP”)

Set out below is a summary of the main features of the proposed LTIP.

5.2.1 Administration

The administration and operation of the LTIP will be facilitated by the trustee (“**Trustee**”) of a UK resident employee benefit trust (“**EBT**”) created by the Company. It is expected that the Trustee will be a subsidiary of the Company and that when exercising its discretions, the Trustee will always have regard to the recommendations of the Remuneration Committee. Further details about the EBT are given in paragraph 5.4 of this Part VI of this document.

5.2.2 Participation

All executive directors and other employees nominated by the Remuneration Committee are entitled to be considered for the grant of awards under the LTIP.

In order to ensure that the Remuneration Committee has maximum flexibility in devising the structure of remuneration packages for executives, it is proposed that the LTIP will operate in conjunction with the proposed New Option Scheme (as detailed below). Participants in the

LTIP will therefore also be entitled to be granted options under the New Option Scheme and it is intended that a number of awards will be made under the LTIP to directors and employees who will also be granted options under the New Option Scheme.

The Remuneration Committee will select certain Executive Directors and other employees who are to be considered for participation in the LTIP. The Board will also determine the maximum number of Ordinary Shares over which an award may be made to any particular individual.

For information in respect of the awards which it is proposed will be made under the LTIP following its adoption see paragraph 5.2.15 below.

After taking into account the recommendations of the Remuneration Committee, it is expected that the Trustee will make awards under the LTIP to the selected Executive Directors and other employees. The awards will be over a specified maximum number of Ordinary Shares not being greater than the maximum determined by the Remuneration Committee.

Awards can normally only be made by the Trustee in the six week period following the adoption of the LTIP and thereafter, only in the six week period following the announcement by the Company of its interim or final results to the Stock Exchange. In circumstances that the Remuneration Committee considers exceptional, for example, in order to facilitate the recruitment of a senior executive or in the event of changes to the relevant tax legislation or if the Company is in a close period, awards may be made outside these six week periods.

5.2.3 *Form of awards*

Any grant made under the LTIP to an eligible participant (“**Participant**”) will take the form of an option (“**Option**”) over a maximum number of Ordinary Shares. The option would be exercisable, for a nominal consideration, following the end of the measurement period over the number of Ordinary Shares that have vested.

The award takes the form of a nominal cost Option. The Remuneration Committee may recommend that Participants will receive a payment (in cash or Shares) on or shortly following the vesting of their awards of an amount equal to the dividends paid during the measurement period on any Ordinary Shares that vest.

5.2.4 *Individual participation limit*

The maximum value of Ordinary Shares which an individual may receive under an Option under the LTIP in any financial year may not exceed 150% of his basic salary for that financial year (or for the preceding financial year, if greater).

5.2.5 *Performance Targets and vesting of LTIP awards*

The vesting of the Ordinary Shares over which an LTIP option has been granted will be dependent upon the extent to which the performance targets have been satisfied.

In respect of the proposed initial LTIP options, a performance target has been selected.

The performance condition will be based on the increase in the Company’s earnings per share (“**EPS**”) over the measurement period. For this purpose, EPS at the end of each financial year of the Company will be compared to EPS for the financial year immediately preceding that in which the option was granted. EPS will be based on the earnings per share figure disclosed in the Company’s latest audited accounts (adjusted as mentioned below) prior to the relevant date.

If the EPS figure over the first measurement period to 31 August 2008 has increased by an annual average amount that is at least 10% than 34%, then a number of Ordinary Shares under the Option vest.

if the annual average growth in the EPS figure over the measurement period to 31 August 2009 is at least 10%, then a further 33% of Ordinary Shares under the Option shall vest.

if the annual average growth in the EPS figure over the measurement period to 31 August 2010 is at least 10% then the remaining 33% of Ordinary Shares under the Option vest.

For the purposes of calculating EPS for any period, adjustments will be made to the earnings per share figure disclosed in the audited financial accounts to take account of exceptional items and other items in respect of which an adjustment is deemed reasonable by the Remuneration Committee.

At the end of the measurement period to 31 August 2010, the Participant will be entitled to acquire the number of Shares which have vested but will cease to have any entitlement to the number which do not vest.

In respect of any future awards, the Remuneration Committee may select performance targets which are different from those set out above. If different performance targets are selected, then details of such performance targets will be summarised in the report of the Remuneration Committee which is considered for approval by Shareholders at the Company's next annual general meeting.

5.2.6 *Measurement Period*

The length of the measurement period for any award will normally be three years. The measurement period for an award will commence on the first date of the financial year in which the award is made.

5.2.7 *Cessation of employment*

If a Participant ceases to be an employee for any reason before the end of the measurement period, then his award will normally lapse. However, if a Participant leaves because of his death, ill health, injury or disability, redundancy, retirement at normal retirement age or the sale of his employing company or business, then the Remuneration Committee may make a recommendation to the Trustee that the Participant be allowed to exercise his option or that his award may vest in respect of a number of Ordinary Shares which will depend upon the extent to which the performance conditions have been achieved up to the date of leaving and may be reduced on a pro rata basis to take account of the period of time during which the Participant was not an employee.

If the Participant ceases to be an employee before the end of the measurement period for a reason other than one mentioned above, the Remuneration Committee may recommend to the Trustee that the Participant should still benefit under the award. When considering whether to make such a recommendation the Remuneration Committee will have regard to such factors as the performance of the Company and the period of time during which the Participant was an employee.

5.2.8 *Takeover*

If there is a change of control of the Company, the number of Ordinary Shares over which the award will "vest" will be reduced on a pro rata basis to reflect the reduced period between the date the award was made and the date of the change of control although the Remuneration Committee may recommend that awards will not be pro rated if it regards it as inappropriate to do so in the particular circumstances.

Where appropriate, for example in the case of an amalgamation or reconstruction of the Company, with the consent of the acquiring company, the awards may be exchanged so as to operate over shares in the acquiring company or may be varied.

5.2.9 *Dilution limits*

The Ordinary Shares that have been made available for the purposes of the LTIP will be taken into account when determining the overall limits on the number of Ordinary Shares that can be issued by the Company in order to satisfy the exercise of all share options and share awards made by the Company under its share plans.

In addition, the number of new Ordinary Shares that may be issued to satisfy awards made under all of the discretionary plans operated by the Company, including any awards made under the LTIP, may not exceed 10% of the number of Ordinary Shares in issue from time to time.

5.2.10 *Taxation*

Income tax and national insurance contributions (“**NICs**”) will be payable on the value of the Ordinary Shares which a Participant acquires following the end of the measurement period. Under the terms of the LTIP, the Participant may agree to pay not only the income tax and employee’s NICs which arise, but also any employer’s NICs that arise. It will be a condition of acquiring Ordinary Shares that appropriate arrangements are in place to ensure that his employer is put in funds by the Participant to meet these income tax and NICs liabilities.

5.2.11 *Variation of Share capital*

In the event of a variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital, the number of Ordinary Shares over which an award has been made may be adjusted as determined to be appropriate.

5.2.12 *Amendment of the LTIP*

The rules of the LTIP may be amended by the Board.

The rules of the LTIP cannot however be amended in any way which benefits Participants without Shareholder approval unless the amendments are to benefit the administration of the LTIP or are to comply with or take account of applicable legislation or statutory regulations or any change therein or to obtain or maintain favourable taxation, exchange control or regulatory treatment for the Company (or any Group company) or for the Participants.

5.2.13 *Term of the LTIP*

The life of the LTIP will be ten years and no awards may therefore be made more than ten years after the date of the adoption of the LTIP.

5.2.14 *Pension status*

None of the benefits which may be received under the LTIP will be pensionable.

5.2.15 *Proposed awards*

The following awards are proposed subject to the LTIP being approved:

Name	Number
Neil Rodford	954,545
Mark Page	300,000

These awards will be subject to the performance targets referred to in 5.2.5.

5.3 New unapproved share option scheme (“**New Option Scheme**”)

The Company proposes to establish the New Option Scheme under which directors and employees of the Group can be offered options (“**Options**”) to acquire Ordinary Shares. The New Option Scheme will be administered by the Remuneration Committee or the Trustee. The intention is to grant Options under the New Option Scheme on or shortly following Admission. The principal features of the New Option Scheme are as follows:

5.3.1 *Administration*

The administration and operation of the New Option Scheme will be facilitated either by the Board or by the trustee (“**Trustee**”) of a UK resident employee benefit trust (“**EBT**”) created by the Company. Further details about the EBT are given in paragraph 5.4 of this section. However, as the proposed Option will be at market value and not less than par, it is not essential to utilise the EBT for the New Option Scheme.

5.3.2 *Participation*

Any full time director or employee of a Member of the Group (“**Participant**”) is eligible to participate. Actual participation is at the discretion of the Remuneration Committee. Options are personal to the Participant and not capable of assignment except that, on death, the

Participant's personal representatives may exercise the Option within 12 months following the Participant's death. Options shall be granted by deed with no consideration payable by the Participant for the Option itself.

The exercise price for each Ordinary Share under Option will be the higher of the nominal value of an Ordinary Share at the date of grant and the market value of an Ordinary Share at the date of grant.

An Option will normally be exercisable only within the period of three to 10 years after the date of grant.

Options may also be exercised (even if this is within the period of three years from the date of grant) where employment ceases due to the Participant's death, injury, disability, redundancy, retirement at normal retirement age, on the Participant's employing company or business ceasing to be within the Group or, at the discretion of the Remuneration Committee and to the extent specified by the Board, on the Participant in question leaving employment for any other reason. In each of these situations (other than on death), the Option must be exercised, if at all, by the expiry of the period of six months following the cessation of employment. In the case of death, the Participant's personal representatives may exercise the Option within 12 months following the death. If the employment ceases for any other reason, the Option will lapse. Where, in these circumstances, exercise is permitted within three years of the date of grant of an Option, there may be no requirement for any performance target to be met except in the case of retirement but the Option may not be exercised in full, but on a pro rata basis taking into account the period of time which has elapsed since the date of grant other than where exercise is permitted at the Remuneration Committee's discretion, in which case the Remuneration Committee shall specify the extent to which the Option shall be capable of exercise.

Options may initially be granted under the New Option Scheme within 42 days after adoption of the New Option Scheme and, after that, normally within 42 days after the announcement by the Company of its interim or final results or of its results for any other period. Without further shareholder approval, Options may only be granted within 10 years of shareholder approval of the New Option Scheme.

5.3.3 Individual participation limit

The aggregate market value (at the date of grant) of Ordinary Shares over which Options may be granted to any one Participant in any one financial year of the Company under the New Option Scheme and any other share scheme adopted or operated by the Company (but excluding options granted under a savings related share option scheme) will not normally exceed 150% of that Participant's basic salary for that financial year. Options granted prior to or on or in connection with Admission will be included within this limit.

5.3.4 Performance target

The Remuneration Committee shall impose objective conditions as to the performance of the Group (which will be set having regard to institutional guidelines) which must normally be satisfied before Options can be exercised. Having granted Options and set a performance target, the Remuneration Committee may vary the performance target provided that the Remuneration Committee reasonably considers that the performance target set no longer represents a fair measure of performance and provided that any new conditions are no more difficult nor easy to satisfy. In respect of any Options to be granted shortly following Admission, it is expected that the performance target will require that the percentage growth in the Company's earnings per share shall equal or exceed ten per cent per annum over a three year period. Any change in the performance target will be notified to shareholders through the report of the Remuneration Committee.

5.3.5 *Takeover*

In the event of a takeover, amalgamation or reconstruction of the Company, Options may be exercised under the New Option Scheme to the extent determined by the Remuneration Committee, having regard to all the circumstances, within six months of such event. Alternatively, with the agreement of the acquiring company, Options may be exchanged for options over shares in the acquiring company or in a company associated with the acquiring company. Where Options are exercised following a change of control, performance targets shall be pro rated.

5.3.6 *Dilution Limits*

The New Option Scheme imposes limits on the numbers of Ordinary Shares over which Options may be granted as follows the total number of Ordinary Shares over which options to subscribe may be granted under all share option schemes of the Company, whether on a discretionary basis or on any other basis, and issued or issuable under all other share schemes of the Company shall not, in any consecutive 10 year period, exceed 10% of the Ordinary Shares in issue from time to time. Lapsed and surrendered Options and Ordinary Shares transferred from treasury to satisfy Options shall be disregarded for this purpose.

5.3.7 *Income tax and national insurance contributions*

The New Option Scheme contains provisions that will ensure that any income tax and employee's national insurance contributions that arise as a result of the exercise of any Options will be payable by the participant. The Remuneration Committee may determine that the Participant shall also be liable for any employer's national insurance contributions which arise.

5.3.8 *Variation of share capital*

In the event of a variation of share capital by way of capitalisation, rights issue, sub-division, consolidation or reduction of share capital or otherwise, then the number of Ordinary Shares subject to a subsisting Option and the price payable on exercise may be adjusted. Except in the case of a capitalisation issue, no adjustment may be made without the prior confirmation in writing of the auditors of the Company that the adjustment is in their opinion fair and reasonable.

5.3.9 *Amendment of the New Option Scheme*

The Board may alter the New Option Scheme but certain amendments cannot take effect without shareholder approval, unless they are amendments to comply with or to take account of applicable legislation or statutory regulations or any change in them or to maintain favourable taxation treatment for the Company or Participants or potential Participants. The amendments which will generally require shareholder approval are amendments to the limits on the number of Ordinary Shares which can be offered under the New Option Scheme, the category of persons who may participate, the exercise price of Options, the number of Ordinary Shares over which a participant may hold an Option, the period during which Options may be granted and exercised, the rights attaching to Ordinary Shares subject to an Option, the provisions for altering share capital and for altering the terms of the New Option Scheme and the provisions which apply on a winding up of the Company.

5.3.10 *Pension status*

None of the benefits which may be received under the New Option Scheme will be pensionable.

5.4 The employee benefit trust

5.4.1 The LTIP and (possibly) the New Option Scheme will be operated in conjunction with the EBT an employee benefit trust, known as the Formation Group PLC Employee Benefit Trust ("EBT"). The EBT will grant options and award shares to employees of the Company. The EBT may subscribe for Ordinary Shares or may purchase Ordinary Shares in the market in

order to satisfy awards made under the LTIP or the New Option Scheme. In respect of Ordinary Shares acquired by subscription, the subscription price to be paid by the EBT will be the market value of the Ordinary Shares on the day that the awards are made or options granted.

- 5.4.2 The trustee of the EBT (“**Trustee**”) will be a trustee company that is a wholly owned subsidiary of the Company.
 - 5.4.3 The beneficiaries of the EBT will include employees and former employees of the Group and certain of their relatives.
 - 5.4.4 By the terms of the trust deed establishing the EBT, the Trustee has absolute discretion to apply the trust fund for the benefit of the beneficiaries in such manner as the Trustee thinks fit. In particular, the EBT may:
 - 5.4.4.1 hold Ordinary Shares on behalf of beneficiaries;
 - 5.4.4.2 grant options over or transfer Ordinary Shares to beneficiaries;
 - 5.4.4.3 agree with the Company to provide Ordinary Shares to Participants under the LTIP;
 - 5.4.4.4 transfer the trust fund to trustees of other settlements for the benefit of the same class of beneficiaries; and
 - 5.4.4.5 pay taxes.
 - 5.4.5 The duration of the EBT is eighty years.
 - 5.4.6 The EBT will not hold more than ten per cent of the issued ordinary share capital of the Company without Shareholder approval.
 - 5.4.7 The Company (or other Group companies) will fund the EBT to enable it to acquire Ordinary Shares.
- 5.5 Non-executive share option scheme (“**NEDSOP**”)
- The NEDSOP was adopted by the Company on 12 December 2003.
- 5.5.1 Constitution

The NEDSOP is administered by the Board or a duly authorised committee thereof.
 - 5.5.2 Eligibility

The Board or a duly authorised committee may select any non executive director who holds an office with the Company or any subsidiaries controlled by the Company (“**Group Company**”) to participate in the NEDSOP.
 - 5.5.3 Grant of options

Options may be granted to eligible directors within the period of 42 days following:

 - 5.5.3.1 the day on which the NEDSOP was adopted by the Company (12 December 2003);
 - 5.5.3.2 the day on which the NEDSOP is approved by HMRC;
 - 5.5.3.3 any day within the six week period following the date on which the Company announces its final and interim results in any year;
 - 5.5.3.4 the date on which an eligible director commences his office as director; and
 - 5.5.3.5 any other time when the Board resolves that exceptional circumstances exist to justify the grant of options.

Options granted under the NEDSOP are not transferable and may only be exercised by the persons to whom they were granted or their personal representatives.

No payment is required for the grant of an option.

No options may be granted under the NEDSOP more than 10 years following the date the NEDSOP is adopted by the Company.

5.5.4 Option price

Options entitle the holders to acquire fully paid ordinary shares at a price determined by the Board at the date of grant. The option price must not be less than the greater of:

5.3.4.1 the market value of such ordinary shares at the date of grant; and

5.3.4.2 if subscribed, their nominal value.

5.5.5 Limited on individual participation

The aggregate market value (as at their date of grant) of ordinary shares held by any one person under all unexercised options granted under the NEDSOP cannot exceed £50,000.

5.5.6 Exercise of options

An option will generally be exercisable immediately after grant. An option will lapse if not exercised 10 years after its date of grant. At grant, the Board may make the exercise of options conditional on the satisfaction of specified performance criteria.

5.5.7 Cessation of directorship

If a participant ceases to be a director of a Group Company the options will usually lapse unless the cessation is due to the Group Company in question being transferred out of the Group (in which case the option may be exercised in a specific period). However, at the discretion of the Board an option may become exercisable for a specified period following the participant's ceasing to be a director and lapse at the expiry of such specified period.

5.5.8 Takeover or reconstruction

In the event of a change in control of the Company as a result of a takeover or reconstruction then options may be exercised provided any performance conditions have been satisfied. Any options not exercised within the relevant periods shall lapse.

5.5.9 Reorganisation of share capital

In the event of a capitalisation or rights issue or the subdivision, consolidation or reduction of the Company's ordinary share capital, the option price of shares under option and/or the number of such shares may be adjusted.

5.5.10 Amendments

The Board may amend the rules of the NEDSOP. However:

5.3.10.1 amendments to the material advantage of participants require the prior consent of the Company in a general meeting; and

5.3.10.2 amendments which affect the subsisting rights of a participant shall require the consent of that participant.

5.5.11 The following option under NEDSOP remains unexercised and have not lapsed:

Name	Options	Price
John Edward Lawrence MBE	500,000	7.13p
Ian Alexander Craig	500,000	7.13p

5.6 The Enterprise Management Incentive Plan (“**EMI Plan**”)

The Formation Group PLC Enterprise Management Incentive Plan was adopted by the Company on 4 May 2001. Options are intended to qualify under schedule 5 to the Income Tax (Earnings and Pensions) Act 2003 (“**ITEPA**”) (“**Schedule 5**”). The principal features of the Plan are as follows:

5.6.1 Constitution

The EMI Plan will be administered by the Board or a duly authorised committee thereof.

5.6.2 Eligibility

The Board may select any executive director or employee of the Company or any qualifying subsidiary (“**Group Company**”) to participate in the Plan provided they are required to work at least 25 hours a week or, if less, at least 75% of their working time for any Group Company.

5.6.3 Grant of options

Following Admission options may be granted to eligible employees within the period of 42 days following:

- 5.6.3.1 the day on which the EMI Plan is adopted by the Company;
- 5.6.3.2 the day immediately following the date on which the Company announces its final and interim results in any year;
- 5.6.3.3 the date on which an eligible employee commences employment;
- 5.6.3.4 any other time when the Board resolves that exceptional circumstances exist to justify the grant of options; and
- 5.6.3.5 the day on which any change affecting enterprise management incentive plans by the HMRC is proposed or made.

Options granted under the EMI Plan are not transferable and may only be exercised by the persons to whom they were granted or their personal representatives.

No payment is required for the grant of an option.

No options may be granted under the EMI Plan more than 10 years following the date the EMI Plan is adopted by the Company.

5.6.4 Option price

Options entitle the holders to acquire fully paid ordinary shares at a price determined by the Board at the date of grant. The option price must not be less than the greater of:

- 5.6.4.1 the market value of such ordinary shares at the date of grant; and
- 5.6.4.2 if subscribed, their nominal value.

5.6.5 Limits on individual participation

To qualify under Schedule 5 the aggregate market value (as at their date of grant) of all ordinary shares held by any one person under all unexercised options granted under the Plan, under any other options which qualifies under Schedule 5 and under options which are approved under Schedule 4 to ITEPA in each case granted by reason of employment with any Group Company cannot exceed £100,000 (or such other amount specified in the legislation from time to time). Any options granted in excess of this limit will not qualify under Schedule 5 and will not qualify for tax approved status.

An individual who has been granted qualifying options by any member of the Group under Schedule 5 with a total value of £100,000 may not be granted further options (qualifying under Schedule 5) within three years of the last grant of a qualifying option.

5.6.6 Limits on issue of new ordinary shares

The maximum number of shares that may be issued or issuable pursuant to options granted under all employees share schemes shall not exceed 10% of the issued ordinary shares from time to time. Options granted prior to Admission are excluded from this limit.

5.6.7 Exercise of options

An option will generally only be exercisable after such period (which will be three years from the date of grant unless the grantor determines otherwise) as the Board may determine at the date of grant. An option will lapse if not exercised 10 years after its date of grant.

At grant, the Board may make the exercise of options conditional on the satisfaction of specified performance criteria.

Participants must generally indemnify the Group in respect of any tax and/or National Insurance contributions which may arise on exercise.

5.6.8 Cessation of employment

If a participant ceases to be employed by the Group the options will usually lapse unless the cessation is due to the company or business in which he is employed being transferred out of the Group (in which case the option may be exercised in a specific period). However, at the discretion of the Board an option may become exercisable for a specified period upon cessation

of employment and lapse at the expiry of such specified period.

5.6.9 Takeover or reconstruction

In the event of a change in control of the Company as a result of a takeover or reconstruction then options may be exercised provided any performance conditions have been satisfied (unless the Board determines that in the circumstances such conditions should be disapplied in whole or in part) or (as an alternative to the exercise of options) participants may, if the acquiring company agrees, release their options in exchange for options over shares in the acquiring company. Any options not exercised within the relevant periods shall lapse.

5.6.10 Reorganisation of share capital

In the event of a capitalisation or rights issue or the subdivision, consolidation or reduction of the Company's ordinary share capital, the option price or shares under option and/or the number of such shares may be adjusted.

5.6.11 Amendments

The Board may amend the rules of the EMI Plan. However:

5.6.11.1 amendments to the advantage of participants or eligible employees shall require the prior consent of the Company in a general meeting, except for minor amendments to benefit the administration of the scheme, to take into account changes in legislation or to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or the Group; and

5.6.11.2 amendments which affect the subsisting rights of a participant shall require the consent of that participant.

Whilst options granted under the EMI Plan are to qualify under Schedule 5, no amendment may be made which would result in Schedule 5 no longer applying.

No alteration may be made which would result in the EMI Plan ceasing to be an employee's share scheme as defined in section 743 of the Act.

5.6.12 The following options granted under the EMI Scheme remain unexercised and have not lapsed:

Name	Options	Price
Mark Page	500,000	7.13p
Ian Battersby	450,000	7.13p
Iain Muffitt	200,000	7.13p
Karen Creswell	150,000	7.13p
Terrence Hislop	32,000	25.00p
Jason Roberts	80,000	25.00p

6. DIRECTORS AND PROPOSED DIRECTOR'S INTERESTS

6.1 The following are the Directors of the Company:

6.1.1 Ian Battersby;

6.1.2 Ian Alexander Craig;

6.1.3 Michael Kennedy;

6.1.4 John Edward Lawrence MBE;

6.1.5 Mark Page; and

6.1.6 Neil John Rodford.

6.2 The Proposed Director of the Company is Richard Noel O'Carroll.

6.3 Directorships and partnerships:

	CURRENT	PREVIOUS
Ian Battersby	Kingsbridge Lochinver LLP Whitechapel	KFS Holdings Limited IFP Employee Benefit Solutions Limited Murray Management Group Limited Maxdelta Limited KNL Operations Limited KNL Topco Limited Kingweb Limited Paisleyglen Limited KNG Management Services Limited Kingsbridge Tax Consultancy Limited Sheltons Financial Services Limited
Ian Alexander Craig	Halliwells LLP Tepnel Life Sciences Plc Aberdeen Growth Opportunities VCT Plc Cleaningtec Plc 24/7 Comms Limited Hallco 992 Limited Manchester Citylife Limited Halliwells Deansgate (GP1) Limited Halliwells Deansgate (GP2) Limited Halliwells Deansgate (LP) Limited West Riverside (LP) Limited West Riverside (GP2) Limited West Riverside (GP1) Limited Analytical Nano Technologies (UK) Plc	Old English Antiques Limited Old Halliwell (a partnership) Halliwell Human Resources Limited Halliwell Training Limited Halliwell Marketing and Public Relations Limited Biolife Ventures II Limited Enzacta Limited ZI Medical Plc Aberdeen Growth VCT II Limited
Michael Kennedy	Herbert Reeves (a partnership) Mesterhall Limited Florence Investment Properties Limited Florence Commercial Developments Limited	
John Edward Lawrence MBE	WH Ireland Group Plc Aberdeen Growth VCT 1 Plc B.E.S. Consulting Holdings Limited Navcat Limited B.E.S. Group EBT Limited E-Labs Environment Limited	Dynamic Controls Limited WH Ireland Limited The Lowry Centre Trust
Mark Page	Proactive Sports Management Capital Sports Solutions Limited CBG Sports Limited Kingsbridge Whitechapel Proactive Sports Management USA Inc.	Fox Advertising RC & A Sports Management Limited Active Sports Marketing Limited
Neil John Rodford	Proactive Sports Management Image Leisure Limited Proactive Sports Management USA Inc.	Fox Advertising Active Sports Marketing Limited Bermitz Sports Advertising Limited

	CURRENT	PREVIOUS
Richard Noel O'Carroll	Columbia Columbia Estates Limited Columbia Rentals Limited Columbia House Properties (No.1) Limited Columbia House Properties (No.3) Limited Columbia Architectural Design Limited Frontlaunch Limited Wordmatch Trading Limited Albion Yard (Estates) Limited Florence Properties Limited Florence Investments Properties Limited Florence Developments (1) Limited Florence Developments (2) Limited Florence Commercial Developments Limited	Springmatch Limited Columbia House Properties (No.7) Limited Columbia House Properties (No.2) Limited

6.4 Save as set out above, none of the Directors or the Proposed Director have held or otherwise occupied any other directorships or have been a partner in a partnership over the previous five years.

6.5 None of the Directors or the Proposed Director has:

6.5.1 any convictions in relation to fraudulent offences;

6.5.2 any unspent convictions in relation to indictable offences;

6.5.3 had any bankruptcy order made against him or entered into any individual voluntary arrangement;

6.5.4 been subject to any public criticism by a statutory or regulatory authority or other designated professional body;

6.5.5 has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company;

6.5.6 save as set out in paragraph 6.6 below, been a director of a company which has been placed in receivership, compulsory liquidation, administration, creditors' voluntary liquidation or being subject to a company voluntary arrangement or composition or arrangement with its creditors generally or with any class of its creditors whilst he was a director of that company or within 12 months preceding such events;

6.5.7 been a partner in a partnership which has been placed in compulsory liquidation or administration, or entered into any partnership voluntary arrangement whilst he was a partner or within 12 months preceding such events; or

6.5.8 any asset which has been placed in receivership or been a partner of any partnership whose assets have been placed in receivership whilst he was a partner of such a partnership or within 12 months preceding such event.

6.6 John Edward Lawrence MBE was appointed as a director of Data Acquisitions Limited, a designer and manufacturer of electric equipment on 27 December 1991. The company went into administrative receivership on 29 April 1997 following crystallisation of a guarantee and debenture in favour of Barclays Bank PLC dated 25 January 1990. The company was subsequently dissolved on 14 September 1999.

6.7 Directors' and Proposed Director's interests in shares

The interests of the Directors and the Proposed Director (all of which are beneficial) in the issued share capital of the Company as at the date of this document and following completion of the Acquisition, such interest being those which would be required to be notified by each Director or the Proposed Director to the Company under the provisions of Rule 17 of the AIM Rules or which are interests of the persons connected with the Director or Proposed Director within the meaning of section 346 of the Act, the existence of which is known or which could, with reasonable diligence, be ascertained by a Director or the Proposed Director are, and following the Acquisition will be, as follows:

	<i>Existing</i>		<i>Following the Acquisition</i>	
	<i>No of Existing Ordinary Shares</i>	<i>% of issued share capital</i>	<i>No of Existing Ordinary Shares</i>	<i>% of issued share capital</i>
Ian Battersby	263,500	0.21	263,500	0.13
Ian Alexander Craig	350,000	0.28	350,000	0.18
Michael Kennedy	50,000	0.04	50,000	0.30
John Edward Lawrence MBE	765,000	0.61	765,000	0.39
Mark Page	342,993	0.27	342,993	0.17
Neil John Rodford	1,089,354	0.86	1,089,354	0.55
Richard Noel O'Carroll ¹	Nil	Nil	Nil	Nil

1. Richard Noel O'Carroll is a named discretionary beneficiary of the Imperial Trust (a trust established in Guernsey of which Balchan acts as trustee) which is the beneficial holder of 4,723,750 Existing Ordinary Shares amounting to 3.74% of the total issued share capital of the Company.

6.8 The following options in respect of Existing Ordinary Shares are held by the Directors at the date of this document:

	<i>No of Existing Ordinary Shares under option and scheme</i>	<i>Exercise price</i>	<i>Exercise date</i>
Ian Battersby	450,000 EMI	7.13p	12 December 2006 to 11 December 2013
Neil John Rodford	1,000,000 Unapproved	7.13p	12 December 2006 to 11 December 2013
Mark Page	500,000 EMI	7.13p	12 December 2006 to 11 December 2013
Michael Kennedy	1,000,000 Unapproved	8.13p	2 February 2008 to 1 February 2015
John Edward Lawrence MBE	500,000 NEDSOP	7.13p	12 December 2006 to 11 December 2013
Ian Alexander Craig	500,000 NEDSOP	7.13p	12 December 2006 to 11 December 2013

7. SUBSTANTIAL SHAREHOLDERS

7.1 The following persons were, at the date of this document and insofar as is known to the Directors, interested in 3% or more of the issued share capital of the Company:

<i>Registered Shareholder</i>	<i>Beneficial Holder or Controller</i>	<i>Number of Existing Ordinary Shares</i>	<i>% of issued share capital</i>
Fitel Nominees Limited Account: 0060812	Balchan (in its capacity as trustee of the David Kennedy Family Trust)	29,612,813	23.44
Fitel Nominees Limited Account: 0060846	Balchan (in its capacity as trustee of the Imperial Trust)	4,723,750	3.74
Kevin Bernard Moran	Kevin Bernard Moran	11,518,916	9.12
Rock Nominees Ltd Account: 2000606	Texas Holdings Limited	7,740,000	6.13
Strand Nominees Ltd Account SN	Paul Stretford	9,856,000	7.80
Lynette Dawn Yates	Lynette Dawn Yates	11,596,667	9.18

- 7.2 None of the Company's major holders of Existing Ordinary Shares listed in paragraph 7.1 above have voting rights different from other holders of Existing Ordinary Shares.
- 7.3 Following the Acquisition and assuming no dealings in the Existing Ordinary Shares between the date of this document and Admission, it is anticipated that on Admission the following persons will be interested in 3% or more of the Enlarged Issued Share Capital:

<i>Registered Shareholder</i>	<i>Beneficial Holder or Controller</i>	<i>Number of Ordinary Shares following Admission</i>	<i>% of Enlarged Issued Share Capital</i>
Fitel Nominees Limited Account: 0060812	Balchan (in its capacity as trustee of the David Kennedy Family Trust)	29,612,813	15.04
Kevin Bernard Moran	Kevin Bernard Moran	11,518,916	5.85
Rock Nominees Ltd Account: 2000606	Texas Holdings Limited	7,740,000	3.93
Strand Nominees Ltd Account SN	Paul Stretford	9,856,000	5.00
Lynette Dawn Yates	Lynette Dawn Yates	11,596,667	5.89
Streetwise Limited	Balchan (in its capacity as trustee of the Tulip Trust)	70,588,235	35.84

- 7.4 Save as disclosed in this paragraph 7, the Company is not aware of any person who as at the date of this document has an interest in the Company which represents 3% or more of its issued equity share capital. The Company is not aware of any persons who as at the date of this document directly or indirectly, jointly or severally, exercise or could exercise control over the Company.
- 7.5 Save as far as disclosed in respect of the Acquisition, as far as the Company is aware at the date of this document, there are no arrangements the operation of which may at a later date result in a change of control of the Company.

8. CURRENT DIRECTORS' AND PROPOSED DIRECTOR'S SERVICE CONTRACTS, LETTERS OF APPOINTMENT AND REMUNERATION

The following directors of the Company have entered into service agreements or letters of appointment with the Company or its subsidiaries. The particulars are set out below:

8.1 Michael Kennedy

Mr Kennedy entered into a letter of appointment with the Company dated 25 May 2007. Under the terms of the letter Mr Kennedy is appointed as Non Executive Director for a period of one year from 25 May 2007 unless extended by agreement between the parties in which case the appointment is terminated by either party serving six months' notice. Under the terms of the letter Mr Kennedy is also to provide legal services to the Company as and when they are requested by the Company and Mr Kennedy receives a fee of £100,000 per annum for his services as a Non-Executive Director including the provision of legal services, subject to review by the Board. Mr Kennedy's letter of appointment replaces his previous service agreement with the Company dated 11 January 2005. Under the previous service agreement, Mr Kennedy was employed in the capacity of "Director" with a salary of £100,000. The previous service agreement was terminable on three months' notice by either party. He was also entitled to receive a bonus payment of £15,000 based upon achievement of a gross profit target and 1,000,000 share options at the market rate (these options have already been granted). Mr Kennedy was also subject to six month post-termination restrictive covenants.

8.2 Neil Rodford

Mr Rodford entered into a service agreement with the Company dated 1 September 2003. Under the agreement Mr Rodford is employed in the capacity of Group Chief Executive. The agreement is terminable on 12 months' notice by either party. His salary and bonus arrangements were amended by a deed of variation dated 25 May 2007. Under the terms of this deed, Mr Rodford's salary was increased by £40,000 to £175,000 (from 25 May 2007) and from 1 September 2007 onwards he is entitled to

participate in the executive bonus scheme whereby he can earn a maximum annual bonus of 50% of basic salary based on EPS growth. Any bonus for the financial year ending 31 August 2007 will be at the Remuneration Committee's discretion. These new terms in relation to bonus replace the previous bonus arrangements whereby Mr Rodford was entitled to receive a bonus of £50,000 per annum based on delivery of the Company's City forecast and achievement of specified growth percentages. Under the service agreement, Mr Rodford is also entitled to private medical insurance, a fully expensed company car and mobile telephone and to participate in the Company pension contributions and life assurance schemes in place. As an alternative to participating in the Company's pension scheme, Mr Rodford and the Remuneration Committee can agree that the Company will make a contribution of an agreed percentage of the basic annual salary to a pension scheme nominated by Mr Rodford. The Company contributes 10% of Mr Rodford's basic salary into his personal pension scheme. Under the service agreement he is also entitled to receive 1,000,000 options over Ordinary Shares at 7.13p (these options have already been granted). Mr Rodford is subject to six month post-termination restrictive covenants.

8.3 Mark Page

Mr Page entered into a service agreement with the Company dated 25 June 2003. Under the agreement Mr Page is employed in the capacity of Finance Director. The agreement is terminable on 12 months' notice by either party. His salary and bonus arrangements were amended by a deed of variation dated 25 May 2007. Under the terms of the deed Mr Page's salary was increased by £25,000 to £110,000 (from 25 May 2007) and from 1 September 2007 onwards he is entitled to participate in the executive bonus scheme whereby he can earn a maximum annual bonus of 50% of basic salary based on EPS growth. Any bonus for the financial year ending 31 August 2007 will be at the Remuneration Committee's discretion. These new terms in relation to bonus replace the previous bonus arrangements whereby Mr Page was entitled to receive a bonus of £7,500 per annum should the Group achieve EBITDA targets. An additional bonus of £5,000 was payable upon the completion of the financial audit to the satisfaction of the audit committee. Under the service agreement, Mr Page is also entitled to private medical insurance, a car allowance of £6,000 per annum, a fully expensed mobile telephone and to participate in the Company pension and life assurance schemes in place. As an alternative to participating in the Company's pension scheme, Mr Page and the Remuneration Committee can agree that the Company will make a contribution of an agreed percentage of the basic annual salary to a pension scheme nominated by Mr Page. The Company contributes 10% of Mr Page's basic salary into his personal pension scheme. Mr Page is subject to six month post-termination restrictive covenants.

8.4 Ian Battersby

Mr Battersby entered into a service agreement with Kingsbridge Asset Management Limited dated 13 October 2003. The terms of the agreement were amended by letters dated 23 October 2006 and 8 February 2007. Mr Battersby is employed in the capacity of Director of Wealth Management with a salary of £100,000. The service agreement is terminable upon 12 months' notice by either party. Mr Battersby's bonus entitlement was amended on 8 February 2007 whereby he receives a £20,000 bonus upon achievement of budgeted profit targets and 1% of contracted trail income in excess of £500,000. Mr Battersby is also entitled to a performance related bonus payable in line with company practice for sales consultants. Under the service agreement Mr Battersby is also entitled to private medical and dental insurance, death in service benefit, permanent health insurance, critical illness cover, a car allowance of £8,400 per annum, a fully expensed mobile telephone and pension contributions of 10% of basic annual salary. Mr Battersby is subject to nine month post-termination restrictive covenants.

8.5 John Edward Lawrence MBE

Mr Lawrence entered into a letter of appointment with the Company dated 20 August 2003. Under the terms of the letter Mr Lawrence is appointed as Non-Executive Chairman for a period of one year from 1 September 2003 unless extended by agreement between the parties in which case the appointment is terminable by either party serving 12 months' notice. Under the terms of a letter from the Company dated 25 May 2007, Mr Lawrence's fee was increased by £10,000 to £45,000 per annum subject to review by the Board. Under the terms of the letter of appointment, the Company procures to grant Mr Lawrence an option over 500,000 Existing Ordinary Shares at 7.13p per share (this option has already been granted).

8.6 Alec Craig

Mr Craig entered into a letter of appointment with the Company dated 20 August 2003 whereby he was appointed as Non- Executive Director for a period of one year from 2 September 2003 unless extended by agreement between the parties in which case the appointment is terminable by either party serving six months' notice. Under the terms of a letter from the Company dated 25 May 2007 Mr Craig's fee was

increased by £2,500 to £27,500 per annum subject to review by the Board. Under the terms of the letter from the Company dated 20 August 2003 the Company procures to grant Mr Craig an option over 500,000 Existing Ordinary Shares at market value at the time of issue (this option has already been granted).

8.7 Richard Noel O'Carroll

Mr O'Carroll entered into a service agreement with Columbia dated 25 May 2007. Under the agreement Mr O'Carroll is employed in the capacity of Managing Director of Columbia. The agreement is terminable on six months' notice by either party. He is entitled to a basic salary of £135,285 per annum and to participate in an annual discretionary performance related bonus scheme on such terms as are decided by the board of Columbia from time to time. Under the service agreement, Mr O'Carroll is also entitled to receive a contribution of £21,000 per annum from Columbia to his personal pension scheme. Mr O'Carroll is subject to six month post-termination restrictive covenants. Under his previous contract of employment with Columbia dated 2 January 2007, Mr O'Carroll was employed in the same capacity, and was entitled to a salary of £130,000 and pension contributions of £21,000. The agreement was terminable by Columbia on statutory notice and by Mr O'Carroll on one month's notice. He was not entitled to a bonus and he was not subject to any post-termination restrictive covenants.

8.7 There is no arrangement under which any Director or the Proposed Director has agreed to waive future emoluments nor has there been any waiver of emoluments during the financial year immediately preceding the date of this document.

8.8 Save as set out above, there have been no changes to the directors service contracts in the last six months.

9. EMPLOYEES

The average number of employees employed by the Group for the period covered by the financial information contained in Part III of this document is 88.

10. RELATED PARTY TRANSACTIONS

10.1 The Group's head office is occupied on a 15 year lease from 17 May 2001 from James Hay Pension Trustees Limited which owns the property on trust for the personal pension plans of P. Stretford, K.B Moran (both directors of Proactive Sports Management) and J. Olsen. The terms of the lease were set by an independent commercial valuer at arm's length to include rental of £65,000 per annum invoiced quarterly in advance and rent reviews every five years which are upwards only and with no break clauses.

10.2 The office of Kingsbridge is occupied on a 15 year lease from 1 October 2003 from National Mutual Pension Trustees Limited which owns the property on trust for personal pension plans of D. McKee and K. McMenemy (both employees of Kingsbridge). The terms of the lease were set by an independent commercial valuer at arm's length to include a rental of £51,000 per annum invoiced quarterly in advance and rent reviews every three years which are upwards only. The terms of the lease have since been varied. As from 1 October 2006 the rent has increased to £65,000 per annum and the lease can now be terminated by the Company by giving three months' notice in writing.

10.3 Kingsbridge has established a joint venture company, CBG Sports Limited, with CBG Group Plc. At the time that Kingsbridge entered into a joint venture agreement with CBG Group Plc, Laurie Turnbull (the chairman of CBG Group Plc) was a non-executive Director of the Company.

10.4 The Company entered into an agreement on 30 November 2006 to advance a short term loan of £2,000,000 to Rocquefort Properties Limited, a company incorporated in Guernsey which is owned by the members of the Concert Party is one of the beneficiaries. The members of the Concert Party are also beneficially interested in approximately 24.21% of the issued ordinary share capital in the Company. The provision of the loan is therefore classified as a related party transaction. This loan has now been paid in full with interest.

10.5 As referred to at paragraph 11.1.1 below, the Company has entered into a nominated adviser and broker agreement with WH Ireland pursuant to which WH Ireland acts as the nominated adviser and a broker to the Company. John Edward Lawrence MBE, who is the Non-Executive Chairman of the Company is also a director of WH Ireland.

10.6 As referred to at paragraph 11.1.5 below, the Company proposes to enter into the Acquisition Agreement with the Columbia Vendor. The Columbia Vendor is wholly owned by Balchan (in its capacity as trustee of the Tulip Trust), a member of the Concert Party (a substantial Shareholder). The David Kennedy Family (who are also all members of the Concert Party) are the current appointed discretionary beneficiaries of the Tulip Trust.

- 10.7 As referred to at paragraphs 11.1.6 and 11.1.7 below, under the terms of the Subscription Agreement, it is proposed that the Company will subscribe for shares in CFGIL.

The Subscription Agreement is conditional upon completion of the proposed issue and allotment of the Subscription Shares to David Anthony Kennedy (a member of the Concert Party). In addition, certain members of the Concert Party are also a party to the Subscription Agreement. The members of the Concert Party are, together, substantial Shareholders.

- 10.8 As referred to at paragraph 11.1.8 below, under the terms of the Nominations Agreement, the Company has agreed to grant, Balchan (in its capacities as trustee of the David Kennedy Family Trust and as trustee of the Tulip Trust) in certain circumstances a right to appoint up to two Non-Executive Directors to the Board. Balchan (in its capacities as trustee of the David Kennedy Family Trust and as trustee of the Tulip Trust) is also a member of the Concert Party. The members of the Concert Party are, together, substantial Shareholders.

11. MATERIAL CONTRACTS

- 11.1 The following contracts (being contracts outside of the ordinary course of business) have been entered into by the Company within the two years immediately preceding the date of this document and are, or may be, material:

- 11.1.1 the Company entered into a nominated adviser and broker agreement with WH Ireland on 25 May 2007 pursuant to which the Company has appointed WH Ireland to act as the nominated adviser and a broker to the Company for the purposes of the AIM Rules.

The Company has agreed to pay WH Ireland a fee for £15,000 plus VAT per annum for the services to be provided by it to the Company and a fee payable on Admission of £125,000. The agreement contains various undertakings and indemnities given by the Company. Save in certain circumstances, the agreement can be terminated by either party upon 60 calendar days' written notice;

- 11.1.2 the Company entered into an introduction agreement on 25 May 2007 with (1) WH Ireland, (2) the Directors and (3) the Proposed Director under which WH Ireland sets out the further terms and conditions, including various warranties, indemnities and undertakings, in reliance on which WH Ireland has agreed to act as nominated adviser and broker in relation to Admission ("**Introduction Agreement**"). The obligations of WH Ireland under the Introduction Agreement are conditional upon, amongst other things, the accuracy of the warranties set out therein. Pursuant to the Introduction Agreement, the Company, the Directors and the Proposed Director severally give certain warranties and undertakings to WH Ireland;

- 11.1.3 pursuant to a lock-in deed (the "**Lock-In Deed**") dated 25 May 2007 made between (1) the Columbia Vendor, (2) David Anthony Kennedy, (3) the Company and (4) WH Ireland, the Columbia Vendor has undertaken to WH Ireland that it will not sell or dispose of the Consideration Shares at any time before the first anniversary of the date of the Lock-In Deed ("**Lock-in Period**") and that, for the year following the end of the Lock in Period, the Columbia Vendor and David Anthony Kennedy will not sell or dispose of any of their interest in such Consideration Shares except with the prior written consent of WH Ireland (or such other brokers as may from time to time be appointed as brokers to the Company) and in such orderly manner as WH Ireland or such other brokers shall reasonably determine. Such restrictions are subject to certain limited exceptions that are set out in the Lock-In Deed and which include a disposal upon the death of a Locked-in Shareholder;

- 11.1.4 the Company entered into an agreement on 27 November 2006 to advance a short term loan of £2,000,000 to Rocquefort Properties Limited ("**Rocquefort**"). The loan was repayable within 90 days of the date of the loan agreement and carried a rate of 2% per annum. The purpose of the loan was to enable Rocquefort to acquire land situated in Commercial Road, Aldgate, London for the purposes of a residential and commercial property development project. Individual investors, including clients of the Company's asset management division, Kingsbridge, are able to participate in the investment opportunity via The Whitechapel Fund. This loan has now been paid in full with interest.

The investment provided by Whitechapel is by way of the issue of junior unsecured loan notes with a fixed compounded return. The loan notes will be in issue for a minimum of two years or maximum of four depending on the build programme and the success of the scheme. The

loan notes are underwritten by the Company and the Balchan Management Limited (in its capacity as trustee of the Impala Discretionary Settlement). In the event that the development at Commercial Road, Aldgate does not complete when the loan notes are redeemed, the parties that have underwritten the issue of the loan notes will pay the loan note holders back their original investment plus the relevant interest. The Company's maximum liability under the underwriting agreement would be £3,953,070. In return for providing the underwriting facilities the Company will be entitled to an introducer's fee which is calculated as approximately 40% share of any residual profits earned by Rocquefort on conclusion of the development;

- 11.1.5 on 25 May 2007, the Company entered into the Acquisition Agreement for the acquisition of the entire issued share capital of Columbia with the Columbia Vendor and David Anthony Kennedy, completion of which is conditional upon Admission. The aggregate consideration payable by the Company pursuant to the Acquisition Agreement is £19,411,765 which is to be satisfied by the allotment and issue on Completion of the Consideration Shares.

Under the Acquisition Agreement, the Columbia Vendor gives various general warranties and tax warranties (together the "**Warranties**") in respect of the business, assets and liabilities of Columbia. In addition, the Columbia Vendor gives certain indemnities (including in respect of the tax liabilities of Columbia in respect of the period up to Completion ("**Tax Indemnity**")) in accordance with the terms set out in the Acquisition Agreement.

The Columbia Vendor's liability under the Warranties and the Tax Indemnity is limited and regulated by clause 8 and schedule 8 of the Acquisition Agreement which, *inter alia*, provide that:

- 11.1.5.1 the Columbia Vendor is not liable in respect of a claim for breach of the Warranties unless the aggregate liability which the Vendor would have in respect of all such breaches exceeds £300,000, in which case the Vendor is liable for the whole amount of such claim and not merely the excess above such sum;
- 11.1.5.2 the total liability of the Vendor in respect of all claims for breach of the Warranties and Tax Indemnity cannot exceed the product of the number of Consideration Shares to be issued and allotted to the Locked-In Shareholder multiplied by the price at which such Consideration Shares are listed on Admission immediately after Completion;
- 11.1.5.3 no claim can be made against the Columbia Vendor in respect of a breach of the Warranties or under the Tax Indemnity unless notice in writing of the claim has been given to the Vendor on or before (i) in the case of a claim for breach of the Warranties given by the Columbia Vendor in respect of tax and the Tax Indemnity, 20 June 2014 (being the seventh anniversary of the date of the Acquisition Agreement) and (ii) in the case of any other claim for breach of the Warranties before 25 December 2008 (being the date falling 18 months after the anticipated date of Completion); and
- 11.1.5.4 the liability of the Columbia Vendor in respect of any claim for breach of the Warranties or under the Tax Indemnity notified to the Columbia Vendor will terminate on the date falling nine months after the date of such notification (other than in the case of a claim in respect of a breach of the Warranties given in respect of Tax or the Tax Indemnity where the claim would fall away eight years after the date of the Acquisition Agreement) unless proceedings have been commenced against the Columbia Vendor or the claim has been agreed by the Columbia Vendor. If any claim for breach of the non-tax related Warranties is contingent, the time period for bringing proceedings only commences when such claim has given rise to an actual liability.

In order to provide the Company with further comfort in respect of the obligations of the Columbia Vendor, David Anthony Kennedy has irrevocably and unconditionally guaranteed to the Company that the Columbia Vendor will retain title to not less than half of the number of Consideration Shares issued to it (upon Completion) or, if less, the number of Consideration Shares remaining registered in the name of the Columbia Vendor (following the sale of any Consideration Shares to meet a claim in respect of a breach of the Acquisition Agreement) ("**Retained Shares**") for a period of two years from the date of their issue to the Columbia Vendor. To the extent that, within a period of two years from the date of their issue, the Columbia Vendor fails to retain the Retained Shares, David Anthony Kennedy has irrevocably

and unconditionally guaranteed to the Company that any liability of the Columbia Vendor under the terms of the Acquisition Agreement (up to a maximum amount equal to the Deficit (as defined below) would nevertheless be recoverable from David Anthony Kennedy (regardless of any legal limitation, disability, incapacity on the ability to recover against the Columbia Vendor) as principal debtor in respect of the relevant liability. For the purposes of the Acquisition Agreement, "Deficit" means a sum equal to $A \times$ (the number of Retained Shares - B) where:

A = the average middle market price of an ordinary share of one pence each in the capital of the Company during the five Business Days prior the date on which a breach of clause 11.2 of the Acquisition Agreement (summarised above) occurs; and

B = the number of Consideration Shares that are registered in the name of the Columbia Vendor at the date on which a breach of clause 11.2 of the Acquisition Agreement (summarised above) occurs; and

- 11.1.6 the Company proposes to enter into the Subscription Agreement pursuant to which the Company will subscribe for approximately 6,100 ordinary shares of €1 each in CFGIL. CFGIL, through its wholly owned subsidiaries is the owner of land at Clancy Quay, Dublin and Davitt Road, Dublin, further details of which are set out in paragraph 3 of Part I of this document;
- 11.1.7 under the terms of the Subscription Agreement, it is proposed that the Company will subscribe for shares in CFGIL. The Subscription Agreement is conditional upon completion of an agreement (a "**Conditional Allotment Agreement**") entered into by the Company with David Anthony Kennedy and Impala Holdings Limited (a company wholly owned by Balchan in its capacity as trustee of the David Kennedy Family Trust) on 25 May 2007. Pursuant to the terms of the Conditional Allotment Agreement, the Company proposes to issue and allot the Subscription Shares to David Anthony Kennedy and use the cash proceeds to complete the subscription to be made by it under the Subscription Agreement;
- 11.1.8 on 25 May 2007 the Company entered into a nominations agreement with Balchan (in its capacities as trustee of the David Kennedy Family Trust and as trustee of the Tulip Trust). Under the terms of the nominations agreement, Balchan (in its capacities as trustee of the David Kennedy Family Trust and as trustee of the Tulip Trust), whilst the members of the Concert Party (in aggregate) remain the holders of not less than 50% of the issued share capital of the Company, a right to appoint up to two Non-Executive Directors to the Board. Under the nominations agreement, Balchan has undertaken not to exercise its right (to appoint up to two Non-Executive Directors to the Board) unless otherwise agreed with the Company for a period of six months following the date of Admission; and
- 11.1.9 the Company has received irrevocable undertakings from certain Shareholders, as described at paragraph 22.11 of this Part VI of this document.
- 11.2 Save as set out at paragraph 11.2.1 below, there are no contracts (not being contracts in the ordinary course of business) that have been entered into by Columbia within the two years immediately preceding the date of this document and are, or may be, material:
- 11.2.1 on 25 May 2007, Columbia entered into a hive-across agreement with Columbia Architects ("**Hive Across Agreement**") pursuant to which certain of the business and the assets of Columbia Architects were transferred from Columbia Architects to Columbia for an aggregate consideration of £19,176.45 (inclusive of value added tax).
- The assets transferred under the Hive Across Agreement ("**Transferred Assets**") include goodwill, fixed plant, contracts, intellectual property rights, employees and other assets used in the business of Columbia Architects. Columbia Architects agreed to retain all liabilities in connection with the Transferred Assets that are attributable to events prior to completion of the Hive Across Agreement.
- The Hive Across Agreement incorporates indemnities from Columbia Architects and Columbia in respect of all liabilities and obligations arising, respectively, from the ownership of the relevant assets and/or the operation of the business of Columbia Architects prior to and after completion of the Hive agreement. Neither indemnity is capped by reference to an amount or limited in time (other than any statutory limitation which may apply).

12. LEGAL AND ARBITRATION PROCEEDINGS

12.1 Save as disclosed below, the Group is not, nor has been involved in any governmental, legal or arbitration proceedings which may have, or have had, during the 12 months preceding the date of this document, a significant effect on its financial position or profitability, nor, so far as the Company is aware, are any such proceedings pending or threatened:

12.1.1 Proactive Sports Management, a subsidiary of the Company, has taken legal action against a European football agency company, following a dispute over fees owed in connection with transfers of football players to English football clubs. The sum claimed in compensation is in the region of 3,000,000 Euros and the European football agency company have submitted a counter-claim against Proactive Sports Management for circa 226,000 Euros. Provision has been made for the counter claim in the Company's accounts.

12.1.2 On 17 June 2005, the Football Association issued a number of charges against Paul Stretford, an employee of Proactive Sports Management and the Company's founder, in connection with alleged breaches by him of the FIFA Players' Agents Regulations and the Football Association's Rules. The charges arose in connection with the recruitment of a client of Proactive Sports Management and evidence given by Paul Stretford, on behalf of Her Majesty's Police Force, in respect of a case heard in the Warrington Crown Court in October 2004. The alleged charges against Paul Stretford remain in place.

As Paul Stretford's employer at the time, Proactive Sports Management has agreed that, to the extent that its directors and officers' liability insurance is insufficient to meet the costs, penalties and/or fines arising from the charges levied against him, Proactive Sports Management will meet such costs, penalties and/or fines. The audited accounts of Proactive Sports Management make provision for such potential liabilities.

12.2 Columbia is not and has not been involved in any governmental, legal or arbitration proceedings which may have, or have had, during the 12 months preceding the date of this document, a significant effect on its financial position or profitability, nor, so far as the Company is aware, are any such proceedings pending or threatened.

13. UNITED KINGDOM TAXATION

The following information is based upon the law and practice currently in force in the United Kingdom. The comments are of a general nature only, are not a full description of all relevant tax considerations and may not apply to persons who do not hold their Ordinary Shares as investments. Any person who is in any doubt as to his tax position should consult a professional adviser concerning his tax position in respect of the acquisition, holding or disposal of Ordinary Shares.

13.1 Dividends – UK resident shareholders

Under current United Kingdom taxation legislation no withholding tax applies on dividends paid by the Company.

Where the Company pays a dividend, a holder of Ordinary Shares who is an individual resident in the UK (for the purposes of UK taxation law) and who receives that dividend is generally entitled to a tax credit in respect of the dividend received. The tax credit currently equals 10% of the combined amount of the dividend and tax credit (a "**gross dividend**"). Such individuals will be liable to income tax on the aggregate of the dividend and tax credit, which together will be regarded as the top slice of the individual recipient's income for tax purposes and will be subject to UK income tax at the special rate of tax as described below.

Individual shareholders who are liable to income tax at lower or basic rate will be liable to tax on the gross dividend received at the rate of 10%. This means that the tax credit will satisfy the individual's liability to pay income tax at the lower or basic rate.

The rate of income tax applied to gross dividends received by individual shareholders liable to income tax at the higher rate will be equal to what is known as the Schedule F upper rate (currently 32.5%). After taking into account the 10% tax credit a higher rate tax payer will be liable to additional income tax of 22.5% of the gross dividend, equal to 25% of the net dividend.

Shareholders who are not liable to tax on the dividend income cannot reclaim payment of the tax credit from the HMRC.

A UK resident corporate shareholder will not normally be liable to UK corporation tax on any dividend received from the Company.

13.2 Dividends – Non UK resident shareholders

In relation to shareholders resident outside of the UK any UK tax liability in respect of the dividend receipt will be deemed to be met by the notional tax credit and the shareholder is unlikely to have any further liability to UK taxation. Whether such non-resident shareholders are entitled to the benefit of the notional tax credit in respect of the dividend receipt in their country of residence will depend on the existence and terms of any double taxation convention or treaty between the UK and their country of residence.

13.3 Stamp Duty and Stamp Duty Reserve Tax

The transfer on sale of the shares in Columbia will be subject to stamp duty on the stock transfer form effecting such transfer, at the rate of 0.5% (rounded up to the nearest multiple of £5) of the amount of the value of the consideration. If an agreement to transfer such shares is not completed within two months of such agreement by a duly stamped instrument of transfer a charge to SDRT (generally at the rate 0.5%) will arise.

A Shareholder who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the UK, should consult his or her professional adviser.

13.4 For the avoidance of doubt it is not expected that the Ordinary Shares will be capable of being part of a qualifying holding or eligible shares for VCT or EIS purposes.

14. MARKET QUOTATIONS

14.1 Trading in the Existing Ordinary Shares on AIM was suspended on 14 February 2007. The following table shows the closing middle market quotations for the Existing Ordinary Shares as derived from the London Stock Exchange for the first dealing day of each month from the four months immediately preceding such suspension:

<i>Date</i>	<i>Share Price</i>
1 November 2006	17.25p
1 December 2006	16.5p
2 January 2007	16.65p
1 February 2007	19.5p
14 February 2007 (being the Business Day on which the Existing Ordinary Shares were last able to be traded on AIM prior to trading in the Existing Ordinary Shares being suspended)	23.75p

15. THE CITY CODE

15.1 Except as set out below, in the 12 months preceding the date of this document, none of the members of the Concert Party nor anyone acting in concert with any of them has held or dealt in shares of the Company nor do they intend to acquire any such shares prior to the Extraordinary General Meeting:

Fitel Nominees Limited, Account 0060812 and 0063141 as nominees for David Kennedy

- 15.1.1 On 24 May 2006 Fitel Nominees Limited purchased 2,000,000 Existing Ordinary Shares at a price of 11.5p.
- 15.1.2 On 31 May 2006 Fitel Nominees Limited purchased 416,667 Existing Ordinary Shares at a price of 13.25p.
- 15.1.3 On 7 July 2006 Fitel Nominees Limited purchased 100,000 Existing Ordinary Shares at a price of 12.50p.
- 15.1.4 On 11 July 2006 Fitel Nominees Limited purchased 100,000 Existing Ordinary Shares at a price of 13.5p.
- 15.1.5 On 12 July 2006 Fitel Nominees Limited purchased 100,000 Existing Ordinary Shares at a price of 13.5p.
- 15.1.6 On 14 July 2006 Fitel Nominees Limited purchased 1,250,000 Existing Ordinary Shares at a price of 14.5p.

- 15.1.7 On 18 July 2006 Fitel Nominees Limited purchased 2,348,765 Existing Ordinary Shares at a price of 16p.
 - 15.1.8 On 17 October 2006 Fitel Nominees Limited purchased 100,000 Existing Ordinary Shares at a price of 14p.
 - 15.1.9 On 18 October 2006 Fitel Nominees Limited purchased 100,000 Existing Ordinary Shares at a price of 14.25p.
 - 15.1.10 On 26 October 2006 Fitel Nominees Limited purchased 100,000 Existing Ordinary Shares at a price of 15p.
 - 15.1.11 On 31 October 2006 Fitel Nominees Limited purchased 50,000 Existing Ordinary Shares at a price of 16p.
 - 15.1.12 On 1 November 2006 Fitel Nominees Limited purchased 50,000 Existing Ordinary Shares at a price of 16.5p.
 - 15.1.13 On 2 November 2006 Fitel Nominees Limited purchased 225,000 Existing Ordinary Shares at a price of 16.5p.
 - 15.1.14 On 31 May 2006, Matthew Kennedy purchased 14,700 Existing Ordinary Shares.
 - 15.1.15 On 4 September 2006 Matthew Kennedy sold 3,000 Existing Ordinary Shares.
 - 15.1.16 On 15 September 2006 Matthew Kennedy sold 11,700 Existing Ordinary Shares.
 - 15.1.17 On 11 October 2006 Matthew Kennedy purchased 21,000 Existing Ordinary Shares.
 - 15.1.18 On 5 December 2006 Matthew Kennedy sold 21,000 Existing Ordinary Shares.
 - 15.1.19 On 19 January 2007 Matthew Kennedy acquired 16,500 Existing Ordinary Shares.
- The price the above securities were purchased at is unknown.

Philomena Kennedy

- 15.1.20 On 10 May 2006 Philomena Kennedy purchased 83,500 Existing Ordinary Shares.
 - 15.1.21 On 21 July 2006 Philomena Kennedy purchased 70,000 Existing Ordinary Shares.
 - 15.1.22 On 9 August 2006 Philomena Kennedy purchased 18,677 Existing Ordinary Shares.
 - 15.1.23 On 10 August 2006 Philomena Kennedy purchased 13,950 Existing Ordinary Shares.
 - 15.1.24 On 11 August 2006 Philomena Kennedy purchased 17,373 Existing Ordinary Shares.
 - 15.1.25 On 6 September 2006 Philomena Kennedy sold 83,500 Existing Ordinary Shares.
 - 15.1.26 On 20 September 2006 Philomena Kennedy sold 70,000 Existing Ordinary Shares.
 - 15.1.27 On 11 October 2006 Philomena Kennedy purchased 44,623 Existing Ordinary Shares.
 - 15.1.28 On 12 October 2006 Philomena Kennedy purchased 40,377 Existing Ordinary Shares.
 - 15.1.29 On 22 January 2007 Philomena Kennedy purchased 100,000 Existing Ordinary Shares.
- The price the above securities were purchased at is unknown.

Thomas Kennedy

- 15.1.30 On 10 May 2006 Thomas Kennedy purchased 41,750 Existing Ordinary Shares
 - 15.1.31 On 6 September 2006 Thomas Kennedy sold 41,750 Existing Ordinary Shares.
 - 15.1.32 On 2 February 2007 Thomas Kennedy purchased 81,500 Existing Ordinary Shares.
- The price the above securities were purchased at is unknown

Patrick Kennedy

- 15.1.33 On 19 February 2007 Patrick Kennedy purchased 26,500 Existing Ordinary Shares.
- The price the above securities were purchased at is unknown.

- 15.2 Other than as set out in this paragraph 15, there are no agreements, arrangements or understandings between any member of the Concert Party or anyone in concert with it and any of the Directors, the Proposed Directors, recent Directors, shareholders or recent shareholders of the Company, or any person interested or recently interested in shares of the Company or any of them, or any other person, having any connection with or dependence upon any offer that may be required to be made by the Concert Party pursuant to Rule 9.
- 15.3 Save as disclosed in this paragraph 15 or in paragraph 16, no member of the Concert Party nor any person acting in concert with any member of the Concert Party owned, controlled or was interested, directly or indirectly, in any relevant securities (whether by interests, rights to subscribe or short positions) on 25 May 2007 (the latest practicable date prior to the posting of this document), nor has any such person dealt in any relevant securities during the disclosure period, nor has any such person borrowed or lent any relevant securities.
- 15.4 Save as disclosed in this paragraph 15, or paragraph 6, neither the Company nor any of the Directors or the Proposed Director nor any member of their immediate families owned, controlled or (in the case of the Directors, the Proposed Director and their immediate families) was interested, directly or indirectly, in any relevant securities on 25 May 2007 (the latest practicable date prior to the posting of this Document), nor has any such person dealt for value in any relevant securities during the disclosure period.
- 15.5 Save as disclosed in this paragraph 15, or paragraph 16, no member of the Concert Party has a potential direct or indirect interest of five per cent. or more in any part of the capital of the Company.
- 15.6 Save as set out in this paragraph 15, no associate (as defined in sub-paragraph 15.8 below) of the Company owned, controlled or was interested, directly or indirectly, in any relevant securities (whether by interests, rights to subscribe or short positions) on 25 May 2007 (the latest practicable date prior to the posting of this document), nor has any such person dealt for value therein during the disclosure period nor has any such person borrowed or lent any such securities.
- 15.7 No member of the Concert Party or the Company or any associate or any member of the Concert Party or the Company has any arrangement with any person in relation to the transfer of any relevant securities acquired under the proposed Acquisition. For the purposes of this paragraph, “arrangement” includes any indemnity or option arrangement and any agreement or understanding, formal or informal, of whatever nature which may be an inducement to deal or refrain from dealing.
- 15.8 In this paragraph 15:
- 15.8.1 references to an “associate” of the Company are to:
- 15.8.1.1 companies which are deemed to be associates by virtue of paragraph 1 of the definition of Association in the City Code;
- 15.8.1.2 any connected adviser (as defined in the City Code) to the Company or to a company covered in paragraph 15.8.1.1 above, or to a person acting in concert with the Company, or any person controlling, controlled by or under the same control as any such connected adviser;
- 15.8.1.3 its directors and the directors of any company listed in paragraph 15.8.1.1 above (together in each case with their immediate families and related trusts);
- 15.8.1.4 an employee benefit trust of the Company or of a company covered in paragraph 15.8.1.1);
- 15.8.1.5 its pension funds or to the pension funds of a company covered in paragraph 15.8.1.1 above; and
- 15.8.1.6 (in relation to the Company) an investment company, unit trust or other person whose investments an associate (as otherwise defined in this subparagraph 15.8.1.1) manages on a discretionary basis, in respect of the relevant investment accounts;
- 15.8.2 ownership or control of 20% or more of the equity share capital of a company is regarded as the test of associated company status and “control” means a holding, or aggregate holdings, of shares carrying 30% or more of the voting rights attributable to the share capital of the company which are currently exercisable at a general meeting, irrespective of whether the holding gives *de facto* control;

- 15.8.3 “relevant securities” means the Existing Ordinary Shares and other securities convertible into, or exchangeable for, rights to subscribe for the options (including traded options) in respect of, or derivatives referenced to, any of the foregoing;
- 15.8.4 “disclosure period” is the period commencing on 25 May 2006 and ending on 25 May 2007 (being the last practicable date prior to the posting of this document).
- 15.9 None of the Directors, the Proposed Director, any member of the Concert Party or anyone acting in concert with any of them or anyone acting in concert with the Company has borrowed or lent any relevant securities during the disclosure period, being the 12 months preceding the date of this Document. No person holds any right to acquire any securities acquired pursuant to any offer that may be required to be made by the Concert Party pursuant to Rule 9.
- 15.10 The shareholdings of the persons for which a Rule 9 waiver is being sought both before the Proposals and following completion of the Proposals are set out in the table in paragraph 16 of this Part VI of this document.
- 15.11 The members of the Concert Party have confirmed that no changes are envisaged to be introduced to the Company’s business as a result of completion of the Proposals.
- 15.12 No member of the Concert Party is proposing any changes to the management or other employees of the Group or any change to the existing conditions of employment of the Enlarged Group’s employees or changes to the locations of the Enlarged Group’s places of business.
- 15.13 No member of the Concert Party is intending to redeploy any of the fixed assets of the Company.
- 15.14 There are no arrangements in place or envisaged where any member of the Concert Party will transfer to another person any Existing Ordinary Shares that may be acquired by them pursuant to any offer that may be required to be made by the Concert Party pursuant to Rule 9.
- 15.15 No member of the Concert Party intends that the payment of interest on, repayment of or security for any liability of theirs will depend to any significant extent on the business of the Company.
- 15.16 Except as disclosed in paragraph 22.11 of this Part VI of this document, there are no Shareholders who have given irrevocable undertakings to the Company to vote in favour of any offer that may be required to be made by the Concert Party pursuant to Rule 9.
- 15.17 Except as disclosed in paragraph of Part VI of this document, none of the Directors or the Proposed Director have any interest or rights to subscribe or short positions in any relevant securities of the Company.

16. INFORMATION ON THE CONCERT PARTY

- 16.1 As a result of the issue of the Consideration Shares, the Acquisition will lead to a change of control of the Company. The Panel has, for such purposes, deemed that the Concert Party comprises:

David Anthony Kennedy and the David Kennedy Family Trust

- 16.1.1 David Anthony Kennedy, will have an interest in 100,826,048 Ordinary Shares (being 51.19% of the Enlarged Issued Share Capital). Of this shareholding, Fitel Nominees Limited holds 80,237,813 Ordinary Shares as nominee for David Kennedy (being 23.93% of the Existing Ordinary Shares) which David Kennedy in turn, holds on trust for Barolo Properties Limited (as set out in paragraph 16.1.2 below). David Anthony Kennedy is ultimately beneficially interested in these shares through the David Kennedy Family Trust. In addition, David Anthony Kennedy will have an interest in a further 70,588,235 Ordinary Shares (being the Consideration Shares) as an appointed discretionary beneficiary of the Tulip Trust (as set out in paragraph 16.1.6 below).

If the Subscription Shares are issued, David Anthony Kennedy’s total interest in the Company will increase to 109,649,577 Ordinary Shares and David Kennedy will hold the Subscription Shares on trust for Barolo. Further information on David Kennedy is set out at paragraph 16.2.1 below;

- 16.1.2 Barolo Properties Limited (a company incorporated under the laws of Guernsey with registered number 36317) (“Barolo”) is beneficially interested in 30,237,813 Ordinary Shares through the declaration of trust made by David Anthony Kennedy (and referred to at 16.1.1 above). Barolo holds these shares (and will hold the Subscription Shares when issued) on behalf of its ultimate parent company, Balchan Management Limited, which acts as sole trustee for the David Kennedy Family Trust;
- 16.1.3 Balchan as the parent company of Barolo which ultimately holds the 30,237,813 Ordinary Shares (being 23.93% of the Existing Ordinary Shares and 15.35% of the Enlarged Issued Share Capital) referred to in paragraph 16.1.1 above (and will also hold the Subscription Share when issued) in its capacity as a sole trustee of the David Kennedy Family Trust. Balchan will hold the Consideration Shares as sole trustee for the Tulip Trust, but more details of this are set out in paragraph 16.1.6;
- 16.1.4 the current appointed discretionary beneficiaries of the David Kennedy Family Trust who are David Anthony Kennedy, Patricia Kennedy (David Kennedy’s wife); and David Anthony Kennedy junior, Patrick Thomas Kennedy and Paul Gerrard Kennedy (who are all sons of David Anthony Kennedy). All of these individuals are also appointed discretionary beneficiaries of the Tulip Trust, more information of this is set out in paragraph 16.1.7. Further information on the David Kennedy Family Trust is set out at paragraph 16.2.3 below;

Streetwise and the Tulip Trust

- 16.1.5 Streetwise Limited (a company incorporated in the British Virgin Islands with registered number 208431), as the proposed registered holder of the Consideration Shares;
- 16.1.6 Balchan (in its capacity as sole trustee of the Tulip Trust), as the parent company of Streetwise Limited. Balchan ultimately holds the Consideration Shares for the current appointed discretionary beneficiaries of the Tulip Trust details of which are set out at paragraph 16.1.4 above;

Others

- 16.1.7 Matthew Kennedy a nephew of David Kennedy as the holder of 16,500 Ordinary Shares;
- 16.1.8 Philamena Kennedy, a sister-in-law of David Kennedy as the holder of 235,000 Ordinary Shares;
- 16.1.9 Thomas Kennedy a brother of David Kennedy as the holder of 81,500 Ordinary Shares; and
- 16.1.10 Patrick Kennedy a brother of David Kennedy as the holder of 26,500 Ordinary Shares.
- 16.1.11 The table below sets out the Concert Party’s current percentage holdings and expected percentage holdings on Completion, assuming that the Acquisition is completed:

	<i>Percentage of the Existing Ordinary Share capital</i>	<i>Percentage of the Enlarged Issued Share Capital</i>	<i>Percentage of the Enlarged Issued Share Capital following issue of the Subscription Shares</i>
David Kennedy Family	23.93%	51.19%	53.29%
Matthew Kennedy	0.01%	0.01%	0.01%
Philamena Kennedy	0.19%	0.12%	0.11%
Thomas Kennedy	0.06%	0.04%	0.04%
Patrick Kennedy	0.02%	0.02%	0.01%
Total	<u>24.21%</u>	<u>51.38%</u>	<u>53.46%</u>

16.2 Information on the Members of the Concert Party

16.2.1 the names and addresses of the members of the Concert Party are:

all members of the David Kennedy Family	Southcliff House, Les Ruisseaux Estate, St. Brelade, Jersey JE3 8DD
Barolo Properties Limited	PO Box 428, Old Bank Chambers, Grande Rue, St Martin's, Guernsey GY1 3WZ, Channel Islands
The David Kennedy Family Trust	PO Box 428, Old Bank Chambers, Grande Rue, St Martin's, Guernsey GY1 3WZ, Channel Islands
Balchan	PO Box 428, Old Bank Chambers, Grande Rue, St Martin's, Guernsey GY1 3WZ, Channel Islands
The Columbia Vendor, Streetwise Limited	PO Box 3161, Road Town, Tortola, British Virgin Islands
The Tulip Trust	PO Box 428, Old Bank Chambers, Grande Rue, St Martin's, Guernsey GY1 3WZ, Channel Islands
Matthew Kennedy, Philamena Kennedy and Thomas Kennedy	Tirnamanagh, Pallasgreen, Co. Limerick, Republic of Ireland
Patrick Kennedy	Corelish, Pallasgreen, Co. Limerick, Republic of Ireland

16.2.2 David Anthony Kennedy was born in Tipperary, Ireland on 17 February 1952. He emigrated to England in 1977 where he commenced a career in the construction industry and subsequently in property development. The Kennedy Family Trusts have carried out several major property developments in England, Ireland, Belgium, Portugal and Jersey including:

1989/1990	Telford's Yard, Wapping, London E1W 2BQ – residential and commercial
1993/1995	Albion Yard, Whitechapel, London E1 1BW – residential and commercial
1998/2001	City Plaza, 97/113 Curtain Road, London EC2A 3BS - residential and commercial
1999/2001	Imperial Hall, 104-122 City Road, London EC1V 2NB – residential and commercial
1999/2002	1-6 Bateman's Row, London EC2A 3HA – live/work, commercial and leisure
2001/2003	Anlaby House, 27/39 Boundary Street, London E2 7JE – residential, live/work and commercial

In February 1998 he became a resident of Jersey from where he is building a substantial property development and investment portfolio. A number of developments with which David Kennedy is associated are set out in Part I of this document. David Anthony Kennedy is married with three sons.

16.2.3 Barolo is a wholly-owned subsidiary of Impala Holdings Limited (a company incorporated under the laws of Guernsey with registered number 44639) which itself is wholly owned by Balchan (in its capacity as sole trustee of the David Kennedy Family Trust); and

16.2.4 the David Kennedy Family Trust was established on 26 January 2001 under a deed of settlement of the same date by David Anthony Kennedy. Under the terms of the deed of settlement, Balchan in its capacity as trustee of the David Kennedy Family Trust has the right to nominate and alter the list of appointed discretionary beneficiaries at any time.

17. SIGNIFICANT CHANGES

- 17.1 On 5 October 2006, the Company announced the sale of its sports marketing division for a consideration of up to £11.116 million. Save as a consequence of the sale of its sports marketing division, there has been no significant or material change in the financial or trading position of the Company or the Group since 31 August 2006, being the date to which the last audited accounts of the Company were prepared.
- 17.2 There has been no significant or material change in the financial or trading position of Columbia since 29 September 2006, being the date to which the latest audited statutory accounts of Columbia were prepared.

18. GROUP COMPANIES

- 18.1 As at the date of this document, the Company is the holding company of the following companies:
- 18.1.1 Proactive Sports Management Limited (company registration number 2962751) whose principal activity is representation of professional athletes and celebrities;
- 18.1.2 Kingsbridge Asset Management Limited (company registration number 4803209) whose principal activity is wealth management;
- 18.1.3 Proactive Sports Management USA Inc (company registration number 252619) whose principal activity is representation;
- 18.1.4 Capital Sports Solutions Limited (company registration number 2515971) whose principal activity is financial brokerage;
- 18.1.5 Mathieson Consultancy Limited (company registration number 4104687), a dormant company;
- 18.1.6 Proactive Sports Management Balkans CLL (incorporated in Greece), a dormant company; and
- 18.1.7 Sport Line Soccer Management Co Limited (incorporated in Cyprus), a dormant company.
- 18.2 Following the Acquisition, the Company will be the holding company of Columbia and will have the following trading subsidiary undertakings, each of which operates in the country of its registration:

<i>Company</i>	<i>Principal activity</i>	<i>Country of registration</i>	<i>Group interest</i>
Proactive Sports Management Limited	Representation	England and Wales	100%
Kingsbridge Asset Management Limited	Wealth management	England and Wales	100%
Proactive Sports Management USA Inc	Representation	USA	100%
Capital Sports Solutions Limited	Financial brokerage	England and Wales	100%
Columbia Design & Build Limited	Project management and the design and build of various property developments	England and Wales	100%

- 18.3 Save as disclosed herein, in the three years ended on 31 August 2006, the Company had no investments in progress which are or which may be significant and has not made any firm commitments concerning the Company's principal future investments, save in respect of the Acquisition.

19. WORKING CAPITAL

The Directors and the Proposed Director are of the opinion (having made due and careful enquiry) that the Enlarged Group has sufficient working capital available to it for its present requirements, that is, for at least the period of 12 months from the date of Admission.

20. PROPERTY AND EQUIPMENT OF THE ENLARGED GROUP

Save as otherwise referred to in this document, the Company does not have, nor does any member of the Enlarged Group have, nor do they have any current intention to acquire, any material tangible fixed assets (including freehold and leasehold property). Save as disclosed elsewhere in this document, there are no environmental issues that may affect the Company's utilisation of its tangible fixed assets.

21. CONSENTS

- 21.1 Grant Thornton UK LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report and references to it in the form and context in which they appear.
- 21.2 WH Ireland has given and has not withdrawn its written consent to the issue of this document with the inclusion of references to its name in the form and context in which they are included.

22. GENERAL

- 22.1 The total expenses of, and incidental to, the Proposals payable by the Company are estimated to amount to approximately £550,000 (exclusive of value added tax, where applicable).
- 22.2 Save as disclosed elsewhere in this document, no person (excluding professional advisers otherwise disclosed in this document) has received, directly or indirectly, from the Company or any member of the Enlarged Group within the 12 months preceding the date of application for Admission; or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company or any member of the Enlarged Group on or after Admission any of the following:
- 22.2.1 fees totalling £10,000 or more;
- 22.2.2 the Company's securities where these have a value of £10,000 or more calculated by reference to the issue price or, in the case of an introducing, the expected opening price; or
- 22.2.3 any other benefit with a value of £10,000 or more at the date of Admission.
- 22.3 It is expected that definitive share certificates in respect of the Consideration Shares will be despatched by first class post on 4 July 2007. No temporary documents of title will be issued.
- 22.4 Save as disclosed in this document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.
- 22.5 Save as disclosed in this document, there are no investments by the Enlarged Group in progress which are significant.
- 22.6 Save as disclosed in this document, the Directors and the Proposed Director are not aware of any exceptional factors which have influenced the Company's activities or the activities of Columbia.
- 22.7 Save as disclosed in this document, no member of the Enlarged Group is dependant on any patents or licences, industrial, commercial and financial contracts which are material to its business and profitability.
- 22.8 The number of treasury shares held by the Company as at 25 May 2007, being the latest practicable date prior to the posting of this document, was 2,800,000.
- 22.9 The Ordinary Shares are in registered form. No temporary documents of title will be issued.
- 22.10 The following premises are the principal premises leased by the Enlarged Group:

<i>Location</i>	<i>Lease start date</i>	<i>Break Option</i>	<i>Lease end date</i>	<i>Rent per annum</i>
9-13 Manchester Road Wilmslow, Cheshire SK9 1BQ	20 July 2000	None	19 July 2015	£65,000 per annum
19 Castle Gate, Nottingham NG1 7AQ	1 October 2003	Subject to termination on three months' notice in writing	30 September 2018	£51,000 per annum
3233 M Street, N.W. Washington, D.C 20007	18 April 2005	Subject to four one year options to renew (current term expires 30 April 2008)	30 April 2006	Year 1: \$50,400.00 per annum Year 2: \$51,912.00 per annum Year 3: \$53,469.36 per annum Year 4: \$55,073.44 per annum Year 5: \$56,725.64 per annum

22.11 Irrevocable undertakings to vote in favour of the Resolutions to be proposed at the Extraordinary General Meeting have been given by the following persons (in relation to the number of Existing Ordinary Shares beneficially held by them) and, in the case of certain of those Existing Ordinary Shares held by a nominee, by the relevant nominee in respect of the legal title to such Existing Ordinary Shares):

	<i>Number of Existing Ordinary Shares</i>	<i>% of Issued Share Capital</i>
Ian Battersby	263,500	0.21
Neil John Rodford	1,089,354	0.86
Mark Page	342,993	0.27
Michael Kennedy	50,000	0.04
John Edward Lawrence MBE	765,000	0.61
Ian Alexander Craig	350,000	0.28
Balchan as trustee of the Imperial Trust	4,723,750	3.74
Kevin Bernard Moran	11,518,916	9.12
Paul Stretford	9,856,000	7.80
Texas Holdings Limited	7,740,000	6.13
Lynette Dawn Yates	11,596,667	9.18
Total	<u>48,296,180</u>	<u>38.24</u>

These undertakings shall remain binding until conclusion of the Extraordinary General Meeting.

23. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection, during normal business hours, at the offices of DLA Piper UK LLP, at 3 Noble Street, London, EC2B 7EE and the registered office of the Company, 11 Manchester Road, Wilmslow, Cheshire SK9 1BQ, until the Extraordinary General Meeting and at the meeting itself:

- 23.1 the memorandum and articles of association of the Company and Columbia;
- 23.2 the audited accounts of the Company for the last three financial years;
- 23.3 the unaudited interim accounts of the Company for the six month period ended 28 February 2007;
- 23.4 the audited accounts of Columbia prepared under UK GAAP for the last three financial years;
- 23.5 the service contracts and letters of appointment referred to in paragraph 8 above;
- 23.6 the material contracts referred to in paragraph 11 above;
- 23.7 this document;
- 23.8 irrevocable undertakings from each of the persons listed at paragraph 22.11 above to vote in favour of the Resolutions at the Extraordinary General Meeting; and
- 23.9 the written consents referred to in paragraph 21 of this Part VI.

24. AVAILABILITY OF ADMISSION DOCUMENT

Copies of this document are available to the public, free of charge, at the offices of WH Ireland, 11 St James's Square, Manchester, M2 6WH, during normal business hours on any weekday (Saturdays and public holidays excepted) from the date of this document until one month from the date of Admission and also in electronic format at the Company's website: www.formationgroupplc.com.

Dated 29 May 2007

NOTICE OF EXTRAORDINARY GENERAL MEETING

FORMATION GROUP PLC

(registered in England and Wales No. 4145632)

Notice is hereby given that an extraordinary general meeting of the above named company (the "Company") will be held at DLA Piper UK LLP, 101 Barbirolli Square, Manchester M2 3DL on 21 June 2007 at 12 noon for the purpose of considering and if thought fit passing the following resolutions (the "Resolutions") which in the case of Resolutions 1 to 4 (inclusive) will be proposed as ordinary resolutions and in the case of resolutions 5 to 8 (inclusive) will be proposed as special resolutions. Resolution 2, in accordance with the City Code on Takeovers and Mergers (the "City Code"), will be taken on a poll of Independent Shareholders (as defined in the admission document issued by the Company and dated 29 May 2007 (the "Admission Document") which accompanies this notice of an extraordinary general meeting) present and by proxy voting at the extraordinary general meeting.

Ordinary Resolutions

1. That, conditional upon the passing of resolutions 2 to 5 (inclusive), the acquisition ("Acquisition") by the Company of the entire issued share capital of Columbia Design & Build Limited ("Columbia") pursuant to the conditional agreement dated 25 May 2007 made between Streetwise Limited (1), the Company (2) and David Anthony Kennedy (3) particulars of which Acquisition is set out in the Admission Document, be and is hereby approved and that the directors of the Company be and are hereby authorised to take all steps necessary to effect the Acquisition (including, for the purposes of Section 80 of the Companies Act 1985 (as amended (the "Act")), to allot the Consideration Shares (as defined the Admission Document)) with such minor modifications, variations, amendments or revisions and to do or procure to be done such other things in connection with such acquisition as they consider to be in the best interests of the Company.
2. That the waiver by the Panel on Takeovers and Mergers of any requirement which would otherwise arise for the Concert Party (as defined in the Admission Document) to make a general offer pursuant to Rule 9 of the City Code to the other shareholders of the Company by reason of the issue of the Consideration Shares and (but not only) the Subscription Shares (as a result of which the Concert Party will own in aggregate in excess of 30% of the then issued share capital of the Company) be and is hereby approved.
3. That the authorised share capital of the Company be increased from £2,000,000 to £3,000,000 by the creation of 100,000,000 new ordinary shares of one pence each in the capital of the Company, such ordinary shares to rank *pari passu* with the existing ordinary shares of one pence each in the capital of the Company subject to the rights and restrictions set out in the articles of association of the Company (as amended pursuant to resolution 8 below).
4. That, conditional upon the passing of resolution 3 above, in accordance with Section 80 of the Companies Act 1985 ("Act"), the directors of the Company be and are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning the Section 80(2) of the Act):
 - 4.1 pursuant to the Acquisition and to enable the Company to complete the Subscription Agreement (as such terms are defined in the Admission Document) up to a maximum aggregate nominal amount of £794,117.64; and
 - 4.2 otherwise than in connection with the Acquisition up to a maximum aggregate nominal amount of £411,871.

provided that this authority, unless renewed, varied or revoked prior to its expiry date, shall expire on the earlier of the conclusion of the next annual general meeting after the passing of this resolution and the date falling fifteen months after the passing of this resolution, but such authority shall nevertheless allow the Company, prior to such expiry, to make an offer or agreement which will or might require relevant securities to be allotted after the authority expires and, in that event, the directors may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired and such authority shall be in substitution for any authority conferred upon the directors of the Company in accordance with the said section prior to the passing of this resolution, which authority (to the extent it remains in force and unexercised) is hereby revoked.

Special Resolutions

5. That, subject to the passing of resolution 4 above, pursuant to Section 95(1) of the Companies Act 1985 (“Act”), the directors of the Company be and are hereby empowered to allot equity securities (as defined in Section 94(2) to 94(3A) of the Act) pursuant to the general authority conferred by Resolution 4, as if Section 89(1) of the Act did not apply to the allotment, provided that this power shall be limited to:
 - 5.1 the allotment of equity securities up to an aggregate nominal amount of £794,117.64 in connection with the Acquisition and the completion of the Subscription Agreement (as such terms are defined in the Admission Document);
 - 5.2 any allotment of equity securities where such equity securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of ordinary shares of one pence each in the capital of the Company (“Ordinary Shares”) where the equity securities respectively attributable to the interest of all holders of Ordinary Shares are proportionate (as nearly as may be) to the respective numbers of Ordinary Shares held by them, subject to such exclusions and other arrangements as the directors of the Company may deem necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever; and
 - 5.3 any allotment (other than pursuant to sub-paragraphs 5.1, 5.2 or 5.3 above) of equity securities for cash up to a maximum aggregate nominal amount of £126,361.20.

and (unless previously revoked, varied or renewed) this power shall expire on the earlier of the conclusion of the next annual general meeting after the passing of this resolution and the date falling fifteen months after the passing of this resolution, save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash after such expiry and the directors of the Company may allot equity securities for cash pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

6. That the rules (“Option Rules”) of the Formation Group PLC Unapproved Option Scheme (“New Option Scheme”), a copy of which having been produced to the meeting and initialled by the Chairman for the purpose of identification, and the principal features of which are summarised in paragraph 5.3 of Part VI of the Admission Document be and are approved, the New Option Scheme be and is hereby adopted and the directors of the Company be and are authorised to do all acts and things which they may consider necessary or expedient to give effect to the New Option Scheme (including, but not limited to, making any amendments to the Option Rules) and that the directors of the Company be and are hereby authorised to issue Ordinary Shares of one pence each in the capital of the Company at a subscription price which is not less than the current market value of such shares to the trustee of any trust established by the Company for the benefit of employees of the Company and its subsidiaries for the purposes of satisfying the exercise of share options or other share awards granted by the trustee or the Company pursuant to the New Option Scheme to employees of the Company and its subsidiaries.
7. That the rules (“LTIP Rules”) of the Formation Group PLC Long Term Incentive Plan (“LTIP”) in the form set out in the draft rules, a copy of which having been produced to the meeting, and initialled by the Chairman for the purposes of identification, and the principal features of which are summarised in paragraph 5.2 of Part VI of the Admission Document be and are approved, the LTIP be adopted and the directors of the Company be and are authorised to do all acts and things which they may consider necessary or expedient to give effect to the LTIP including, but not limited to, making any amendment to the LTIP Rules and that the directors of the Company be and are authorised to issue ordinary shares of one pence each in the capital of the Company (“Ordinary Shares”) to the trustee of any trust established by the Company for the benefit of (inter alia) employees of the Company and of its subsidiaries for the purposes of satisfying the exercise of Ordinary Share options or other Ordinary Share awards granted by such trustee or the Company pursuant to the LTIP to employees of the Company and/or its subsidiaries, such Ordinary Shares to be issued to the trustee at a subscription price which is not less than the market value of such Ordinary Shares at the time that the awards in question are granted by the trustee.

8. That the existing articles of association of the Company (summarised at paragraph 3.2 of Part VI of the Admission Document) (“Articles”) be and are hereby amended as follows:

8.1 by deleting article 15.8 of the Articles and inserting the following new article 15.8 in its place:

“A valid instrument appointing a proxy to vote at a meeting shall be deemed also to confer authority (subject to any contrary direction contained in the instrument of proxy) (a) to demand or join in demanding a poll (and for the purposes of article 15.6 a demand by a person as proxy for a Member shall be the same as a demand by the Member) and (b) subject to the provisions of these articles of association, to vote on any resolution or amendment of a resolution put to, or any other business which may properly come before the meeting for which it is given, as the proxy thinks fit. Further, a proxy may vote on a poll or on a show of hands subject to any contrary direction contained in the instrument of proxy.”; and

8.2 by deleting article 18.3 of the Articles and inserting the following new article 18.3 in its place:

“Each of the Directors other than an executive or Managing Director shall be entitled to be paid out of the funds of the Company (by way of remuneration for his services as a Director) such sum as the Directors may determine. Such remuneration shall not exceed £120,000 per annum in aggregate or such higher amount as may from time to time be determined by ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of fees related to the period which he has held office. The remuneration of the executive Directors in respect of their services as executives shall be as provided in article 20.1. The Company by ordinary resolution may also vote extra remuneration to the Directors, which shall (unless otherwise determined by the resolution by which it is voted) be divided between the Directors as they may agree, or, failing agreement, equally. The Directors’ remuneration shall be deemed to accrue from day to day. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, or in attending and returning from meetings of the Directors or of committees of the Directors or General Meetings.”

Dated: 29 May 2007

Registered Office:
11 Manchester Road
Wilmslow
Cheshire
SK9 1BQ

Mark Page
Company Secretary
By order of the Board

Notes:

1. Holders of ordinary shares of one pence each in the capital of the Company (“Ordinary Shares”) present in person or (being a corporation) by a representative shall, upon a show of hands, each have one vote and, if present in person or by proxy or (being a corporation) by a representative shall, upon a poll, have one vote for every Ordinary Share held.
2. A holder of Ordinary Shares is entitled to appoint one or more proxies to attend and on a poll, vote on his behalf. The proxy need not to be a holder of Ordinary Shares.
3. Completion and return of a form of proxy does not preclude a holder of Ordinary Shares from attending and voting at a meeting.
4. You will find enclosed a form of proxy for use by holders of Ordinary Shares which, to be valid, must be completed and signed together with any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof and received by the Company’s registrars, Lloyds TSB Registrars of The Causeway, Worthing West Sussex, BN99 6DA not less than 48 hours before the time appointed for holding the meeting or adjourned meeting.
5. The City Code on Takeovers and Mergers requires that members holders of Ordinary Shares (other than members of the Concert Party (as defined in the Admission Document)), shall vote on Resolution 2 on a poll.

