Annual Report and Accounts 2013

formation
GROUP PLC

Formation Group PLC

Annual report and consolidated financial statements for the year ended 31 August 2013

Registered number: 04145632

ANNUAL REPORT AND ACCOUNTS 2013

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Group Revenues have grown by 148% this year from £2.359m to £5.849m on the back of an increasing workload driven by the current strong London property market. We look forward to continued growth over the coming year with various work contracts in place and further commitments anticipated over the coming months.

This year has seen a continued improvement in the Groups underlying financial performance. The efforts of the Directors and management in previous years are now showing through financially. As at the year end, one of the company's subsidiaries, Formation Design & Build Ltd, was involved in a potential dispute of alleged unpaid bills by a contractor. The Directors strongly believes that this claim has no merit. During the year Proactive Sports Management Ltd was placed into liquidation. This will now allow the Group to focus and operate entirely in the construction and property development sector.

An RNS post year end on 5th February 2014 on Aldgate announced that Julius Properties Limited were involved in a legal dispute with Redrow Homes Limited over a title issue relating to the property at No 1 Commercial Street, London E1. This situation casts doubt upon Julius Properties Limited's ability to repay JV Finance Ventures Limited's investment into Aldgate. Following further discussions it is anticipated that Formation Group Plc would be in receipt of the majority of these funds of £6.8m by June 2014.

The Chief Executive Officers Report provides further detail on the individual projects, companies and properties within the Group at present.

A strong base of experienced construction and property personnel is retained within the Group. It looks forward to utilizing this experience to its advantage over the coming year. It is anticipated that access to future cash incomes and an improving credit rating for banking purposes will also allow the Group to drive further improvements, generate profits and enhance shareholder value.

As a result the Group is in a position to maintain the services of D Khan and N O'Carroll as Directors.

The Board and Staff

The Group has continued to resolve and divest itself of the problems of the past in a difficult and challenging environment. It is now free to focus on the property development and construction activities.

We now look forward to operating a secure capital based Property Group going forward.

David Kennedy
Non-Executive Chairman

27 February 2014

Chairman's Statement

DAVID KENNEDY
Non-Executive Chairman/
Chief Executive Officer

NOEL O'CARROLL
Director of Property

DESMOND KHAN
Finance Director

MICHAEL KENNEDY
Non-Executive Director

PATRICK KENNEDY
Non-Executive Director

Introduction

This has been a demanding year for the Group. There has however been an increase in revenue and the tough measures of the past in regard to staffing, overheads etc. are now benefitting the Groups financial stability.

An RNS post year end on 5th February 2014 on Aldgate announced that Julius Properties Limited were involved in a legal dispute with Redrow Homes Limited over a title issue relating to the property at No 1 Commercial Street, London E1.This situation casts doubt upon Julius Properties Limited's ability to repay JV Finance Ventures Limited's investment into Aldgate. However, it is anticipated that Formation Group will be in receipt of the majority of these funds by June 2014. The directors are of the belief that this is unlikely to have any consequence on the ability of the Group to continue as a going concern.

The Group has resolved its sports related litigation issues of the past and liquidated Proactive Sports Management Limited which it had acquired in order to assist in the conduct of these litigation issues. Post year end the Group has handed the management of its investment properties in Bristol and Bradford to managing agents recommended by Dunbar Assets Plc who provide non-recourse funding on both properties.

The primary focus of the Group now remains on consolidation and the property sector.

Results

The trading results for the year have improved after allowing for the share of joint venture profits of £1.243m last year with Group revenue from continuing operations increasing to £5.84 million (2012 £2.4 million). This has resulted in a loss before taxation and exceptional items from continuing operations of £0.24 million (2012 loss: £0.54 million). The Directors believe that that is a better comparison of year on year results as it omits the exceptional one off item for the year ended 31 August 2012.

Dividend

The Group has always sought to reward shareholders by way of an annual dividend payment. In the last five years however the Group has been unable to do so.

Whilst we have strengthened our position in this regard, trading and cash resources remain weak, hence the directors, after careful consideration have decided not to pay a shareholders dividend. The decision will continue to be reviewed as the Groups resources and performance improves.

Business Overview

The Group continues to develop its interest in the construction and property development/management business, generating income through project development and management of small/medium scale building projects. Rental incomes to a far lesser extent are also generated on various residential and commercial investments retained by the Group.

Some schemes in which we have been involved this year are:

(i) **Batemans Row, London EC1**
Project management on the construction of 5 large penthouse apartments in a restricted inner London location above a seven storey building incorporating 36 No residential units and commercial spaces.

(ii) **Boundary Street, London E1**
Project management on the construction of 3 penthouse apartments above a seven storey mixed use building.

(iii) **Princelet Street, London E1**
Project management on the construction of 10 apartments involving the conversion and rooftop extension of a warehouse building in a restricted inner London location.

(iv) **Salter Street, London E14**
Project management on the demolition of a warehouse and new build construction of 18 apartments and a commercial unit adjoining the entrance to Westferry Road, Docklands Light Railway station.

(v) **Park Road, London N8**
Project management on the new build construction of 9 apartments and associated car parking on the site of a former pub.

(vi) **Finchley Road, London NW3**
Project management on the new build construction of 22 luxury apartments above a large basement area and associated car parking in an affluent North London location.

(vii) **Boleyn Road, London N16**
Project management on the demolition of a pub and the new build construction of 9 No apartments above a ground floor and basement commercial unit.

As stated in previous years this area of our business was under pressure due to the lack of the availability of bank funding for speculative development. We have seen an increasing appetite from banks this year and the buoyant London property market is looking promising in the immediate future.

We would hope to be able to expand our business on this basis following the anticipated repayment of our investment in Aldgate.

Investment Properties Retained

The Group currently has an interest in the following income producing investment properties:

(i) **52-58 Commercial Road, London E1**
Formation Group Plc had an entitlement to 40% of the profits of the above development.

The profit element attributable to Formation Group PLC is now finalized at £1,188,676. As announced on 29th August 2013 Formation Group Plc received the sum of £412,676 and a further sum of £501,000 post year end as announced on 14th February 2014, leaving an outstanding balance of £275,000 from the 40% profit share owed to it.

In settlement of this balance Rocquefort Properties Limited will now hold in trust 11 No car parking spaces valued at £25,000 each for Formation Group Plc. The spaces are to be sold or let as directed by Formation Group Plc who will then receive the net proceeds.

(ii) **175–180 Church Road, St. George, Bristol**
FG (Bristol) Limited, a wholly owned subsidiary of Formation Group Plc owns 15 apartments, 3 retail units and associated car parking at the above address. The apartments and retail units are income producing. Current expected gross rental income is circa £135,000 p.a. Dunbar Assets Plc currently provide non-recourse funding, secured upon the scheme, of £2,079,930. Post year end Dunbar Assets Plc recommended new managing agents for this property with a view to dispersing of the asset.

(iii) **York House, Upper Piccadilly, Bradford, BD1 4PD**
FG (Bradford) Limited, a wholly owned subsidiary of Formation Group Plc, currently owns 24 apartments and a commercial unit at the above address. These properties are income producing. Current expected gross rental income is circa £110,000 p.a. Dunbar Assets Plc currently provide non-recourse funding ,secured upon the scheme of £2,212,753. Post year end Dunbar Assets Plc recommended new managing agents for this property with a view to dispersing of the asset.

Risks and Uncertainties

Going concern

As highlighted in note 1, the ability of the Group to continue trading as a going concern is dependent on the realisation of cash from its investment in J.V. Finance Ventures Limited and new construction contracts being won in the next twelve months. There is a significant level of uncertainty over the ability of the Group to continue as a going concern; however we have a reasonable expectation that the Group can have resources available to it from its major shareholder to continue in operational existence for the forseeable future.

Divested Business

The past five years has seen a substantial refocus in the Group's activities. The recommendation by the Board and subsequent approval by shareholders to dispose of certain non-related businesses has strengthened the Groups financial position. The subsequent conditional sale by Julius of its interest in Aldgate has moved the Group a step closer to recouping its investment in Aldgate's rescue, albeit the post year end announcement on 5th February 2014 advising of a legal dispute between Julius Properties Limited and Redrow Homes Limited.

Restructuring over the past five years has ensured that the core property business remains competitive, whilst also maintaining a strong nucleus with future access to cash reserves which will enable the Group to grow and prosper.

Outlook

The business has undergone significant change and challenges over the past five years. It has been creative in its approach to such change and challenges, and willing to take the tough decisions in relation to litigation issues, winding down and liquidating of companies when necessary and decisions on staffing in order to ensure the Groups survival in a difficult trading environment.

The outlook continues to be best described as more optimistic with a larger order book than last year and the belief that it will continue to grow. We believe the company is now in a position where it is ready to prosper from the significant recovery which is currently evident in the London property market. The company remains hopeful of having recourse to its cash investment in Aldgate in 2014, albeit the legal dispute mentioned above. The reinvestment benefits of this cash should help ensure future growth for the Group.

David Kennedy
Chief Executive Officer
27 February 2014

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's reports, for the year ended 31 August 2013.

Principal activities and business review
The principal activities of the Group is the provision of professional construction management services.

The subsidiary undertakings principally affecting the profits and net assets of the Group in the year are listed in note 5 to the Company financial statements.

A detailed review of the Company and its subsidiary undertakings, including discussion of the principal risks and uncertainties facing the Group and likely future developments is contained in the Chief Executive Officer's report.

Results and dividends
The audited financial statements for the year ended 31 August 2013 are set out on pages 18 to 72. The Group's result for the year after taxation was a loss of £405,000 (2012: profit of £366,000).

The Directors are not recommending the payment of a final dividend (2012: £Nil). No interim dividend was declared this year (2012: £Nil).

Principal risks and uncertainties
The principal risks and uncertainties of the business are disclosed on page 6 of the Chief Executive Officer's Report.

Key Performance Indicators (KPIs)
In prior years gross profit was considered to be the most meaningful KPI. Gross profit on project management was 9.7% in the year to 31 August 2013 (31 August 2012: 13.1%). The Directors currently consider working capital management and the successful resolution of the Redrow dispute by its JV Partner to be the key risk considerations, at the year end.

Risk Management policies
As disclosed in note 21, the Group has a centralised financial risk management function which monitors and manages the financial risks relating to the operations of the Group. The primary risks faced by the Group are credit risk, interest risk and liquidity risk. The Board has reviewed and agreed policies for management of this risk. All of the Group's activities involve analysis, acceptance and management of some degree of risk or combination of risks.

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.

Directors
The Directors who served during the year and thereafter were as follows:

D. Kennedy	Non-Executive Chairman CEO
M. Kennedy	Non-Executive Director
P. Kennedy	Non-Executive Director
D. Khan	Finance Director
N. O'Carroll	Property Director

Brief biographical details of the Directors are contained in the Corporate Governance Report. Details of Directors' remuneration and interests in the shares and share options of the Company are included in note 6 to the consolidated financial statements and in the Directors' remuneration report.

Supplier payment policy
The Company's policy, which is also applied by the Group, is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment. Trade creditors of the Company at 31 August 2013 were equivalent to 68 days' (2012: 95 days') purchases, based on the average daily amount invoiced by suppliers during the year.

Substantial shareholdings
On 30 November 2013 the Company had been notified of the following interests in the ordinary share capital of the Company:

Name of holder	Beneficial holder	Number	Held (%)
Streetwise Limited	The Tulip Trust	75,097,354	34.06
Fitel Nominees Limited	Kennedy Private Trust Company Limited as trustees of The Kennedy Family Discretionary Settlement	31,322,813	14.20
Kennedy Private Trust Company Limited as trustees of The Kennedy Family Discretionary Settlement		8,823,529	4.00
Fitel Nominees Ltd	Formation Group Plc – Treasury Account	16,497,258	7.48
K. B. Moran	K. B. Moran	11,256,916	5.10
Lynchwood Nominees Limited	P. Stretford	8,156,000	3.70

Transactions in the Company's own shares
During the year, the Company did not purchase any of its own shares.

Disabled employees
Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

Employee consultation
The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Group. This is achieved through formal and informal meetings and e-mail communication. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. The enterprise management incentive plan, the unapproved share option plan, the Non-Executive share option plan and the Long Term Incentive Plan (all share option plans) are open to senior employees within the Group. Options granted under the plans are exercisable after 3 years and lapse after 10 years. At 31 August 2013, a total of 3 employees had options granted under these plans.

Charitable and political donations
The Group made charitable donations of £Nil in the year (2012: £Nil). The Group did not make any political contributions.

Auditors
Grunberg & Co Limited were appointed as auditors of Formation Group Plc. A resolution to re-appoint Grunberg & Co Limited as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board,

D. Khan
Secretary

Oakwood House
414 - 422 Hackney Road
London
E2 7SY

27 February 2014

Corporate Governance

Introduction
The Company's shares are listed on the Alternative Investment Market (AIM) and as such there is no requirement to publish a detailed Corporate Governance statement. However, in accordance with best practice, a detailed Corporate Governance statement is set out below.

Board of Directors
The Board currently comprises of the Non-Executive Chairman/Chief Executive Officer, the Finance Director, the Property Director and two Non-Executive Directors. The three Non-Executive Directors are considered by the Board to be independent of management and free from any business relationship that could materially interfere with the exercise of their independent judgement. Brief biographical details of the Directors appear below.

David Kennedy (Aged 36) Chief-Executive Officer
David represents the interests of the Group's largest shareholder the David Kennedy Family Trust. David has a background in property development and adds significant strength to the board in this area, holding other directorships within the property sector.

Noel O'Carroll (Aged 53) Property Director
Noel O'Carroll is Managing Director of the Property Segment. 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 construction.

Desmond Khan (Aged 51) Finance Director
A Fellow of the Association of Certified Chartered Accountants with vast previous experience operating within various sectors of the construction industry. Desmond joined the business as Financial Controller in 1997, progressing to position of Finance Director of Formation Design & Build Limited in 2000 and Formation Architectural Design Limited in 2007. Desmond was appointed Group Finance Director on 25 January 2010.

Michael Kennedy (Aged 70) Non-Executive Director
Michael Kennedy joined the Group in January 2005. He is a Senior Partner at the law firm Herbert Reeves & Co. and specialises in property law.

Patrick Kennedy (Aged 33) Non-Executive Director
Patrick represents the interests of the Group's largest shareholder the David Kennedy Family Trust. Patrick has a background in property development and adds significant strength to the board in this area, holding other directorships within the property sector.

The Board meets monthly throughout the year and the Board members are in frequent contact between meetings. The Board is responsible for the overall Group strategy, reviewing trading performance, formulating policy on key areas of the business and major acquisition decisions.

In order to enable the Board to discharge its duties, all Directors have full and timely access to all relevant information. The Directors also have access to independent professional advice at the Company's expense.

The Non-Executive Directors are appointed for specific terms. All Directors are subject to election by shareholders at the first Annual General Meeting after their appointment and thereafter are required to seek re-election at least every three years.

Nominations Committee
The Board operates a Nominations Committee for the appointment of Directors. The members of the Committee are D. Kennedy (Chairman), M. Kennedy and P. Kennedy. The Nominations Committee is responsible for regularly reviewing the structure, size and composition of the Board and identifying and recommending appropriate candidates for membership of the board when vacancies arise. In considering an appointment, the Nominations Committee evaluates the balance of skills, knowledge and experience of the Board and prepares a description of the role and capabilities of a particular appointment.

Relations with Shareholders
Communications with shareholders are given a high priority. There is dialogue with both institutional and private investors as well as general presentations after the interim and full year results are announced. The Company also makes available on its website (www.formationgroupplc.com) the latest Annual Report and Investor Presentation, as well as relevant announcements. The Company also responds throughout the year to numerous letters from individual shareholders on a wide range of issues on a timely basis.

All shareholders are given at least twenty one days notice of the Annual General Meeting at which Directors are available for questions.

Audit Committee
The Audit Committee monitors the adequacy of the Group's internal financial controls, accounting policies and financial reporting. It reviews the interim and full year financial statements prior to submission to the main Board. The Committee liaises with external auditors and reviews the scope of the audit and is also responsible for overseeing all matters associated with the appointment, terms, remuneration and performance of the auditors.

Non-audit work undertaken by the auditors is limited to work that requires detailed knowledge derived from the statutory audit (for example, taxation work) or to work where fees involved (either individually or annually in total) are not considered to be material. In other circumstances, proposed assignments are put out to competitive tender.

The Audit Committee has reviewed the remuneration received by Grunberg & Co. for non-audit work. The fees for non-audit work are analysed in note 4 to the consolidated financial statements. The Audit Committee has concluded that no conflict of interest exists between the Grunberg & Co. audit and non-audit work and that their involvement was based on the most effective way of conducting the Group's business.

The Committee is composed of D. Kennedy (Chairman), M. Kennedy and P. Kennedy. The rest of the Board also attends Audit Committee meetings by invitation.

Directors' Responsibilities
A statement covering the Directors' responsibilities for preparing the financial statements is included in the annexed financial statements.

Internal Control
The Board has overall responsibility for the Group's system of internal control, including financial, operational and compliance controls and risk management. The Board is responsible for reviewing its overall effectiveness of internal control. The system is designed to manage rather than eliminate risk and can provide only reasonable and not absolute assurance against material mis-statement or loss. The Board confirms that, in accordance with the guidance "internal control: Guidance for Directors on the UK Corporate Governance Code 2010", there is an ongoing process for identifying, evaluating and managing the significant risks faced by the Group. This process was in place throughout the year under review and up to the date of approval of the annual report.

There is no formal internal audit department, as the board does not consider this to be necessary due to the size of the operations in the Group. The Board will keep this decision under review as the Group grows. Information is collated by the Board on an ongoing basis to assess the effectiveness of the system of internal control. In addition, the Board monitors the Group's significant risks continually.

Introduction
This report has been voluntarily prepared and follows the guidance contained in the Directors' Remuneration Report Regulations SI 2008/410 Schedule 8, which introduced statutory requirements for the disclosure of Directors' remuneration in respect of periods ending on or after 31 December 2008. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. A resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the financial statements will be laid for approval.

The unaudited information is included below, whilst the audited information is included within note 6 to the consolidated financial statements.

Unaudited information

Remuneration Committee
The Committee consists of the three Non-Executive Directors: D. Kennedy, M. Kennedy and P. Kennedy. The Committee is chaired by D. Kennedy and its purpose is to determine the remuneration, benefits and the terms and conditions of employment of the Executive Directors. No Director plays a part in any discussion about his own remuneration.

Remuneration policy
Executive remuneration packages are designed to reflect the duties and responsibilities of that Executive, taking into account market conditions, and to ensure that the Group attracts and retains people of the highest calibre, rewarding them for enhancing value to shareholders. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package is undertaken by the Committee. Within the limits set out by the Articles of Association, the Board determines the remuneration of the Non-Executive Directors. Audited details of the Directors' remuneration are given in note 6 to the consolidated financial statements.

There are four main elements of the remuneration package for Executive Directors and senior management:

- Basic annual salary and benefits;
- Annual bonus payments;
- Share option incentives; and
- Pension arrangements.

Basic salary
Salaries for the Executive Directors are reviewed annually with any changes taking effect from the beginning of the next financial year. In deciding appropriate levels, the Committee considers the Group as a whole and benchmarks the salary to Executives in other companies of a similar size and nature. Executive Directors' contracts of service, which include details of remuneration, will be available for inspection at the Annual General Meeting.

Annual bonus payments
The Committee establishes the objectives that must be met for each financial year if a cash bonus is to be paid. In setting appropriate bonus parameters, the Committee benchmarks the salary to Executives in other companies of a similar size and nature, as noted above. The Committee believes that any incentive compensation awarded should be tied to interests of the Company's shareholders and that the principal measure of those interests is total shareholder return.

Directors' bonuses are based on meeting the financial targets of the Group and any relevant objectives personal to that Director.

Share options
Grants of share options are at the discretion of the Board. All grants are intended to promote a longer term involvement in the well-being of the Group and capital growth benefits for option holders. Options are not routinely granted on an annual basis but made on an individual basis to reflect performance, increased responsibilities and promotions.

The Company operates three further share option plans, the EMI plan, the unapproved plan and the Non-Executive plan. Grants of options under these plans are at market value.

Service agreements
All Executive Directors have service contracts with at least six months notice. All Non-Executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set out in the Articles of Association and based upon independent surveys of fees paid to Non-Executive Directors of similar companies. Non-Executive Directors can participate in the Non-Executive share option scheme but are not eligible to join the Company's pension scheme.

In the case of early termination of employment, the Committee will adopt the objectives outlined in the UK Corporate Governance Code 2010.

Directors' contracts
It is the Company's policy that Executive Directors should have contracts with an indefinite term providing for a minimum of six months' notice. The details of the Directors' contracts are summarised below.

	Date of contract	Notice period
D. Khan	25 January 2010	6 months
N. O'Carroll	25 May 2007	6 months

By order of the Board,

David Kennedy
Chairman – Remuneration Committee

27 February 2014

Statement of Directors’ Responsibilities

Directors' responsibilities statement

The directors are responsible for preparing the Directors’ Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and elected to prepare the financial statements of the parent company in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company and Group for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;

- make judgments and accounting estimates that are reasonable and prudent;

- state whether applicable UK Accounting Standards/IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements and;

- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s and Group’s transactions and disclose with reasonable accuracy at any time the financial position of the company and Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as each of the directors is aware:

- there is no relevant audit information of which the company’s and Group’s auditors are unaware; and

- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Formation Group plc.
We have audited the group financial statements of Formation Group Plc for the year ended 31 August 2013 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position, consolidated statement of changes in equity, consolidated statement of cash flows, company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is the applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the directors and auditor
As explained more fully in the Directors' Responsibilities Statement set out on page 15 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at **www.frc.org.uk/apb/scope/private.cfm**

Opinion on the financial statements
In our opinion the group financial statements:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 August 2013 and of the group's loss for the period then ended;

- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;

- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Policies and

- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter - Going concern
In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. The group incurred a net loss of £405,000 during the year ended 31 August 2013.

As explained in note 1, the ability of the group to continue trading as a going concern is dependent on the realisation of its investment in the Aldgate Development of £6.2m. This, coupled with existing and new building contracts, and continued support from the group's majority shareholder, would in a large part ensure that the group generates sufficient working capital to continue trading as a going concern.

However, these conditions, along with the other matters disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the group financial statements are prepared is consistent with the group financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Other matter
We have reported separately on the parent company financial statements of Formation Group Plc for the year ended 31 August 2013. That report includes an emphasis of matter.

David Grunberg BA FCA
Senior Statutory Auditor

For and on behalf of:
Grunberg & Co Limited
Statutory Auditor
Chartered Accountants
10/14 Accommodation Road
London
NW11 8ED

28 February 2014

Consolidated Income Statement

For the year ended 31 August 2013

	Notes	2013 £'000	2012 £'000
Continuing operations			
Revenue	2	**5,849**	2,359
Cost of sales		**(5,284)**	(2,050)
Gross profit		**565**	309
Administrative expenses		**(805)**	(848)
Operating loss from continuing operations	2	**(240)**	(539)
Share of profit from joint venture development		**-**	1,243
Finance costs	3	**(34)**	(40)
(Loss)/profit before taxation and exceptional items		(274)	664
Exceptional Items	8	**(113)**	(136)
(Loss)/profit before taxation		(387)	528
Taxation	7	**-**	-
(Loss)/profit for the year from continuing operations		**(387)**	528
Discontinued operations			
Loss for the year from discontinued operations	9	**(18)**	(162)
(Loss)/profit for the year	4	**(405)**	366
Attributable to:			
Equity holders of the parent		**(405)**	366
		(405)	366
(Loss)/profit Earnings per share			
From continuing operations			
Basic	10	**(0.19p)**	0.25p
Diluted	10	**(0.19p)**	0.25p
From discontinued operations			
Basic	10	**(0.01p)**	(0.08p)
Diluted	10	**(0.01p)**	(0.08p)
From continuing and discontinued operations			
Basic	10	**(0.20p)**	0.17p
Diluted	10	**(0.20p)**	0.17p

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2013

	2013 **£'000**	2012 £'000
(Loss)/profit for the year	**(405)**	366
Other comprehensive (expense)/income:	**-**	-
Total comprehensive income/(expense) income for the year	**(405)**	366
Attributable to:		
Equity holders of the parent	**(405)**	366
	(405)	366

Consolidated Statement of Financial Position

31 August 2013

	Notes	2013 £'000	2012 £'000
Non-current assets			
Other intangible assets	12	**1**	1
Property, plant and equipment	13	**7**	3
Investments accounted for using the equity method	14	**6,238**	6,238
		6,246	6,242
Current assets			
Inventories	15	**3,918**	3,919
Trade and other receivables	16	**1,951**	1,810
Cash and cash equivalents	17	**240**	409
		6,109	6,138
Total assets		**12,355**	12,380
Current liabilities			
Trade and other payables	18	**(2,073)**	(1,700)
Current income tax liabilities		**-**	-
Bank overdrafts and loans	19	**(4,292)**	(4,285)
		(6,365)	(5,985)
Net current (liabilities)/assets		**(256)**	153
Total liabilities		**(6,365)**	(5,985)
Net assets		**5,990**	6,395

Consolidated Statement of Financial Position *continued*

31 August 2013

	2013	2012
	£'000	£'000
Equity		
Share capital	**2,205**	2,205
Share premium account	**2,106**	2,106
Treasury shares	**(602)**	(602)
Capital redemption reserve	**61**	61
Share option reserve	**22**	22
Retained earnings	**2,198**	2,603
Total equity attributable to the parent's shareholders	**5,990**	6,395

The financial statements were approved by the Board of Directors on 27 February 2014 and signed on its behalf by:

Desmond Khan FCCA
Director

Registration number: 4145632

Consolidated Statement of Changes in Equity

31 August 2013

	Called up share capital £'000	Share premium account £'000	Treasury shares £'000	Capital redemption reserve £'000	Merger reserve £'000	Share option reserve £'000	Currency reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 September 2011	2,205	2,106	(602)	61	-	22	-	2,237	6,029
Share based payment charge	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-	-	-	-	-	-
Realisation of merger reserve on impairment of goodwill	-	-	-	-	-	-	-	-	-
Transactions with owners	-	-	-	-	-	-	-	-	-
Profit for the financial period	-	-	-	-	-	-	-	366	366
Exchange differences on translating foreign operations	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-
Balance at 31 August 2012	2,205	2,106	(602)	61	-	22	-	2,603	6,395
Realisation of merger reserve on impairment of goodwill	-	-	-	-	-	-	-	-	-
Transfer to retained earnings	-	-	-	-		-	-	-	-
Transactions with owners	-	-	-	-	-	-	-	-	-
Loss for the financial period	-	-	-	-	-	-	-	(405)	(405)
Total comprehensive income for the year	-	-	-	-	-	-	-	-	-
Balance at 31 August 2013	2,205	2,106	(602)	61	-	22	-	2,198	5,990

Consolidated Statement of Cash Flows

For the year ended 31 August 2013

	Notes	2013 £'000	2012 £'000
Operating activities			
Cash used in operations	23	**(134)**	74
Income taxes paid		**-**	(440)
Interest paid		**(34)**	(40)
Net cash outflow from operating activities		**(168)**	(406)
Investing activities			
Purchases of property, plant and equipment		**(8)**	-
Purchase of investments		**-**	(4)
Net cash used in by investing activities		**(8)**	(4)
Financing activities			
New loans		**7**	239
Loan repayments		**-**	-
Net cash generated by/(used in) financing activities		**7**	239
Net decrease in cash and cash equivalents		**(169)**	(171)
Cash and cash equivalents at the beginning of the year		**409**	580
Cash and cash equivalents at the end of the year		**240**	409

General information
Formation Group PLC is a company incorporated in the United Kingdom under The Companies Act 2006. The address and registered office is Oakwood House, 414-422 Hackney Road, London, E2 7SY. The nature of the Group's operations and its principal activities are set out in the Directors' report on page 6.

The financial statements are presented in pounds sterling.

The accounting policies set out below have been applied to all periods presented in the consolidated financial statements.

1. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the European Union (EU) and interpretations issued by the IFRS Interpretations Committee (IFRIC). 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 IFRIC.

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 financial statements have been prepared using the measurement bases specified by IFRS for each type of asset, liability, income and expense. The measurement bases are more fully described in the detailed accounting policies below.

Basis of preparation and Going Concern
The Directors have prepared working capital forecasts for the period to 31 August 2015. The ability of the Group to continue trading as a going concern is dependent on the continuing income streams from existing and new contracts, together with the expected realisation of the Group's investment from the Aldgate Development. Additionally, continued support may be required from its majority shareholder.

The Groups ability to continue as a going concern may be impacted by developments as announced following the year end in relation to the legal dispute on the Aldgate development. The directors are of the belief that this is unlikely to have an effect on the ability of the Group to continue as a going concern.

Nevertheless after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

1. Significant accounting policies *continued*

Basis of consolidation
The Group's financial statements consolidate the results of Formation Group PLC and entities controlled by the Company (or its subsidiaries) made up to 31 August each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so 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 a subsidiary 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.

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. The amortisation charge is included within administration expenses.

Investments in associates
The Group's investment in JV Finance Ventures Limited was initially recognised at cost and subsequently accounted for using the equity method. The carrying amount of the investments in associates is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate.

Unrealised gains and losses on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in those entities. Where unrealised losses are eliminated, the underlying asset is also tested for impairment.

Amounts reported in the financial statements of associates have been adjusted where necessary to ensure consistency with the accounting policies of the Group.

1. Significant accounting policies *continued*

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

Short leasehold improvements	Term of lease
Fixtures and fittings	5 years
Office equipment	Between 3 and 5 years

Material residual value estimates are updated as required, but at least annually.

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 the income statement.

Impairment testing of goodwill, other intangible assets and property, plant and equipment
For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Goodwill is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which management monitors the goodwill for internal management purposes, although this may not be larger than an operating segment.

Goodwill, other individual assets or cash-generating units that include goodwill, other intangible assets with an indefinite useful life, and those intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use based on an internal discounted cash flow evaluation. Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

1. Significant accounting policies *continued*

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 taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries and associates and the investment in JV Finance Ventures Limited, unless the Group is able to control the reversal of the temporary difference. 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 substantively 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 construction project management represents amounts chargeable for services provided and expenses recharged to clients. Revenue is recognised based on an assessment of the fair value of the services provided at the balance sheet date as a proportion of the total value of the contract. Profits are recognised in line with each separate supply. Where it is probable that total costs will exceed total revenue on a particular development, the expected loss is recognised as an expense immediately.

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 revenue recognition policy above, are credited to deferred income. Similarly, invoices received by the Group but not yet recognised as costs, in line with the revenue recognition policy above, are debited to accrued income.

1. Significant accounting policies *continued*

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.

Leases
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.

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.

Inventories – work in progress
Work in progress is stated at the lower of cost and net realisable value, net of payments received on account. Net realisable value is based on the estimated selling price less any further costs expected to be incurred.

1. Significant accounting policies *continued*

Financial assets

Financial assets are considered to be loans and receivables.

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available. No financial assets are held which are categorised as at fair value through profit or loss or held to maturity investments.

All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets other than those categorised as at fair value through profit or loss are recognised initially at fair value plus transaction costs.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables and most other receivables are classified as loans and receivables. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

Provision against loans and receivables are made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for de-recognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for de-recognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. The Group does not currently hold any financial liabilities within this category.

All other financial liabilities are recorded initially at fair value, net of direct issue costs. These are subsequently recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest 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.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

1. Significant accounting policies *continued*

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.

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.

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 'Provisions, Contingent Liabilities and Contingent Assets'; and

- the amount initially recognised less, where appropriate, cumulative amortisation.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.

- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.

- "Merger reserve" represents the premium arising on share issued as part of share for share exchanges.

- "Share option reserve" includes equity-settled share-based employee remuneration until such share options are exercised.

- "Currency reserve" represents the differences arising from translation of investments in overseas subsidiaries.

- "Retained earnings" represents retained earnings.

- "Treasury shares" represents ordinary shares held in the share capital of the Company.

- "Capital Redemption Reserve" represents a reserve required to prevent a reduction in capital on share buy back.

1. Significant accounting policies *continued*

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.

Operating profit

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

Discontinued operations

A discontinued operation is a cash-generating unit, or a group of cash-generating units, that either has been disposed of, or is classified as held for sale, and:

- represents a separate major line of business or geographical area of operations

- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or

- is a subsidiary acquired exclusively with a view to resale

The disclosures for discontinued operations in the current and prior year relate to all operations that had been discontinued by the balance sheet date for the latest period presented.

1. Significant accounting policies *continued*

Critical judgements 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 following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year:

- *Adverse market conditions affecting property investments* – due to the currently depressed market conditions, the group has been unable to dispose of its completed property developments in Bristol and Bradford detailed on page 6 and have been in discussions with Dunbar Assets Plc on a hand back of these properties. Following the year end, FG Group handed over management of these properties to Dunbar Assets' recommended agents and it is our belief that the bank will dispose of the assets in the immediate future.

- *Investment in Aldgate* – the Groups ability to continue as a going concern may be impacted by developments as announced following the year end in relation to the legal dispute on the Aldgate development. The directors are of the belief that this is unlikely to have an effect on the ability of the Group to continue as a going concern.

1. Significant accounting policies *continued*

Standards and interpretations
At the date of authorisation of these consolidated financial statements, the following standards and interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective.

- IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2015)
- IFRS 10 Consolidated financial statements (effective for periods beginning on or after 1 January 2013)
- IAS 27 Separate financial statements (effective for periods beginning on or after 1 January 2013)
- IAS 28 Investments in associates and joint ventures (effective for periods beginning on or after 1 January 2013)
- IFRS 12 Disclosure in interests in other entities (effective for periods beginning on or after 1 January 2013)
- IFRS 13 Fair value measurement (effective for periods beginning on or after 1 January 2013)
- IAS 36 Recoverable amount disclosures for Non-Financial assets (effective for periods beginning on or after 1 January 2014)
- IAS 19 Employee benefits (revised) (effective for periods beginning on or after 1 January 2013)

The Directors are considering the potential impact of adoption of these standards and interpretations in future periods on the consolidated financial statements of the Group.

2. Segment information

For management purposes, the Group is organised into two operating segments; Professional Services and Management Services. These segments are the basis on which the Group reports its primary segment information. Professional Services includes construction project management. Management Services provided career management and representation advice to entertainers and athletes within the sports and entertainment sectors, however these services were discontinued in the prior year.

Segment information about these businesses is presented below:

2013

	Management Services £'000	Professional Services £'000	Discontinued operations £'000	Consolidated £'000
Revenue from external customers	-	6,068	(219)	5,849
Segment gross profit	-	706	(141)	565
Unallocated corporate expenses				(805)
Operating loss				(240)
Finance costs				(34)
Loss before taxation and exceptional items				(274)
Exceptional items				(113)
Loss for the year from continuing operations				(387)
Loss for the year from discontinued operations				(18)
Loss for the year				(405)

2. Segment information *continued*

2012

	Management Services £'000	Professional Services £'000	Discontinued operations £'000	Consolidated £'000
Revenue from external customers	1	2,359	(1)	2,359
Segment gross profit	1	312	(4)	309
Unallocated corporate expenses				(848)
Operating loss				(539)
Share of profit from equity accounted investments				1,243
Finance costs				(40)
Profit before taxation and exceptional items				664
Legal costs / loss on sale of freehold				(136)
Profit for the year from continuing operations				528
Loss for the year from discontinued operations				(162)
Profit for the year				366

2. Segment information *continued*

Discontinued operations
Discontinued operations in the year ended 31 August 2013 primarily relate to winding down of FG Bradford Limited, FG Bristol Limited and Proactive Sports Management Limited, which entered into liquidation during the financial year. In addition, given that Formation Wealth Solutions Limited and Formation Architectural Design Limited are non-trading, minimal activities of these subsidiaries are also included as discontinued operations.

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

Geographical segments
The Group's principal operations in the year have been located in the United Kingdom. The Professional Services segment is located in the United Kingdom. Revenue from the Group's discontinued operations was derived from the United Kingdom. The following table provides an analysis of the Group's revenue from continuing operations by geographical market irrespective of the origin of the services:

	Revenue by geographical market	
	2013	2012
	£'000	£'000
United Kingdom	**5,849**	2,295
Rest of the World	**-**	64
	5,849	2,359

During the year under review, companies controlled by Osprey Private Trust Company Limited, as trustees of The Osprey Trust and Kennedy Private Trust Company Limited and as trustees of Kennedy Family Discretionary Settlement (the shareholder) attributed 97% (2012: 96%) of the revenue within the Professional services segment.

All assets are located in the United Kingdom.

3. Investment income and finance costs

Finance costs

	2013 £'000	2012 £'000
Other interest payable	**(34)**	(40)

4. Profit for the year

Profit for the year is stated after charging:

	Continuing operations		**Discontinued operations**		**Total**	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
Depreciation of property, plant and equipment	**3**	7	**-**	6	**3**	13
Impairment charge	**-**	-	**-**	-	**-**	-
Cost of inventories recognised as expense	**-**	-	**-**	-	**-**	-
Employee costs (note 5)	**413**	511	**-**	-	**413**	511
Auditors' remuneration (see opposite)	**26**	26	**-**	-	**26**	26

4. Loss/(profit) for the year *continued*

A more detailed analysis of auditors' remuneration is provided below:

	2013 £'000	2012 £'000
Fees payable to the Company auditor for the audit of the parent and consolidated financial statements	**15**	15
Other fees to auditors – the audit of the Company's subsidiaries pursuant to legislation	**9**	9
Tax compliance	**2**	2
	26	26

5. Employee costs

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

	2013 Number	2012 Number
Professional Services	**2**	3
Administration	**1**	1
	3	4

	2013 £'000	2012 £'000
Their aggregate remuneration comprised:		
Wages and salaries	**374**	459
Social security costs	**39**	52
	413	511

6. Directors' remuneration, interests and transactions

Aggregate remuneration

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

	2013 **£'000**	2012 £'000
Emoluments	**329**	330
Money purchase pension contributions	**-**	-
	329	330

Directors' emoluments

Name of Director	Fees/basic salary £'000	**2013 Total £'000**	2012 Total £'000
Executive			
N. O'Carroll	169	**169**	169
D. Khan	160	**160**	161
Aggregate emoluments	329	**329**	330
Fees to third parties	-	**-**	15

Fees to third parties of £nil (2012- £15,000) comprises fees paid to C Green.

6. 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, none of which have been exercised during the year:

Name of Director	Scheme	At 1 September 2012 Number	**At 31 August 2013 Number**	Exercise price	Date from which exercisable	Expiry Date
N. O'Carroll	Unapproved	300,000	**300,000**	22.75p	14/11/10	13/11/17
D. Khan	Unapproved	150,000	**150,000**	22.75p	14/11/10	13/11/17
M. Kennedy	Unapproved	1,000,000	**1,000,000**	8.13p	02/02/08	01/02/15

The market price of the ordinary shares at 31 August 2013 was 1.45p and the range during the year was 0.90p to 1.45p. Share options are issued to senior executives of the Group and have performance targets relating to the Group's operating profit or EPS growth for each of the three years following the grant of the options. The Remuneration Committee believe that the use of the operating profit and EPS represents the most appropriate measures of the Group's financial performance.

Directors' interests
The Directors who held office at 31 August 2013, had the following beneficial interests in the 1p ordinary shares of the Company:

	31 August 2013 Number	31 August 2012 Number
N. O Carroll	**755,316**	755,316
M. Kennedy	**50,000**	50,000
P. Kennedy/D Kennedy*	**115,243,696**	114,893,696

* includes holdings of the Kennedy Family Trusts, of which P. Kennedy/D Kennedy are the potential beneficiaries.

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

7. Tax on profit on ordinary activities

The tax (credit)/charge comprises:

	Continuing operations		Discontinued operations		Total	
	2013 £'000	2012 £'000	**2013 £'000**	2012 £'000	**2013 £'000**	2012 £'000
Current tax	**-**	-	**-**	-	**-**	-
Deferred tax (note 22)	**-**	-	**-**	-	**-**	-
	-	-	**-**	-	**-**	-

UK corporation tax is calculated at 23% (2012: 25%) of the 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 period to disposal. No tax charge or credit arose on the disposal of the relevant subsidiaries.

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

	2013 £'000	2012 £'000
(Loss)/profit before tax		
Continuing operations	**(387)**	528
Discontinued operations	**(18)**	(162)
	(405)	366
Tax at UK corporation tax rate of 23% (2012: 25%)	**(93)**	92
Tax effect of expenses/income not deductible/taxable for tax purposes	**49**	3
Utilisation of brought forward losses	**44**	(95)
Tax charge for the year	**-**	-

8. Exceptional items

The impairment of other receivables relates to a realistic appraisal of the expected profit share due from the Groups share of profit due on the Whitechapel development.

The loss on the deconsolidation relates to the accounting treatment following the voluntary liquidation of Proactive Sports Management Limited.

	2013 £'000	2012 £'000
Impairment of other receivables	**(87)**	-
Loss on deconsolidation	**(26)**	-
Loss on sale of freehold	-	(10)
Legal costs relating to litigation	-	(126)
	(113)	(136)

9. Discontinued operations

Discontinued operations relate to the liquidation of Proactive Sports Management Ltd during the year and the continued treatment of FG Bradford & FG Bristol results as part of discontinued operations. In addition, given that Formation Wealth Solutions Limited and Formation Architectural Design Limited are non-trading, minimal activities of these subsidiaries are also included as discontinued operations.

Results of discontinued operations

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

	2013 £'000	2012 £'000
Revenue	**219**	1
Cost of sales	**(78)**	3
Gross (loss)/profit	**141**	4
Administrative expenses	**(6)**	(485)
Operating profit/(loss) from discontinued operations	**135**	(481)
Exceptional items	**-**	300
Finance costs	**(153)**	(151)
Rental income	**-**	170
Loss before taxation	**(18)**	(162)
Attributable tax expense	**-**	-
Loss for discontinued operations	**(18)**	(162)
Profit on disposal of discontinued operations before taxation	**-**	-
(Loss)/profit attributable to discontinued operations	**(18)**	(162)

During the year, the Group had a £Nil (2012: £Nil) net cash inflow from investing activities relating to the cessation of trade of companies in the Group.

There is no income tax relating to the trade or the gain on the disposal of operations.

The effect of discontinued operations on segment results is disclosed in note 2.

10. Earnings per share

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

	2013 £'000	2012 £'000
Basic and diluted (loss)/earnings – continuing operations	**(387)**	528
Basic and diluted loss – discontinued operations	**(18)**	(162)
Basic and diluted (loss)/earnings – continuing and discontinued operations	**(405)**	366

	2013 Number of shares '000	2012 Number of shares '000
Weighted average number of shares:		
Ordinary shares in issue	**220,515**	220,515
Treasury shares	**(16,497)**	(16,497)
Basic	**204,018**	204,018
Dilutive effect of share options	**-**	-
Diluted	**204,018**	204,018

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.

The share options in issue are anti-dilutive in respect of the basic loss per share calculations in 2013 and 2012 and have therefore not been included.

11. Dividends

There have been no distributions in the current or prior year.

12. Other intangible assets

	Trademarks £'000	Total £'000
Cost		
At 1 September 2011, 31 August 2012 and **31 August 2013**	**7**	**7**
Amortisation		
At 1 September 2011	5	5
Charge for the year	1	1
At 1 September 2012	6	6
Charge for the year	-	-
At 31 August 2013	**6**	**6**
Net book value		
At 31 August 2013	**1**	**1**
At 31 August 2012	1	1

13. Property, plant and equipment

	Short leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost			
At 1 September 2011	21	170	239
Additions	-	-	-
Disposals	-	-	-
At 1 September 2012	21	170	239
Additions	-	7	7
Loss of control of subsidiary	-	-	-
At 31 August 2013	**21**	**177**	**246**
Accumulated depreciation			
At 1 September 2011	17	158	223
Loss of control of subsidiary	-	-	-
Charge for the year	4	9	13
At 1 September 2012	21	167	236
Loss of control of subsidiary	-	-	-
Charge for the year	-	3	3
At 31 August 2013	**21**	**170**	**239**
Net book value			
At 31 August 2013	**-**	**7**	**7**
At 31 August 2012	-	3	3

14. Investments accounted for using the equity method

	2013 £'000	2012 £'000
Investment in JV Finance Ventures Limited	**6,238**	6,238

In the year ending 2010, Formation Group PLC, in partnership with JV Finance Limited, have contributed through JV Finance Ventures Limited, a combined sum of £18.2 million, (Formation Group Plc's contribution of £6.7 million on terms as announced on 2nd September 2010) in order to settle with both Heritable Bank Plc's administrator and outstanding creditors, in order to secure the Aldgate site and the necessary warranties for completed construction works.

Formation Group Plc's percentage shareholding in JV Finance Ventures Limited is 36.88% and is based on Formation's percentage share of long term loans in JV Finance Ventures Limited of £6.7m. On the basis that the loans are repayable in 10 years time and the percentage of the loan directly affects the shareholding, the loans have been treated as an investment in an associated undertaking and is accounted for under the equity method. Accordingly the investment in JV Finance Ventures Limited has been adjusted to the anticipated fair value of the sales proceeds less costs to sell. The fair value is based on the present value of the anticipated future cash flows due within one year.

15. Inventories

	2013 £'000	2012 £'000
Work in progress	**3,918**	3,919

The inventory is held at the lower of cost and net realisable value. There have been no write down of inventories or amounts recognised in the income statement during the year. The inventory is secured by Dunbar Assets Plc under non-recourse financing.

It should be noted that the entire value of inventories relates to discontinued operations.

16. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	**1,245**	387
Allowance for doubtful debts	**(268)**	(365)
	977	22
Other receivables and prepayments	**974**	1,788
	1,951	1,810

No interest is charged on any trade receivables that are overdue. A provision has been made for the estimated irrecoverable amounts included in trade receivables. This provision has been determined by reference to past default experience and knowledge of the individual circumstances of certain debtors.

Other receivables and prepayments are, in the main, made up of amounts due from related companies. These have been disclosed separately in the financial statements. The remaining balance relates to prepaid expenses, incurred as part of the group's continuing operations.

No interest is charged on any other receivables that are overdue. However, during the year a provision was made against the balance due to the Group on the Whitechapel Investment .This is in line with the Groups policy of reviewing receivables on an individual basis. The provision has been determined by post year events. Further details regarding the provision can be found in the exceptional items note.

Before accepting any new customer, the Group assesses the potential customer's credit quality. Credit risk is managed on a regular basis in order to minimise the exposure by reviewing adherence to settlement terms.

In determining the recoverability of any trade receivables, the Group considers any change in the credit quality of the trade receivables from the date credit was initially granted up to the end of the accounting period.

The ageing of trade receivables was as follows:

	2013 £'000	2012 £'000
Current	**958**	11
Past due but not impaired:		
0-30 days	**5**	(4)
30-60 days	**3**	(13)
60-90 days	**5**	20
> 90 days	**6**	8
Past due and impaired:		
30-60 days	**-**	-
60-90 days	**-**	-
> 90 days	**268**	365
	1,245	387

Of the trade receivables 78% (2012: 3%) are neither past due or impaired and considered to be fully recoverable.

16. Trade and other receivables *continued*

The movements in the allowance for doubtful debts are as follows:

	2013 £'000	2012 £'000
Balance at the beginning of the year	**365**	310
Amounts written off/collected	**(97)**	(310)
Provision created during the year	**-**	365
Balance at the end of the year	**268**	365

17. Cash and bank deposits

	2013 £'000	2012 £'000
Cash in hand and at bank	**240**	409

18. Trade and other payables

	2013 £'000	2012 £'000
Current:		
Trade payables	**989**	534
Other payables	**641**	686
Accruals and deferred income	**443**	480
	2,073	1,700

Trade payables and accruals principally comprise amounts outstanding from trade purchases and ongoing costs. The average credit period taken for trade purchases is 67 days (2012: 95 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

19. Bank overdrafts and loans

	2013 £'000	2012 £'000
Current:		
Bank loan - term loan facility	**4,292**	4,285
	4,292	4,285

The borrowings are repayable as follows:

	2013 £'000	2012 £'000
On demand or within one year	**4,292**	4,285
	4,292	4,285
Less: amount due for settlement within 12 months (shown under current liabilities)	**(4,292)**	(4,285)
Amount due for settlement after 12 months	**-**	-

The weighted average interest rates paid were as follows:

	2013 %	2012 %
Bank loan	**4.00**	4.00

The loans are secured on the developments in FG (Bradford) Limited and FG (Bristol) Limited.

FG (Bradford) Limited bank loan is repayable upon demand and interest payable is at the rate per annum which is the aggregate of 3% and the rate at which deposits in sterling are offered to the bank in the London Inter-Bank Market (subject to a minimum aggregate rate of 4% per annum).

FG (Bristol) Limited bank loan is repayable upon demand and interest payable is at the rate per annum which is 3% over the bank Base Rate (subject to a minimum Base Rate of 4% per annum).

There may be a risk of default on both of these loans if the capital is not repaid however in such an event the properties can be taken back and sold by Dunbar Assets Plc under the non-recourse funding arrangement.

It should be noted that this entire balance relates to discontinued operations.

20. Financial instruments

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instruments are disclosed in note 1 of these financial statements.

(a) Categories of financial instruments

	2013 £'000	2012 £'000
Financial assets		
Loans and receivables – other	**1,951**	1,810
Loans and receivables – cash and cash equivalents	**240**	409
	2,191	2,219
Financial liabilities		
Amortised cost	**6,365**	5,959

(b) Financial risk management objectives

The Group has a centralised financial risk management function which monitors and manages the financial risks relating to the operations of the Group. The primary risks faced by the Group are credit risk, interest risk and liquidity risk. The Board has reviewed and agreed policies for management of this risk. All of the Group's activities involve analysis, acceptance and management of some degree of risk or combination of risks.

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.

(c) Capital risk management

The Group's Capital risk management are to ensure the Group can continue as a going concern and to provide a return to shareholders. The Group monitors capital on the basis of the carrying amount of equity plus loans less cash as presented on the statement of financial activities. The Group's goal in Capital risk management is to generate cash inflow over a financial year.

(d) Finance and interest rate risk

The Group finances its operations through repayment of funds from its Whitechapel Investment and has no banking institution revolving credit facility however from time to time it may seek working capital support from its majority shareholder. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The weighted average interest rates paid were as follows:

	2013 %	2012 %
Bank loan/Related party loan	**4.19**	4.00

At 31 August 2013, it is estimated that a general increase of 1% in interest rates would increase the Group's losses before tax and its equity by approximately £49,000 (2012: £43,000).

20. Financial instruments *continued*

(e) 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 only transacts with entities that have a good credit rating. Customer debtor balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts.

The maximum exposure to credit risk at the year end is £6,000 (2012: £8,000).

(f) Liquidity risk management
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.

The Group manages liquidity risk by maintaining adequate working capital facilities it is able to draw on and by continuously monitoring forecast and actual cash flows.

The following table details the Group's remaining contractual maturity of its non derivative financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay the liability.

31 August 2013

	Less than 1 year £'000	1–2 years £'000	2–5 years £'000	Greater than 5 years £'000	Total £'000
Trade and other payables	2,073	-	-	-	**2,073**
Bank loans	4,292	-	-	-	**4,292**
	6,365	-	-	-	**6,365**

31 August 2012

	Less than 1 year £'000	1–2 years £'000	2–5 years £'000	Greater than 5 years £'000	Total £'000
Trade and other payables	1,700	-	-	-	1,700
Bank loans	4,285	-	-	-	4,285
	5,985	-	-	-	5,985

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 years.

	Accelerated tax depreciation £'000	Share based payment £'000	Employee benefits £'000	Other £'000	Total £'000
At 1 September 2011	-	-	-	-	-
Credit/(charge) to income	-	-	-	-	-
At 1 September 2012	-	-	-	-	-
(Charge)/credit to income	-	-	-	-	-
At 31 August 2013	**-**	**-**	**-**	**-**	**-**

The Group has losses of £2,160,024 (2012: £1,910,140) available to carry forward against future profits. These have not been recognised as future recoverability is uncertain.

22. Share capital

	2013 £'000	2012 £'000
Authorised		
300,000,000 ordinary shares of 1p each (2012: 300,000,000)	**3,000**	3,000
Allotted and called-up		
220,515,112 ordinary shares of 1p each (2012 – 220,515,112)	**2,205**	2,205

	Number	£'000
At 1 September 2011 and 31 August 2013	**220,515,112**	**2,205**

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

Treasury shares

The treasury shares represents 16,497,258 (2012: 16,497,258) ordinary shares of 1p each in the share capital of the Company.

22. Share capital *continued*

Share capital to be issued

The Company operates four 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 2013	2012
Unapproved share option scheme	12-Dec-03	12-Dec-06 to 11-Dec-13	8.13p	**1,000,000**	1,000,000
Unapproved share option scheme	15-Nov-07	15-Nov-10 to 14-Nov-17	22.75p	**450,000**	450,000
				1,450,000	1,450,000

Movements in share options are summarised as follows:

	2013 Number of options	2013 Weighted average exercise price pence	2012 Number of options	2012 Weighted average exercise price pence
Outstanding at the beginning of the year	**1,450,000**	**12.66**	1,450,000	12.66
Options issued during the year	**-**	**-**	-	-
Surrendered or expired during the year	**-**	**-**	-	-
Outstanding at the end of the year	**1,450,000**	**12.66**	1,450,000	12.66
Exercisable at the end of the year	**1,450,000**	**12.66**	1,450,000	12.66

The options outstanding at 31 August 2013 have a weighted average exercise price of 12.66 pence and a weighted average remaining contractual life of 1.53 years.

Should these be settled, the above share based payments will be settled by way of equity.

23. Reconciliation of profit from continuing operations to net cash inflow from operating activities

	2013 £'000	2012 £'000
Operating loss from continuing operations	**(240)**	(565)
Operating (loss)/profit from discontinued operations (Note 9)	**(18)**	(162)
Depreciation of property, plant and equipment (Note 13)	**3**	13
Amortisation of intangible assets (Note 12)	**1**	1
Loss on sale of Fixed Assets	**-**	(9)
Operating cash flows before movements in working capital	**(254)**	(722)
Decrease/(increase) in inventories	**1**	(19)
(Increase)/decrease in receivables	**(141)**	851
Increase/(decrease) in payables	**373**	(184)
Adjustments for exceptional items (note 8)	**(113)**	-
Cash used in operations	**(134)**	74

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.

24. Operating lease arrangements

	2013 £'000	2012 £'000
Minimum payments under operating leases recognised in income in the year	**31**	105

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	
	2013 £'000	2012 £'000
Group		
Within one year	**30**	95
In the second to fifth years inclusive	**90**	241
After five years	**-**	-
	120	336

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.

25. 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.

Included within trade and other receivables is a sum due from Rocquefort Property Holdings Limited, a company which is owned by the Impala Discretionary Settlement. The amount relates to a profit share in Whitechapel. The balance at the year end was £777,308 (2012: £1,243,000). Movements during the year on this balance are detailed below:

	2013 £'000
Balance brought forward	**1,243**
Amounts received	**(413)**
Increases in amounts due	**34**
Impairment of balance	**(87)**
	777

Following an assessment relating to the recoverability of this balance, the directors have impaired this balance by £87,000 (2012: £nil) during the year.

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

The Tulip Trust and Kennedy Private Trust Company Limited as trustees of The Kennedy Family Discretionary Settlement have an interest in 115,243,696 shares in the Company. During the year:

- Formation Design & Build Limited & Formation Construction Limited project managed a number of property developments for companies controlled by the Osprey Private Trust Company Limited, as trustees of The Osprey Trust and Kennedy Private Trust Company Limited and as trustees of Kennedy Family Discretionary Settlement. Revenue from these contracts totalled £5,823,000 (2012: £2,326,514) in the year. At 31 August 2013, the Group had debtor balances with these companies of £930,226 (2012: £12,281).

- Formation Design & Build Limited leased premises from Columbia House Properties (No.6) Limited (a company ultimately owned by Kennedy Private Trust Company Limited as trustees of Kennedy Family Discretionary Settlement) on a five year lease from 6 September 2012. The terms of the lease include a rental of £29,700 per annum. The charge for the year was £30,531 (2012: £40,608).

The Group invested in JV Finance Ventures Limited in December 2009 with JV Finance Limited. JV Finance Limited is owned by the Kennedy Family Trust. Therefore, JV Finance Limited is viewed as a related party given its relationship with the Kennedy Family Trust, who are also the majority shareholder in the Group and as defined by the AIM Rules, the directors independent to the transaction are therefore required to consider, having consulted with the Company's Nominated Adviser, that the terms of the transaction are fair and reasonable.

The independent directors consider, having consulted with Zeus Capital in its capacity as the Company's nominated adviser, that the terms of these transactions are fair and reasonable insofar as shareholders of the company are concerned.

Included within other payables, is £570,142 (2012: £572,652) due to the Kennedy Private Trust Company Limited, a company which acts as a trustee of the Kennedy Family Discretionary Settlement. Interest is charged at a rate of 10%. The loan is secured by way of a registered charge of an assignment of the net profit share due to Formation Group Plc arising from the development at 52-58 Commercial Road. This loan will be repaid from the funds that will be received from Formation Groups investment in Aldgate as documented by the loan agreement.

25. Related party transactions *continued*

Key management compensation

The remuneration of Directors, who are the key management personnel of the Group, is set out below in aggregate for each of the categories specified in IAS 24 'Related Party Disclosures'. Further information about the remuneration of individual Directors is provided in note 6 to the consolidated financial statements.

	2013 £'000	2012 £'000
Short-term employee benefits	**329**	330
	329	330

26. Contingent liabilities and guarantees

As at the year end one of the Group subsidiaries, Formation Design & Build Ltd was involved in a potential dispute of alleged unpaid bills by a contractor. The Directors believe that it is not possible to estimate the effect of this action on the Financial Statements, however it should be noted they believe that this claim has little merit.

27. Post Balance Sheet Event

As previously reported in the year ended 2012 Dunbar Asset Plc have been given notice in January 2013, of the Group's intention to hand back the FG Bradford & FG Bristol developments, which were secured on a non recourse funding basis. These developments were carried out via wholly owned subsidiaries FG (Bradford) Limited and FG (Bristol) Limited respectively. The accounts for these companies have been incorporated in the consolidated figures on a discontinued operation basis. The formalities have been concluded where by the companies at the request of Dunbar Assets Plc have appointed Eddisons Residential Ltd to manage the properties in September 2013.

An RNS post year end on 5th February 2014 on Aldgate announced that Julius Properties Limited were involved in a legal dispute with Redrow Homes Limited over a title issue relating to the property at No 1 Commercial Street, London E1. This situation casts doubt upon the ability of Julius Properties Limited's ability to repay JV Finance Ventures Limited's investment into Aldgate. Following further discussions it is anticipated that Formation Group Plc would be in receipt of the majority of these funds of £6.8m by June 2014. The directors are of the belief that this is unlikely to have an effect on the ability of the Group to continue as a going concern.

Independent Auditors' Report to the members of Formation Group PLC

We have audited the parent company financial statements of Formation Group PLC for the year ended 31 August 2013 which comprise the parent company balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in a Report of the Auditors 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at **www.frc.org.uk/apb/scope/private.cfm**

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2013 and of its loss for the year then ended

- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- have been prepared in accordance with the requirements of the Companies Act 2006

Emphasis of matter and Going concern

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the company's ability to continue as a going concern.

The company incurred a net loss of £506,000 during the year ended 31 August 2013.

As explained in note 1, the ability of the company to continue trading as a going concern is dependent on the realisation of its investment from the Aldgate Development of £6,238,000. This position, coupled with the continued support from the company's majority shareholder and other companies within the group, would in a large part ensure that the company generates sufficient working capital to continue trading as a going concern.

However, these conditions, along with other matters disclosed in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or

- the parent company financial statements are not in agreement with the accounting records and returns; or

- certain disclosures of directors' remuneration specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Other matters
We have reported separately on the group financial statements of Formation Group Plc. for the year ended 31 August 2013. That report includes an emphasis of matter.

David Grunberg BA FCA
Senior Statutory Auditor

For and on behalf of:
Grunberg & Co Limited
Statutory Auditor
Chartered Accountants
10/14 Accommodation Road
London
NW11 8ED

28 February 2014

Company Balance Sheet

31 August 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Intangible assets	3	**1**	1
Tangible assets	4	**-**	-
Investments	5	**6,248**	6,448
		6,249	6,449
Current assets			
Debtors	6	**805**	1,274
Cash at bank and in hand		**2**	1
		807	1,275
Creditors: Amounts falling due within one year	7	**(785)**	(947)
Net current assets		**22**	328
Total assets less current liabilities		**6,271**	6,777
Net assets		**6,271**	6,777
Shareholders' funds			
Share capital	8	**2,205**	2,205
Share premium account	9	**2,106**	2,106
Treasury shares	9	**(602)**	(602)
Capital redemption reserve	9	**61**	61
Other reserves	9	**22**	22
Profit and loss account	9	**2,479**	2,985
Total shareholders' funds	9	**6,271**	6,777

The financial statements were approved by the Board of Directors on 27 February 2014 and signed on its behalf by:

Desmond Khan FCCA
Director

Notes to the Company Financial Statements

Basis of preparation
The accounts have been prepared in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), under the historical cost convention. As permitted by the Companies Act 2006, no separate profit and loss account has been presented in respect of the Company. Formation Group Plc reported a loss for the financial year of £506,000 (2012: profit of £2,001,000).

The consolidated financial statements of Formation Group Plc, which are presented separately, have been prepared in accordance with International Financial Reporting Standards as adopted by the EU.

Basis of preparation and Going Concern
The Directors have prepared working capital forecasts for the period to 31 August 2015. The ability of the company to continue trading as a going concern is dependent on the realisation of the Company's investment from the Aldgate Development. This, coupled with the continued support from the company's majority shareholder will ensure that the company generates sufficient working capital to continue trading as a going concern.

The Company's ability to continue as a going concern may be impacted by developments as announced following the year end in relation to the legal dispute on the Aldgate development. The directors are of the belief that this is unlikely to have an effect on the ability of the Company to continue as a going concern.

Nevertheless after making enquiries, and considering the uncertainties described above, the directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For these reasons, they continue to adopt the going concern basis in preparing the annual report and accounts.

1. Principal accounting policies

The principal applicable accounting policies applied under UK GAAP are summarised below. They have all been applied consistently throughout both the current and prior years.

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.

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 less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Short leasehold improvements	Term of lease
Fixtures and fittings	5 years
Office equipment	Between 3 and 5 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.

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 Company'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.

Operating leases
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.

Classification as equity or financial liability
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

A financial liability exists where there is a contractual obligation to deliver cash or another financial asset to another entity, or to exchange financial assets or financial liabilities under potentially unfavourable conditions. In addition, contracts which result in the entity delivering a variable number of its own equity instruments are financial liabilities. Shares containing such obligations are classified as financial liabilities.

Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. The carrying amount of the liability is increased by the finance cost and reduced by payments made in respect of that liability. Finance costs are calculated so as to produce a constant rate of charge on the outstanding liability.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Dividends and distributions relating to equity instruments are debited directly to reserves.

Share-based payments
The Company issues equity-settled share-based payments to certain employees (including Directors) of the parent company. The fair value of these payments is calculated by the Company 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 Company's best estimate of shares that will eventually vest.

2. Employee costs

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

	2013 Number	2012 Number
Administration	**1**	1
	1	1

	2013 £'000	2012 £'000
Their aggregate remuneration comprised:		
Wages and salaries	**160**	161
Social security costs	**18**	20
	178	181

Directors' remuneration disclosure is included in note 6 to the consolidated financial statements.

3. Intangible fixed assets

	Trademarks £'000
Cost	
At 1 September 2012 and 31 August 2013	**7**
Amortisation	
At 1 September 2012	5
Charge for the year	1
At 31 August 2013	**6**
Net book value	
At 31 August 2013	**1**
At 31 August 2012	1

4. Tangible fixed assets

	Short leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost			
At 1 September 2012	21	67	142
At 31 August 2013	**21**	**67**	**142**
Depreciation			
At 1 September 2012	21	67	142
Charge for the year	-	-	-
At 31 August 2013	**21**	**67**	**142**
Net book value			
At 31 August 2013	**-**	**-**	**-**
At 31 August 2012	-	-	-

5. Investments

	2013 £'000	2012 £'000
Subsidiary undertakings	**10**	210
Investment in JV Finance Ventures Limited	**6,238**	6,238
	6,248	6,448

As noted in the prior years Chief Executive report, the Aldgate development has been disposed of conditionally. Accordingly the investment in JV Finance Ventures Limited has been adjusted to the anticipated fair value of the sale proceeds less costs to sell. Following the year end there has been further developments regarding the investment as disclosed in the post balance sheet note.

5. Investments *continued*

Principal investments

The parent company and the Group have investments in the following subsidiary undertakings, all of which are wholly owned.

Subsidiary undertakings	Country of incorporation or principal business address	Principal activity
Formation Architectural Design Limited	England	Non-trading
Formation Wealth Solutions Limited	England	Non-trading
Formation Design & Build Limited	England	Property project management
Formation Construction Limited	England	Property project management
Proactive Sports Management Limited	England	Voluntary Creditors Liquidation – 18 April 2013
FG (Bristol) Limited	England	Discontinued Activity
FG (Bradford) Limited	England	Discontinued Activity

All investments in subsidiary undertakings are held directly by Formation Group Plc.

The company's investments at the balance sheet date in the share capital of companies include the following:

	2013 £'000 Aggregate capital and reserves	**2013 £'000 Profit/ (loss) for the year**	2012 £'000 Aggregate capital and reserves	2012 £'000 Profit/ (loss) for the year
Formation Architectural Design Limited	**1**	**175**	(174)	(12)
Formation Wealth Solutions Limited	**(4)**	**(4)**	-	(5)
Formation Design & Build Limited	**9**	**(260)**	269	(234)
Formation Construction Limited	**30**	**30**	-	-
Proactive Sports Management Limited	**-**	**-**	31	(139)
FG (Bristol) Limited	**(54)**	**8**	(62)	(57)
FG (Bradford) Limited	**(140)**	**(28)**	(112)	(105)

5. Investments *continued*

Subsidiary undertakings

	Subsidiary Undertakings £'000	Other Investments £'000	Total £'000
Cost			
At 1 September 2012	33,653	6,772	40,425
Costs from Formation Design & Build Ltd	-	-	-
At 31 August 2013	**33,653**	**6,772**	**40,425**
Provision for impairment			
At 1 September 2012	**33,443**	**534**	**33,977**
Write down of investment	200	-	200
At 31 August 2013	**33,643**	**534**	**34,177**
Net book value			
At 31 August 2013	**10**	**6,238**	**6,248**
At 31 August 2012	210	6,238	6,448

6. Debtors

	2013 £'000	2012 £'000
Amount owed by group undertakings	**15**	17
Prepayments and accrued income	**790**	1,257
	805	1,274

7. Creditors: Amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors	**25**	15
Other creditors	**570**	573
Amounts owed to group undertakings	**144**	183
Other taxation and social security	**9**	15
Accruals and deferred income	**37**	161
	785	947

8. Share capital

	2013 £'000	2012 £'000
Authorised		
300,000,000 ordinary shares of 1p each (2012 – 300,000,000)	**3,000**	3,000
Allotted and called-up		
220,515,112 ordinary shares of 1p each (2012 – 220,515,112)	**2,205**	2,205

	£'000
At 1 September 2012 and 31 August 2013	**2,205**

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

Share capital to be issued
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	1,000,000	8.13p	12 Dec 2006 to 11 Dec 2013
Unapproved share option scheme	450,000	22.75p	15 Nov 2010 to 14 Nov 2017

9. Reserves

	Share capital £'000	Treasury shares £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 September 2012	2,205	(602)	2,106	61	22	2,985	**6,777**
Loss for the year	-	-	-	-	-	(506)	**(506)**
Transfers to P&L reserve	-	-	-	-	-	-	**-**
At 31 August 2013	**2,205**	**(602)**	**2,106**	**61**	**22**	**2,479**	**6,271**

Treasury shares
Treasury shares represent 16,497,258 ordinary shares of 1p each in the share capital of the Company that the company acquired for £602,000.

Other reserves
This reserve includes credits to equity for share-based payments and the premium on shares issued in share for share exchanges.

10. Related party transactions

The Company has taken advantage of exemption, under the terms of financial reporting standard 8- related party disclosures, not to disclose related party transactions with wholly owned subsidiaries within the Group.

Included within other creditors, is £570,142 (2012: £572,652) due to the Kennedy Private Trust Company Limited, a company which acts as a trustee of the Kennedy Family Discretionary Settlement. Interest is charged at a rate of 10%. The loan is secured by way of a registered charge of an assignment of the net profit share due to Formation Group Plc arising from the development at 52-58 Commercial Road.

Included within trade and other receivables is a sum due from Rocquefort Property Holdings Limited, a company which is owned by the Impala Discretionary Settlement. The amount relates to a profit share in Whitechapel. The balance at the year end was £777,308 (2012: £1,243,000). Movements during the year on this balance are detailed below:

	2013 **£'000**
Balance brought forward	**1,243**
Amounts received	**(413)**
Increases in amounts due	**34**
Impairment of balance	**(87)**
	777

Following an assessment relating to the recoverability of this balance, the directors have impaired this balance by £87,000 (2012: £nil) during the year.

11. Post Balance Sheet Event

An RNS post year end on 5th February 2014 on Aldgate announced that Julius Properties Limited were involved in a legal dispute with Redrow Homes Limited over a title issue relating to the property at No 1 Commercial Street, London E1. This situation casts doubt upon the ability of Julius Properties Limited's ability to repay JV Finance Ventures Limited's investment into Aldgate. Following further discussions it is anticipated that Formation Group Plc would be in receipt of the majority of these funds of £6.8m by June 2014. The directors are of the belief that this is unlikely to have an effect on the ability of the Group to continue as a going concern.

Notes

Formation Group PLC

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