Annual Report and Accounts 2009

formation
GROUP PLC

Business Highlights

- Disposal of a number of Group subsidiary undertakings to certain of the Group's existing management for a total cash consideration of £16.5 million, representing approximately 7.47 pence per share – a premium of approximately 36% of the mid market share price at the time of the announcement

Post Year End

- Disposal of certain assets of the Group's wealth management businesses for a total anticipated consideration payable over 3 and 5 years of approximately £575,000. These disposals have resulted in the Group exiting it's loss making wealth management activities
- Agreement entered into with JV Finance Limited, to form JV Finance Ventures Limited in order to acquire the land at the Aldgate property development and in order to settle in full, the indebtedness owed to Heritable Bank's administrator
- Re-focused property business following the management buy-out

Formation Group PLC

Annual report and financial statements
for the year ended 31 August 2009

Registered number: 04145632

formation
GROUP PLC

ANNUAL REPORT AND ACCOUNTS 2009

Chairman's Statement

This year has seen significant change within the Group. The decision by the board, and subsequent approval by shareholders, to accept an offer from certain of the Group's existing management team for five of the Group's nine subsidiaries was a significant point in the Group's history.

This decision, coupled with the exit from its wealth management businesses subsequent to the year end, has now enabled the Group to focus on its property business.

These decisions were not taken lightly and whilst the composition of the Group's business interests has changed substantially, the board considers these decisions to be in the long term best interests of all stakeholders.

The Group faced a significant challenge within its property business following the collapse of Heritable Bank and the well documented knock-on effect this event had on the property development at Commercial Street, above Aldgate East tube station, London. This development was part funded through the issue of Junior Unsecured Loan Notes and Subordinated Junior Unsecured Loan Notes to retail investors, including clients of the Group's wealth management businesses. Certain of these loan notes carry a guarantee from the Group. These banking events are unprecedented and whilst the development works had stalled for over 12 months and with no obvious resolution in sight, it was incumbent upon the board to look closely at how best to protect the interests of all its stakeholders; shareholders, clients and the Loan Note holders.

The MBO approach and resultant deal has better equipped the Group to tackle this key issue and I am pleased that we were recently able to announce a Joint Venture agreement with JV Finance Limited in order to take steps to complete the development by securing the land from Heritable's administrators. This deal saw JV Finance Ventures Limited agreeing to pay £11 million in full and final settlement of indebtedness of £32.9 million. Formation will pay 50% of this settlement figure with JV Finance Limited paying the remaining 50% with both sharing the development profit proceeds equally.

JOHN LAWRENCE MBE
Non-Executive Chairman

NOEL O'CARROLL
Interim Chief Executive Officer

DESMOND KHAN
Finance Director

MICHAEL KENNEDY
Non-Executive Director

PATRICK KENNEDY
Non-Executive Director

Chairman's Statement *continued*

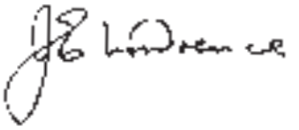
Prospects

This still remains a challenging time for the Group and there remains much to do in order to complete the Aldgate development. Having re-focused the business post the MBO and having concluded the Asset deals within the business's wealth management division, our strategy and efforts have been firmly focused on the Aldgate development, and how we may resolve and realise value from this.

The next stage on the pathway to achieving this objective is to secure new, post Heritable Bank funding in order to build out the development. These discussions are now underway but could not have taken place until we reached agreement with the Bank's administrator. Once funding is in place, construction works can then re-commence. There has also been substantial sales interest for large parts of the development and given its location, the board remains optimistic that we will successfully navigate our way through this difficult situation.

The Board and Staff

This has understandably been a difficult and challenging period for the Group. I would firstly like to place on record my thanks to all board members and staff, past and present, for the manner in which both the MBO deal and subsequent wealth management disposals were conducted. As announced on 25 January 2010, I have decided not to put myself forward for re-election at the forthcoming AGM. I have enjoyed my 10 years with the Group immensely and wish the board all the very best for the future. Whilst I will serve my 12 months notice as the Group undertakes the search for my replacement, I would like to take this opportunity to place on record my thanks to our NOMAD; Zeus Capital, our lawyers; DLA Piper and our Auditors; Grant Thornton for their assistance and corporate advice. I also welcome Desmond Khan (FCCA) to the board. Desmond is the Finance Director of the Group's main trading subsidiary; Formation Design & Build. Desmond brings a wealth of property experience to the Group. Finally, our staff continue to put this business first and their effort and dedication continues to be highly valued and very much appreciated.



John E Lawrence MBE – Non-Executive Chairman
1 February 2010

Chief Executive Officer's Report

Introduction

The unprecedented collapses in markets and institutions have, without doubt, been a dominant and limiting factor for the Group during the last twelve months. The potential contingent property liability linked to the Aldgate development (specifically the previously disclosed £11.6 million liability which is attached to certain Loan Notes provided by a number of retail investors), which in turn was dependent upon the bank funding agreement with Heritable Bank PLC, cast uncertainty over the Group.

However, the underlying performance of the Group's core management services, and selected other professional services led to a successful management buy-out ("MBO") of a number of Group subsidiary companies in August 2009. This, together with the sale post year end of the wealth management business, has resulted in a debt free, cash positive business with a sole focus on the property sector which is already showing signs of some recovery. There will doubtless be those who prosper from recent recessionary events, it is our objective to be one of those companies.

Results

The trading results for the year have been impacted by the sale of the MBO companies. For the year ended 31 August 2009, the Group revenue from continuing operations was £19.0 million (2008: £25.0 million) resulting in a loss before taxation and exceptional items from continuing operations of £2.9 million (2008: profit of £0.6 million).

Dividend

Historically the Group has always sought to reward shareholders by way of an annual dividend payment. Last year was the first time for some considerable time that we did not pay a dividend. This was after careful consideration set in context with the uncertainty we found ourselves in following the Administration of Heritable Bank PLC.

Whilst that situation is yet to be fully resolved, the Directors, after careful consideration have decided not to pay a shareholder dividend. This decision will be revisted at the forthcoming Interim Results.

Business Overview

The Company is now a construction and property development/management business generating income through project developing/management of large scale building developments.

We are currently involved namely in four large schemes which are each at various stages of the planning/development process. These schemes are:

(i) 15/17 Leman Street, London E1
Planning and preconstruction in connection with a 251 bedroomed hotel.

(ii) Clancy Quay, South Circular Road, Islandbridge, Dublin, Ireland
Project management on the construction of 420 apartments, car parking, retail units and office space on Phase 1 (now nearing completion) of this large inner city mixed use development.

(iii) 52-58 Commercial Road, London E1
Project management on the fit out of approximately 1,500sqm of Education use within a recently completed building.

(iv) No.1 Commercial Street, London E1
Preconstruction procurement and planning applications in connection with the remobilisation of a mixed use new build development incorporating 212 apartments, car parking and approximately 10,000sqm of various commercial uses.

Chief Executive Officer's Report *continued*

Inevitably, this area of our business has, and will continue in the short term to come under pressure. Bank debt, so often a pre-requisite to large scale developments is in shorter supply with banks being more selective and aggressive with their terms. We are fortunate to have forged an inner London reputation in the construction sector and continue to focus on this geographical area which is undoubtedly seeing a quicker recovery than other areas of the country.

Development Updates

Various feasibility studies, small site management and architectural works in association with smaller planning applications continue as part of our routine business process. The four large developments which form the core of our committed business are progressing as follows.

1. 15/17 Leman Street, London has been submitted for planning (251 bed hotel) with a decision anticipated in March 2010. A lease subject to planning has been signed by the developer with a hotel operator. Preconstruction design, liaison with engineers and specialist contractors has commenced in anticipation of an immediate start to construction works following receipt of a satisfactory planning approval.

2. Clancy Quay, Dublin, Ireland is nearing the completion of Phase 1 of this large mixed use scheme in February 2010. The scheme has an original planning approval for 732 apartments, 194 bedroom hotel, 6,106sqm of various commercial and community uses plus basement car parking. It is unlikely that further phases of the development will commence in the foreseeable future due to the present economic environment. We are presently assisting the developer in finalising contractor's accounts, and compiling proposals for the future development/management of the various phases within the scheme.

3. 52-58 Commercial Road, London E1. We have project managed and now completed the handover of the 142 apartments, live/work units, car parking and commercial spaces within this building. Presently we are project managing the fit-out of 1,500sqm of education space within the building. This we anticipate will complete by April 2010. Various planning applications for changes of use within the building are in hand. Further fit-out supervision is anticipated upon approval of the current applications. It is conceivable that our services may be required onsite until October 2010.

4. No.1 Commercial Street, London E1. As disclosed previously, following the demise of Heritable Bank and suspension of construction works on site in October of 2008 the development was secured from the bank's administrators in December 2009. We are currently assisting the developer with various planning and construction amendments to meet the requirements of potential end users. Precontract enquiries and assistances to the developer on bank funding will commence shortly in anticipation of a site re-start later this year.

Risks and Uncertainties

Potential Property Liabilities

The administration order in relation to Heritable Bank PLC, first detailed within our Preliminary announcement in November 2008, resulted in uncertainty over a contingent underwriting liability in relation to the Aldgate development. The Group's current maximum liability under this arrangement remains £11.6 million, a sum disclosed in the accounts in note 31.

However, the post balance sheet announcement on 14 December 2009, that Julius Properties Limited ("JPL") had reached agreement with the administrators of Heritable Bank plc regarding the Aldgate development, was an important development for the Group. JPL has agreed to pay the administrator £11 million in full and final settlement of the £32.9 million indebtedness.

Formation Group and its 50/50 joint venture party, JV Finance Limited, each agreed to inject £5.5 million into a joint venture, JV Ventures Limited, with the total of £11 million to be paid to JPL, in return for any profits generated from the Aldgate development.

Chief Executive Officer's Report *continued*

The Board believes that the joint venture represents a significant and positive step forward towards the repayment of the loan note investors in the Aldgate development, which would in turn extinguish the Group's contingent liability.

Discussions will now commence with certain institutions to secure the requisite funding to enable the build out of the development. Once this funding has been secured, Formation Design & Build will be contractually engaged by the new joint venture company to project manage the onsite construction.

We will then be in a position to provide a completion timescale and liaise with all development investors to discuss what, if any impact, we expect on the timeline of loan note repayment. Under the terms of the existing loan note agreements a return is due to investors in August 2011.

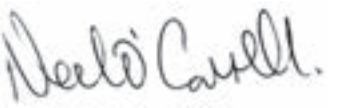
Divested Business

As the Chairman has already explained, the last 12 months 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-property related businesses has however enabled the Group to become debt free with the cash reserves to enable it to participate in the Aldgate solution. Whilst it is of paramount importance to ensure we are in a position to repay the Loan Notes, we expect to financially benefit from the Joint Venture once the development is completed, sold and loan notes repaid. We would not have had this opportunity if the MBO had not taken place and we would be at significantly greater risk from the potential contingent liability perspective had this deal not concluded. In addition to the cash injection of over £16 million, the deal also saw the transfer of responsibility for the existing James Grant Media acquisition deferred consideration to the MBO team, representing a further saving of approximately £4.0 million to the Group.

Outlook

The business has undergone significant change within the last 12 months. Whilst it is undoubtedly better equipped as a debt free and cash positive business to tackle the challenges presented by the unprecedented collapse of Heritable Bank PLC, those challenges remain, albeit to a lesser extent given the post year end agreement reached with the Bank's administrators.

The outlook is best summarised as cautiously optimistic. Optimistically we will conclude the key development at Aldgate, honour the loan note guarantee from certain retail investors and we anticipate that the business will prosper from a property recovery.



Noel O'Carroll – Interim Chief Executive Officer
1 February 2010

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditors' reports, for the year ended 31 August 2009.

Principal activities and business review
Following the disposals during the year, the principal activities of the Group are the provision of professional construction management services to clients within the property sector.

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 business 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 Interim Chief Executive Officer's report.

Results and dividends
The audited financial statements for the year ended 31 August 2009 are set out on pages 27 to 91. The Group's loss for the year after taxation was £26,771,000 (2008: – profit £2,752,000).

The Directors are not recommending the payment of a final dividend (2008 – £Nil). No interim dividend was declared this year (2008 – £Nil).

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

J. E. Lawrence	Non-Executive Chairman
I. A. Craig	Non-Executive Director (resigned 5 January 2009)
M. Kennedy	Non-Executive Director
O. Kilkenny	Non-Executive Director (resigned 6 January 2009)
P. Kennedy	Non-Executive Director
D. Khan	Finance Director (appointed 25 January 2010)
N. Rodford	Chief Executive Officer (resigned 25 August 2009)
I. Battersby	Director of Wealth Management (resigned 30 November 2009)
M. Page	Finance Director (resigned 25 August 2009)
N. O'Carroll	Property Director and Interim CEO from 25 August 2009
P. Powell	Director of Talent Management (resigned 25 August 2009)

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 2009 were equivalent to 48 days (2008 – 43 days) purchases, based on the average daily amount invoiced by suppliers during the year.

Substantial shareholdings
On 29 January 2010, 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	Balchan Management Limited (in its capacity as trustee of the David Kennedy Family Trust)	74,747,354	36.55
Fitel Nominees Limited	Balchan Management Limited (in its capacity as trustee of the David Kennedy Family Trust)	30,537,813	14.93
D. Kennedy	Balchan Management Limited (in its capacity as trustee of the David Kennedy Family Trust)	8,823,529	4.31
L. D. Yates		7,846,667	3.84
K. B. Moran		11,518,916	5.63
Strand Nominees Limited	P. Stretford	9,856,000	4.82

Transactions in the Company's own shares
During the year, the Company purchased 15,985,658 of its own shares for a consideration of £500,000. These shares were owned by former Directors and officers of the Group and were purchased as part of the Management Buy Out that resulted in the disposal of the various subsidiary companies. The purchase price of 3.1278 pence per Ordinary Share represents a discount of 43.12% compared to the middle market price of 5.5 pence per share at the date of the transaction. This represents 7.25% of the Company's ordinary share capital.

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 2009, a total of 8 employees had options granted under these plans.

Charitable and political donations
The Group made charitable donations of £10,000 in the year (2008 – £21,000). The Group did not make any political contributions.

Auditors
A resolution to re-appoint Grant Thornton UK LLP 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

1 February 2010

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 the Non-Executive Chairman, the Chief Executive Officer and two other Non-Executive Directors. The Company Secretary also attends the board meetings. 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.

John Lawrence (Aged 65) Non-Executive Chairman
John Lawrence formed JEL Energy Conservation Services in 1975, which was sold to Thorn EMI. Following this he was Chairman and CEO of a number of Thorn EMI technology companies. Since 1993 he has been an investor in and has held Non-Executive positions with a number of public and private companies. He is currently a director of Aberdeen Growth VCT 1 plc and Non-Executive Chairman of BES Consulting Limited.

Noel O'Carroll (Aged 50) Property Director and Interim Chief Executive
Noel O'Carroll is Managing Director of the Property Division. 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 FCCA (Aged 47) Finance Director
A Fellow of the Association of Certified Chartered Accountants with vast previous experience operating within various sectors of the construction Industry. 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 66) 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. He has also represented football players for more than 20 years.

Patrick Kennedy (Aged 29) 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 J. E. Lawrence (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's 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 Grant Thornton UK LLP 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 Grant Thornton UK LLP 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 J. E. Lawrence (Chairman), M. Kennedy and P. Kennedy. The Chief Executive Officer also attends Audit Committee meetings by invitation.

Board and Committee Attendance
The following table details the number of Board and Committee meetings held in the year ended 31 August 2009 and the attendance record of each Director and the Company Secretary.

Attendance	Board	Remuneration Committee	Audit Committee	Nominations Committee
Number of meetings	**14**	**1**	**2**	**0**
J. E. Lawrence	14	1	2	
I. A. Craig	2			
M. Kennedy	14	1	2	
O. Kilkenny	4			
P. Kennedy	12	1		
N. Rodford	7		1	
I. Battersby	13			
M. Page	12		2	
N. O'Carroll	12			
P. Powell	9			
M. Wallwork	13		2	

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 Groups' 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 mange rather than eliminate risk and can provide only reasonable and not absolute assurance against material misstatement or loss. The Board confirms that, in accordance with the guidance "internal control: Guidance for Directors on the Combined Code", 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 2002, which introduced statutory requirements for the disclosure of Directors' remuneration in respect of periods ending on or after 31 December 2002. 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: J. E. Lawrence, M. Kennedy and P. Kennedy. The Committee is chaired by J. E. Lawrence 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.

Directors' pension arrangements
Certain Executive Directors are eligible to be members of the Company's money purchase (defined contribution) Group personal pension scheme. The Company makes pension contributions of 10% of basic salary for these Executive Directors.

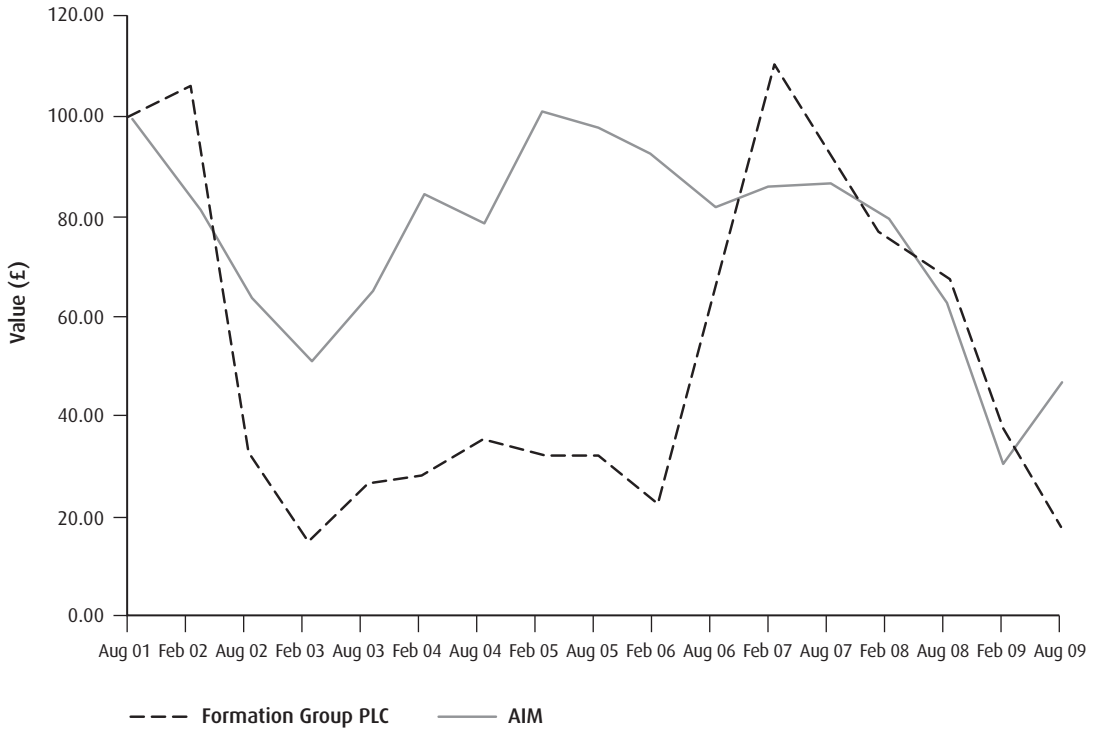
Service agreements
All Executive Directors have service contracts with at least six months notice. All Non-Executive Directors have specific terms of engagement and their remuneration is determined by the Board within the limits set out in the Articles of Association and based upon independent surveys 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 Combined Code.

Performance graph

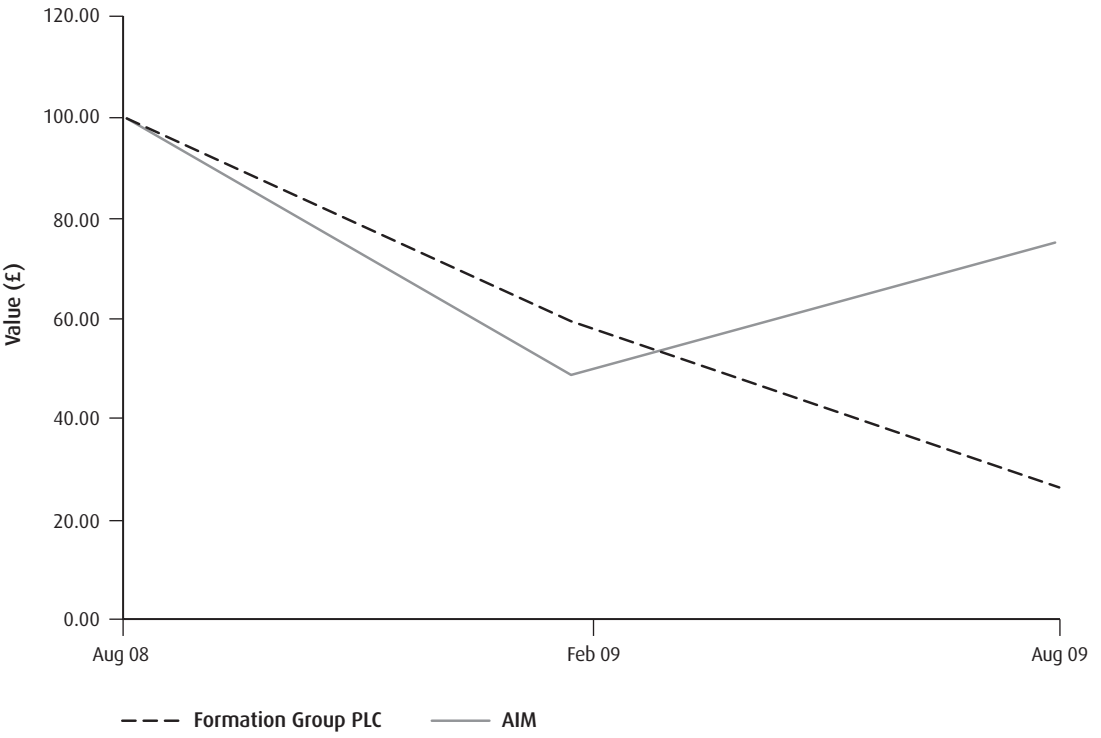
The following graph illustrates the Company's Total Shareholder Return (TSR) performance since 17 May 2001 relative to the FTSE AIM index. The FTSE AIM comparator group was chosen as Formation Group PLC is a member of that index. The graph looks at the value, until 31 August 2009, of £100 invested in Formation Group PLC on 17 May 2001 compared with that of £100 invested in the FTSE AIM. The other points are plotted at half-year and financial year-ends.

TSR Performance Graph



The following graph illustrates the Company's TSR performance for the year ended 31 August 2009, the period since the last annual report and financial statements. The graph looks at the value, by 31 August 2009, of £100 invested in Formation Group PLC on 1 September 2008 compared with that of £100 invested in the FTSE AIM. The other point is plotted at the half-year end.

TSR Performance Graph



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 Jan 2010	6 months
N. O'Carroll	25 May 2007	6 months

By order of the Board,

J. E. Lawrence
Chairman – Remuneration Committee

1 February 2010

Financial statements
The Directors are responsible for preparing the Annual 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 financial statements for the Group in accordance with International Financial Reporting Standards as adopted by the European Union and financial statements for the parent company in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the 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 estimates that are reasonable and prudent;
- state whether applicable accounting standards 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.

In so far as the Directors are aware:

- there is no relevant audit information of which the Company'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.

Other matters
The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for the system of internal control, for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 2009 which comprise the consolidated income statement, consolidated statement of recognised income and expense, consolidated balance sheet, consolidated cash flow statement and the related notes. The financial reporting framework that has been applied in their preparation is 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 directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 24, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group 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 (APB'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/UKNP.

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

- give a true and fair view of the state of the group's affairs as at 31 August 2009 and of its loss for the year then ended;
- have been properly prepared in accordance with IFRS as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter 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:

- 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.

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:

- 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 2009.

Joanne Kearns
Senior Statutory Auditor
For and on behalf of GRANT THORNTON UK LLP
STATUTORY AUDITOR
CHARTERED ACCOUNTANTS
Manchester

1 February 2010

Consolidated Income Statement

For the year ended 31 August 2009

	Notes	2009 £'000	2008 £'000
Continuing operations			
Revenue	2	**18,953**	25,006
Cost of sales		**(15,911)**	(18,586)
Gross profit		**3,042**	6,420
Administrative expenses		**(5,477)**	(5,554)
Operating (loss)/profit from continuing operations	**2**	**(2,435)**	866
Investment income	3	**4**	119
Finance costs	3	**(486)**	(319)
(Loss)/profit before taxation and exceptional items		**(2,917)**	666
Exceptional Items	8	**(17,824)**	-
(Loss)/profit before taxation		**(20,741)**	666
Taxation	7	**277**	(224)
(Loss)/profit for the year from continuing operations		**(20,464)**	442
Discontinued operations			
(Loss)/profit for the year from discontinued operations	9	**(6,307)**	2,310
(Loss)/profit for the year	**4**	**(26,771)**	2,752
Attributable to:			
Equity holders of the parent		**(26,793)**	2,703
Minority interests		**22**	49
		(26,771)	2,752
(Loss)/earnings per share			
From continuing operations			
Basic	10	**(9.56p)**	0.21p
Diluted	**10**	**(9.56p)**	0.20p
From discontinued operations			
Basic	10	**(2.96p)**	1.06p
Diluted	10	**(2.96p)**	1.04p
From continuing and discontinued operations			
Basic	10	**(12.52p)**	1.27p
Diluted	10	**(12.52p)**	1.24p

Consolidated Statement of Recognised Income and Expense

For the year ended 31 August 2009

	2009 £'000	2008 £'000
(Loss)/profit for the year	**(26,771)**	2,752
Exchange gain on foreign currency translation of foreign operations	**44**	40
Total recognised income and expense for the year	**(26,727)**	2,792
Attributable to:		
Equity holders of the parent	**(26,749)**	2,743
Minority interests	**22**	49
	(26,727)	2,792

Consolidated Balance Sheet

31 August 2009

	Notes	**2009** £'000	2008 £'000
Non-current assets			
Goodwill	13	**10,805**	47,409
Other intangible assets	12	**3**	18
Property, plant and equipment	14	**73**	330
Non-current financial assets	15	**-**	4,862
Deferred tax asset	23	**229**	135
		11,110	52,754
Current assets			
Inventories	16	**22**	2,222
Trade and other receivables	17	**2,140**	6,978
Cash and cash equivalents	18	**15,154**	4,028
		17,316	13,228
Total assets		**28,426**	65,982
Current liabilities			
Trade and other payables	19	**(4,958)**	(11,562)
Current income tax liabilities		**(536)**	(1,503)
Obligations under finance leases	21	**-**	(9)
Bank overdrafts and loans	20	**(7,010)**	(1,833)
		(12,504)	(14,907)
Net current assets/(liabilities)		**4,812**	(1,679)
Non-current liabilities			
Trade and other payables	19	**-**	(3,605)
Obligations under finance leases	21	**-**	(8)
Bank loans	20	**-**	(4,010)
		-	(7,623)
Total liabilities		**(12,504)**	(22,530)
Net assets		**15,922**	43,452

31 August 2009

	Notes	**2009**	2008
		£'000	£'000
Equity			
Share capital	24	**2,205**	2,205
Share premium account	25	**2,106**	2,106
Treasury shares	25	**(602)**	(102)
Capital redemption reserve	25	**61**	61
Merger reserve	25	**11,265**	20,326
Currency reserve	25	**94**	50
Share option reserve	25	**55**	324
Retained earnings	25	**738**	18,142
Total equity attributable to the parent's shareholders		**15,922**	43,112
Minority interests	25	**-**	340
Total equity	25	**15,922**	43,452

The financial statements were approved by the Board of Directors on 1 February 2010 and signed on its behalf by:

Desmond Khan FCCA
Director

Consolidated Cash Flow Statement

For the year ended 31 August 2009

	Notes	2009 £'000	2008 £'000
Operating activities			
Cash (used in)/generated by operations	27	(38)	3,153
Income taxes paid		(1,239)	(1,036)
Interest paid		(432)	(219)
Net cash (outflow)/inflow from operating activities		(1,709)	1,898
Investing activities			
Interest received		59	194
Proceeds on disposal of property, plant and equipment		1	-
Purchases of property, plant and equipment		(89)	(113)
Deferred consideration paid		(3,310)	(1,190)
Acquisition of subsidiaries		-	(9,418)
Cash acquired with subsidiaries		-	2,688
Acquisition expenses		-	(878)
Net proceeds on disposal of subsidiary companies		16,477	1,007
Fees and costs relating to the disposal of subsidiaries		(295)	-
Cash disposed of with subsidiary companies		(702)	-
Net cash generated by/(used in) investing activities		12,141	(7,710)
Financing activities			
Dividends paid		-	(235)
Purchase of own shares		(500)	(207)
Net proceeds from sale of own shares		-	828
New loans		2,000	6,000
Loan repayments		(833)	(157)
Repayments of obligations under finance leases		(17)	(34)
Net cash generated by financing activities		650	6,195
Net increase in cash and cash equivalents		11,082	383
Cash and cash equivalents at the beginning of the year		4,028	3,605
Effect of foreign exchange rate changes		44	40
Cash and cash equivalents at the end of the year		15,154	4,028

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 13.

The financial statements are presented in pounds sterling. Foreign operations are included in accordance with the policies set out in note 1.

1. Significant accounting policies

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use by the European Union (EU) and interpretations issued by the International Financial Reporting 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
The financial statements have been prepared on a going concern basis. The Group has significant surplus cash balances as at 31 August 2009, generated from the sale of certain subsidiary undertakings during the year. In addition, as detailed in note 31 to the financial statements, greater certainty has been achieved post year end regarding the completion of the Aldgate property development.

The Directors have prepared working capital forecasts for the period to 31 January 2011. The working capital forecasts assume that no cash outflows in respect of the loan note guarantee will occur.

The Directors are satisfied that the forecast level of trading performance and cash flows are achievable and that the Group will therefore be able to continue to operate for the foreseeable future.

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, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under IFRS 3 'Business Combinations' are recognised at their fair value at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for resale in accordance with IFRS 5 'Non-Current Assets Held for Sale and Discontinued Operations', which are recognised and measured at fair value less costs to sell.

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

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

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

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
Motor vehicles	4 years

Material residual value estimates are updated as required, but at least annually, whether or not the asset is revalued.

Borrowing costs are expensed as incurred in the consolidated income statement.

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

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

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 related cash flows.

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 tax profit nor the accounting profit.

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

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

Deferred tax is calculated at the average tax rates that are expected to apply in the periods in which the temporary 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.

1. Significant accounting policies *continued*

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 talent and football management services is recognised in accordance with the provision of service under the terms and conditions of the contract.

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

Revenue for construction project management represents amounts chargeable for services provided and expenses recharged to clients. Services provided to clients during the year, which at the balance sheet date have not been billed, have been recognised as revenue. This is 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 for accountancy and taxation services represents amounts chargeable for services provided to clients. Services provided to clients during the year, which at the balance sheet date have not been billed, have been recognised as revenue. This is 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.

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

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 accruals and 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 prepayments and accrued income.

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

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 presentational currency for the consolidated financial statements.

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

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the year.

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

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

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

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

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

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. Cost is assigned on a first in, first out cost formula for each project.

1. Significant accounting policies *continued*

Financial assets
Financial assets are divided into the following categories: loans and receivables; financial assets at fair value through profit or loss; available-for-sale financial assets; and held-to-maturity investments.

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 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, the loan note due from Columbia Formation Group (Ireland) Limited 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.

Available-for-sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. All financial assets within this category are measured subsequently at fair value, with changes in value recognised in equity, through the statement of recognised income and expense. Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

The Group's available-for-sale financial assets include its participation in the ordinary shares of Columbia Formation Group (Ireland) Limited. The fair value of this asset is estimated by reference to the valuation of the underlying property development assets.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment losses recognised previously on debt securities are reversed through the income statement when the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement.

An assessment for impairment is undertaken at least at each balance sheet date.

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 if ownership but does transfer control of that asset.

1. Significant accounting policies *continued*

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.

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held-for-trading or designated as at fair value through profit or loss on initial recognition.

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

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 recognised in accordance with the revenue recognition policies set out above.

1. Significant accounting policies *continued*

Equity
Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share capital to be issued" represents the total value of equity shares to be issued.
- "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 the reserve created upon redemption of shares.

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

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

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*

Exceptional items
Items classed as exceptional gains or losses are considered by the group to be material and are different from events that fall within the ordinary activities of the group and which individually, or if of a similar type, in aggregate, need to be disclosed by the virtue of their size or incidence if the financial statements are to be properly understood. Exceptional items are separately disclosed to assist the user of the accounts in understanding of the performance achieved and in making projections of future results.

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

The 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:

- *Potential crystallisation of Aldgate loan note guarantee obligation* – delays to a major London property development may cause a loan note guarantee obligation (up to a maximum of £11.6 million) to crystallise in the next financial year. This matter is fully detailed in note 31 to the consolidated financial statements.

- *Non-consolidation* – The group does not consolidate Aldgate East Property Company Limited or the Whitechapel Property Fund Limited as the directors' do not consider these companies to be under the control of the group on the basis that is has no decision making power or the right to future benefits.

1. Significant accounting policies *continued*

Standards and interpretations

At the date of approval 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.

- IAS 1 Presentation of Financial Statements (revised 2007) (effective 1 January 2009)
- IAS 23 Borrowing Costs (revised 2007) (effective 1 January 2009)
- Amendment to IAS 32 Financial Instruments: Presentation and IAS 1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation (effective 1 January 2009)
- IAS 27 Consolidated and Separate Financial Statements (Revised 2008) (effective 1 July 2009)
- Amendment to IFRS 2 Share-based Payment – Vesting Conditions and Cancellations (effective 1 January 2009)
- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards and IAS 27 Consolidated and Separate Financial Statements – Costs of Investment in a Subsidiary, Jointly Controlled Entity or Associate (effective 1 January 2009)
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items (effective 1 July 2009)
- Group Cash-settled Share-based Payment Transactions – Amendment to IFRS 2 (effective 1 January 2010)
- Amendment to IFRS 7 Financial Instruments: Disclosures – Improving Disclosures About Financial Instruments (effective 1 January 2009)
- Improvements to IFRSs 2008 (effective 1 January 2009 other than certain amendments effective 1 July 2009)
- Improvements to IFRSs 2009 (various effective dates, earliest of which is 1 July 2009, but mostly 2010)
- IFRS 3 Business Combinations (Revised 2008) (effective 1 July 2009)
- IFRS 8 Operating Segments (effective 1 January 2009)
- IFRIC 15 Agreements for the Construction of Real Estate (effective 1 January 2009)
- IFRIC 16 Hedges of a Net Investment in a Foreign Operation (effective 1 October 2008)
- IFRIC 17 Distributions of Non-cash Assets to Owners (effective 1 July 2009)
- IFRIC 18 Transfers of Assets from Customers (effective prospectively for transfers on or after 1 July 2009)
- Amendment to IFRS 1 Additional Exemptions for First-time Adopters (effective 1 January 2010)

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the consolidated financial statements of the Group other than for additional disclosures on operating segments when IFRS 8 comes into effect and changes to the presentation of the financial statements when IAS 1 comes into effect. The Group does not intend to apply any of these pronouncements early.

2. Segment information

For management purposes, before the disposal of subsidiaries in the period, the Group was organised into two operating divisions; Management Services and Professional Services. These divisions were the basis on which the Group reports its primary segment information. Management Services provided career management and representation advice to entertainers and athletes within the sports and entertainment sectors. Professional Services include wealth management, accountancy and taxation, financial brokerage and construction project management services. These services are provided to individuals, sporting institutions and trusts within the sport, music, entertainment and property sectors.

During the period, all subsidiaries in the Management Services division were sold along with certain subsidiaries within the Professional Services division. The remaining subsidiaries all operate in the Professional Services division.

Segment information about these businesses is presented below:

2009

	Management Services £'000	Professional Services £'000	Discontinued operations £'000	Total £'000
Revenue	7,008	23,077	(11,132)	18,953
Segment operating profit/(loss)	569	2,914	(4,334)	(851)
Unallocated corporate expenses				(1,584)
Operating loss				(2,435)
Investment income				4
Finance costs				(486)
Loss before taxation and exceptional items				(2,917)
Exceptional Items				(17,824)
Taxation				277
Loss for the year from continuing operations				(20,464)
Loss for the year from discontinued operations				(6,307)
Loss for the year				(26,771)

2. Segment information *continued*

2008

	Management Services £'000	Professional Services £'000	Discontinued operations £'000	Total £'000
Revenue	5,989	28,952	(9,935)	25,006
Segment operating profit	1,664	3,245	(2,614)	2,295
Unallocated corporate expenses				(1,429)
Operating profit				866
Investment income				119
Finance costs				(319)
Profit before taxation				666
Taxation				(224)
Profit for the year from continuing operations				442
Profit for the year from discontinued operations				2,310
Profit for the year				2,752

2. Segment information *continued*

Other information
2009
Due to the disposal of the Management Services division in the period, all Assets and Liabilities are associated with the Professional services division.

Other information
2008

	Management Services £'000	Professional Services £'000	Central Costs £'000	Consolidated £'000
Capital additions	14,826	71	15	14,912
Depreciation and amortisation	56	48	19	123

	Management Services £'000	Professional Services £'000	Eliminations £'000	Consolidated £'000
Assets				
Segment assets	31,150	40,794	(7,230)	64,714
Unallocated corporate assets				1,268
Consolidated total assets				65,982
Liabilities				
Segment liabilities	(12,008)	(10,565)	7,230	(15,343)
Unallocated corporate liabilities				(7,187)
Consolidated total liabilities				(22,530)

2. Segment information *continued*

Discontinued operations
Discontinued operations in the year ended 31 August 2009 related to the disposal of subsidiary companies that took place on 25 August 2009. The subsidiaries disposed of are detailed in note 26.

Geographical segments
The Group's principal operations in the year have been located in the United Kingdom, the United States of America and the Republic of Ireland. The Professional Services division is located in the United Kingdom and the Republic of Ireland. Revenue from the Group's discontinued operations was derived from the United Kingdom and the United States of America. 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	
	2009	2008
	£'000	£'000
United Kingdom	**17,841**	23,535
Rest of the World	**1,112**	1,471
	18,953	25,006

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

	Carrying amount of segment net assets		Additions to property, plant, equipment and intangible assets	
	2009	2008	**2009**	2008
	£000	£000	**£000**	£000
United Kingdom	**15,922**	42,525	**89**	14,854
Rest of the World	**-**	927	**-**	58
	15,922	43,452	**89**	14,912

3. Investment income and finance costs

Investment income

	2009 £'000	2008 £'000
Bank interest receivable	**4**	119

Finance costs

	2009 £'000	2008 £'000
Interest on bank loan and overdraft	**486**	319

4. (Loss)/profit for the year

(Loss)/profit for the year is stated after charging:

	Continuing operations		Discontinued operations		Total	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Depreciation of property, plant and equipment	**46**	53	**65**	62	**111**	115
Impairment charge	**17,824**	–	**–**	–	**17,824**	–
Loss on disposal of property, plant and equipment	**-**	-	**-**	9	**-**	9
Cost of inventories recognised as expense	**16,099**	19,240	**-**	-	**16,099**	19,240
Amortisation of trademarks and image rights	**1**	1	**6**	7	**7**	8
Employee costs (note 5)	**3,250**	3,331	**4,121**	4,027	**7,371**	7,358
Fine from the Football Association	**-**	-	**-**	300	**-**	300
Legal costs associated with Football Association regulatory hearing	**-**	-	**-**	362	**-**	362
Relocation of Wealth Management business	**-**	258	**-**	-	**-**	258
Auditors' remuneration (see overleaf)	**25**	32	**88**	78	**113**	110

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

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

	2009 £'000	2008 £'000
Fees payable to the Company auditor for the audit of the parent and consolidated financial statements	**22**	22
Other fees to auditors -		
the audit of the Company's subsidiaries pursuant to legislation	**23**	67
Tax advisory	**7**	2
Tax compliance	**14**	19
Acquisition due diligence	**-**	30
Other advisory	**47**	-
	113	140

Of the £113,000 (2008: £140,000) of fees, £nil (2008: £30,000) has been capitalised in the cost of investments in subsidiary undertakings.

5. Employee costs

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

	2009 Number	2008 Number
Management Services	**14**	21
Professional Services	**52**	65
Administration	**26**	30
	92	116

	2009 £'000	2008 £'000
Their aggregate remuneration comprised:		
Wages and salaries	**6,471**	6,520
Social security costs	**785**	711
Other pension costs (see note 29)	**115**	127
	7,371	7,358

6. Directors' remuneration, interests and transactions

Aggregate remuneration

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

	2009 £'000	2008 £'000
Emoluments	**1,011**	**996**
Money purchase pension contributions	**69**	64
	1,080	1,060

Directors' emoluments

Name of Director	Fees/basic salary £'000	Bonuses £'000	Taxable benefits £'000	**2009 Total £'000**	2008 Total £'000
Executive					
N. Rodford	174	-	12	**186**	280
I. Battersby	118	-	1	**119**	165
M. Page	116	-	1	**117**	172
N. O'Carroll	141	-	-	**141**	140
P. Powell	171	-	1	**172**	86
Non-Executive					
J. E. Lawrence	172	-	-	**172**	45
M. Kennedy	84	-	-	**84**	100
O. Kilkenny	20	-	-	**20**	8
Aggregate emoluments	996	-	15	**1,011**	996
Fees to third parties				**40**	35

Fees to third parties comprise amounts paid to Grantsearch and PTK Consultants Limited under agreements to provide the Group with the services of Mr I. A. Craig and Mr P. Kennedy respectively.

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 (for further information see note 24).

Name of Director	Scheme	At 1 September 2008 Number	Options granted Number	Options Surrendered Number	**At 31 August 2009 Number**	Exercise price	Date from which exercisable	Expiry Date
N. Rodford	Unapproved	1,000,000	-	(1,000,000)	**-**	7.13p	12/12/06	11/12/13
	LTIPS	954,545	-	(954,545)	**-**	0.00p	01/09/10	20/06/17
	LTIPS	500,000	-	(500,000)	**-**	0.00p	04/03/11	03/03/18
M. Page	EMI	500,000	-	(500,000)	**-**	7.13p	12/12/06	11/12/13
	LTIPS	300,000	-	(300,000)	**-**	0.00p	01/09/10	20/06/17
	LTIPS	150,000	-	(150,000)	**-**	0.00p	04/03/11	03/03/18
I. Battersby	EMI	450,000	-	-	**450,000**	7.13p	12/12/06	11/12/13
	Unapproved	300,000	-	-	**300,000**	22.75p	14/11/10	13/11/17
N. O'Carroll	Unapproved	300,000	-	-	**300,000**	22.75p	14/11/10	13/11/17
J. E. Lawrence	NED	500,000	-	-	**500,000**	7.13p	12/12/06	11/12/13
M. Kennedy	Unapproved	1,000,000	-	-	**1,000,000**	8.13p	02/02/08	01/02/15
I. A. Craig	NED	500,000	-	(500,000)	**-**	7.13p	12/12/06	11/12/13

The market price of the ordinary shares at 31 August 2008 was 16.75p and the range during the year was 15.25p to 24.50p. 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 believed that the use of operating profit and EPS represent the most appropriate measures of the Group's financial performance.

6. Directors' remuneration, interests and transactions *continued*

The market price of the ordinary shares at 31 August 2009 was 4.25p and the range during the year was 16.75p to 4.00p. 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 believed that the use of the operating profit and EPS represents the most appropriate measures of the Group's financial performance.

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

	2009 £'000	2008 £'000
N. Rodford	**17**	17
M. Page	**11**	11
I. Battersby	**11**	11
N. O'Carroll	**30**	25
	69	64

Directors' interests

The Directors who held office at 31 August 2009 had the following beneficial interests in the 1p ordinary shares of the Company:

	31 August 2009 Number	31 August 2008 or date of appointment Number
I. Battersby	**263,500**	263,500
N. O'Carroll	**-**	-
J. E. Lawrence	**765,000**	765,000
M. Kennedy	**50,000**	50,000
P. Kennedy*	**113,331,696**	113,331,696

*includes holdings of the David Kennedy Family Trust, of which P. Kennedy is one of 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	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000	**2009 £'000**	2008 £'000
Current tax	**(204)**	305	**884**	1,047	**680**	1,352
Deferred tax (note 23)	**(73)**	(81)	**(37)**	(48)	**(110)**	(129)
	(277)	224	**847**	999	**570**	1,223

UK corporation tax is calculated at 28% (2008: 29%) of the estimated assessable profits for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The tax on discontinued operations related to profits/losses arising in the 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:

	2009 £'000	2008 £'000
(Loss)/profit before tax		
Continuing operations	**(20,741)**	666
Discontinued operations	**(5,460)**	3,309
	(26,201)	3,975
Tax at UK corporation tax rate of 28% (2008: 29%)	**(7,336)**	1,159
Adjustment for tax-exempt income	**2,605**	(181)
Tax effect of expenses/income not deductible/taxable for tax purposes	**5,237**	156
Effect of different tax rates	**290**	27
Adjustment in respect of prior periods	**(226)**	62
Tax charge for the year	**570**	1,223

8. Exceptional items

Annual tests for impairment were carried out in the period and this has resulted in an impairment charge relating to the subsidiaries, Formation Asset Management Limited and Formation Design and Build Limited. The Board also assessed the fair values of the investment in CFGIL and the trade receivable balance from Julius, a related party company, owned by a majority shareholder. This resulted in write downs of the fair value.

	2009	2008
	£'000	£'000
Impairment charge – Formation Asset Management Limited	**4,885**	-
Impairment charge – Formation Design and Build Limited	**4,630**	-
Impairment charge – CFGIL	**4,862**	-
Fair value adjustment of trade receivable	**3,447**	-
	17,824	-

9. Discontinued operations

Discontinued operations relate to the disposal of the various subsidiary companies. Details of the total consideration are provided in note 26, Disposal of subsidiary companies.

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

	2009	2008
	£'000	£'000
Revenue	**11,132**	9,936
Cost of sales	**(398)**	(477)
Gross profit	**10,734**	9,459
Administrative expenses	**(6,400)**	(6,183)
Operating profit from discontinued operations	**4,334**	3,276
Exceptional items	**-**	(662)
Investment income	**55**	74
Profit before taxation	**4,389**	2,688
Attributable tax expense	**(847)**	(999)
Profit for discontinued operations	**3,542**	1,689
(Loss)/profit on disposal of discontinued operations before taxation	**(9,849)**	621
Attributable tax expense	**-**	-
(Loss)/profit on disposal of discontinued operations	**(9,849)**	2,310
(Loss)/profit attributable to discontinued operations	**(6,307)**	2,310

Of the (loss)/profit on disposal of discontinued operations, a profit of £nil (2008: £621,000) arose on the disposal of the Sports Marketing division.

Additional information relating to the loss on disposal of discontinued operations of £9,849,000 has been provided in note 26.

During the year, the Group had a net cash inflow from investing activities relating to the disposal of various subsidiary companies in the Group of £15,431,000. (2008: £1,007,000 inflow relating to Sports Marketing division).

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:

	2009 £'000	2008 £'000
Basic and diluted (deficit)/earnings – continuing operations	**(20,464)**	442
Basic and diluted (deficit)/earnings – discontinued operations	**(6,329)**	2,261
Basic and diluted (deficit)/earnings – continuing and discontinued operations	**(26,793)**	2,703

	2009 Number of shares '000	2008 Number of shares '000
Weighted average number of shares:		
Basic	**214,017**	214,017
Dilutive effect of share options	**–**	4,812
Diluted	**214,017**	218,829

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

11. Dividends

Amounts recognised as distributions to equity holders in the year:

	2009 £'000	2008 £'000
Final dividend paid per ordinary share for the year ended 31 August 2009 (2008 – 0.115p)	**–**	235

12. Other intangible assets

	Trademarks £'000	Other rights £'000	Total £'000
Cost			
At 1 September 2007 and 31 August 2008	13	50	63
Disposal of subsidiary	(6)	(50)	(56)
31 August 2009	**7**	**-**	**7**
Amortisation			
At 1 September 2007	5	32	37
Charge for the year	2	6	8
At 1 September 2008	7	38	45
Charge for the year	1	6	7
Disposal of subsidiary	(4)	(44)	(48)
At 1 September 2007	5	32	37
Charge for the year	2	6	8
At 31 August 2009	**4**	**-**	**4**
Net book value			
At 31 August 2009	**3**	**-**	**3**
At 31 August 2008	6	12	18

13. Goodwill

Net book value	**£'000**
At 1 September 2007	31,685
Recognised on acquisition of a subsidiary	14,799
Changes in deferred consideration payable	642
Changes to provisional fair values	283
At 1 September 2008	47,409
Derecognised on disposal of a subsidiary	(27,089)
Impairment	(9,515)
At 31 August 2009	**10,805**

The impairment charge is in relation to Formation Asset Management Limited and Formation Design and Build Limited.

The changes to provisional fair values recorded in the year ended 31 August 2008 principally relate to the effect on income of changes to anticipated project completion dates in Formation Design & Build Limited.

13. Goodwill *continued*

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

	2009	2008
	£'000	£'000
Management Services	**-**	22,668
Professional Services	**10,805**	24,741
	10,805	47,409

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

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next year and extrapolates cash flows for 20 years based on average estimated growth rates of 2% per annum for the first ten years and at nil% for the remaining period. This rate does not exceed the average long term growth rate for the relevant markets. The rate used to discount the forecast cash flows from all business units is 10%.

This has resulted in an impairment charge of £4,885,000 relating to Formation Asset Management Limited in the period which represents a full write down of the carrying value of Goodwill.

There has been a recent well publicised decline in property development activity opportunities in both the United Kingdom and the Republic of Ireland. This has resulted in the Group lowering its forecasts for earnings derived from property project management activities, which form part of the Professional Services segment and cash generating unit ('CGU')

The Group has considered this impact on the assumptions used and has conducted sensitivity analysis on the impairment test of the CGU's carrying value. This has resulted in an impairment of the carrying value at 31 August 2009 relating to the subsidiary Formation Design and Build Limited as the CGU's recoverable amount is less than its carrying value by £4,630,000.

14. Property, plant and equipment

	Short leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 September 2007	198	459	83	740
Exchange differences	-	2	-	2
Additions	2	111	-	113
Disposals	(4)	(9)	-	(13)
Acquisition of subsidiaries	7	21	-	28
At 1 September 2008	203	584	83	870
Exchange differences	-	3	-	3
Additions	-	89	-	89
Disposals	(12)	(1)	-	(13)
Disposal of subsidiaries	(170)	(454)	(35)	(659)
At 31 August 2009	**21**	**221**	**48**	**290**
Accumulated depreciation				
At 1 September 2007	78	298	50	426
Exchange differences	-	1	-	1
Disposals	-	(2)	-	(2)
Charge for the year	16	85	14	115
At 1 September 2008	94	382	64	540
Exchange differences	-	2	-	2
Disposals	(12)	-	-	(12)
Disposal of subsidiaries	(88)	(311)	(25)	(424)
Charge for the year	14	88	9	111
At 31 August 2009	**8**	**161**	**48**	**217**
Net book value				
At 31 August 2009	**13**	**60**	**-**	**73**
At 31 August 2008	109	202	19	330

The carrying value of the Group's motor vehicles includes an amount of £nil (2008 – £19,000) in respect of assets held under finance leases.

15. Non-current financial assets

	2009 £'000	2008 £'000
Unlisted equity securities	-	4,179
Loan note	-	683
	-	4,862

As at 31 August 2008. Unlisted equity securities represents a 10% interest in the ordinary share capital of Columbia Formation Group (Ireland) Limited, a company registered in the Republic of Ireland. It is a holding company for two major property developments in the Republic of Ireland.

During the period the Board have reviewed the carrying value of this cash generating unit and as a result, has decided to write down the value of this investment to £nil.

The loan note in Columbia Formation Group (Ireland) Limited has been written down to £nil in the period as this represents the fair value on the basis that it is probable that this will not be recovered in the future.

16. Inventories

	2009 £'000	2008 £'000
Work in progress	**22**	2,222

17. Trade and other receivables

	2009 £'000	2008 £'000
Trade receivables	**1,216**	6,072
Allowance for doubtful debts	**(104)**	(348)
	1,112	5,724
Deferred consideration receivable	**250**	-
VAT	**148**	-
Other receivables and prepayments	**630**	1,254
	2,140	6,978

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 customers.

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

The ageing of trade receivables was as follows:

	2009 £'000	2008 £'000
Current	**448**	2,720
Past due but not impaired:		
0-30 days	**164**	1,638
30-60 days	**34**	239
60-90 days	**70**	534
> 90 days	**396**	593
Past due and impaired:		
30-60 days	**6**	-
60-90 days	**-**	27
> 90 days	**98**	321
	1,216	6,072

17. Trade and other receivables *continued*

Of the trade receivables 37% (2008: 45%) are neither past due or impaired.

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

	2009 £'000	2008 £'000
Balance at the beginning of the year	**348**	186
Amounts (collected)/written off	**(317)**	(163)
Provision created during the year	**73**	325
Balance at the end of the year	**104**	348

18. Cash and bank deposits

	2009 £'000	2008 £'000
Cash in hand and at bank	**15,154**	**4,028**

The effective interest rate on short term deposits for the year ended 31 August 2009 is 0.75% (2008: 4.99%).

19. Trade and other payables

	2009 £'000	2008 £'000
Current:		
Trade payables	**3,547**	3,511
VAT	**-**	372
Other taxation and social security	**119**	311
Contingent and deferred acquisition consideration	**-**	3,865
Other creditors	**68**	30
Accruals and deferred income	**1,224**	3,473
	4,958	**11,562**
Non-current:		
Contingent and deferred acquisition consideration	**-**	3,605

Trade creditors and accruals principally comprise amounts outstanding from trade purchases and ongoing costs. The average credit period taken for trade purchases is 44 days (2008: 38 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

20. Bank overdrats and loans

	2009 £'000	2008 £'000
Current:		
Bank overdraft – rolling credit facility	**3,000**	**1,000**
Bank loan – term loan facility	**4,010**	**833**
	7,010	**1,833**
Non-current:		
Bank loan – term loan facility	**-**	**4,010**

The borrowings are repayable as follows:

	2009 £'000	2008 £'000
On demand or within one year	**7,010**	**1,833**
In the second year	**-**	**1,458**
In the third to fifth year	**-**	**2,552**
	7,010	5,843
Less: amount due for settlement within 12 months (shown under current liabilities)	**(7,010)**	(1,833)
Amount due for settlement after 12 months	**-**	4,010

The weighted average interest rates paid were as follows:

	2009 %	2008 %
Rolling credit facility	**3.66**	7.94
Bank loan	**3.66**	7.90

The bank loan of £4,010,000 (2008: £4,843,000) and the rolling credit facility were arranged at floating interest rates and expose the Group to fair value interest risk.

The other principal features of the Group's borrowings (which are all in Sterling) are as follows:

i) The Group has a bank loan of £4,010,000. The facility has been secured by debentures from Formation Group PLC and certain of the Group's subsidiary companies as well as an inter company cross guarantee between these companies and carries an interest rate at 2.00% above LIBOR. The debenture creates fixed and floating charges over all or substantially all the undertaking and assets of all the Group companies that have signed up to the debenture. The loan is due to be repaid in full by 31st July 2010. At the year end, the group was in breach of a covenant relating to the operating profit from continuing operations as a result, it was classed as current. The loan has been repaid subsequent to the year end.

ii) The Group has a £3,000,000 rolling credit facility which was taken out on 14 March 2008. £3,000,000 has been drawn down on this facility at the year end. This facility ceases on 28 February 2010. The facility has been secured by debentures from Formation Group PLC and certain of the Group's subsidiary companies in addition to an inter company cross guarantee between these companies and carries an interest rate at 2.00% above LIBOR.

At 31 August 2009, the Group had available £nil (2008: £2,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

21. Finance leases

Amounts payable under finance leases are as follows:

	2009 £'000	2008 £'000
Within one year	-	9
Between one and five years	-	8
	-	17

	Minimum lease payments		Present value of lease payments	
	2009 £'000	2008 £'000	**2009 £'000**	2008 £'000
Within one year	-	10	-	9
In the second to fifth year	-	9	-	8
	-	19	-	17
Less: Future finance charges	-	(2)	-	n/a
Present value of lease obligation	-	17	-	17
Less: Amounts due for settlement within 12 months			-	(9)
Amounts due for settlement after 12 months			-	8

For the year ended 31 August 2009, the average effective borrowing rate was 7.4% (2008: 7.4%). Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no amounts have been entered into for contingent rental payments. All lease obligations are denominated in sterling and the value of the Group's lease obligations under finance leases is secured by the lessor's rights over the leased assets.

All finance leases were disposed of with the subsidiaries in the year.

22. 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 expense 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

Financial assets	2009 £'000	2008 £'000
Loans and receivables – other	**2,140**	7,148
Loans and receivables – cash and cash equivalents	**15,154**	4,028
Available-for-sale financial assets	**-**	4,179
	17,294	15,355
Financial liabilities		
Amortised cost	**10,557**	17,537

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 and price risk (specifically in respect of its investment in the equity securities of Columbia Formation Group (Ireland) Limited). 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 most important types of financial statement risk are credit risk and liquidity risk.

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

c) Market risk

The Group's activities expose it to the financial risks of changes in foreign currency exchange rates and interest rates. Given the level of these risks, the Group has not entered into derivative financial instruments to manage these exposures.

22. Financial instruments *continued*

d) Foreign currency risk management

The Group undertakes certain transactions denominated in US dollars and Euros and therefore has exposure to exchange rate fluctuations.

The carrying amounts of the Group's foreign currency denominated assets and monetary liabilities are as follows:

	Assets		Liabilities	
	2009	2008	**2009**	2008
	£'000	£'000	**£'000**	£'000
US dollars	**-**	627	**-**	209
Euros	**-**	5,493	**-**	580

Whilst the Group's trading activities are predominantly Sterling based, certain activities are Euro and US Dollar based. Given the level of Euro and US dollar based activities the impact of changes in foreign exchange rates has been limited and no hedging has been deemed necessary.

e) Finance and interest rate risk

The Group finances its operations through its retained earnings, the revolving credit facility and a 5 year term loan. The interest on the Group's borrowings is linked to LIBOR. No interest rate hedging agreement is currently in place because given the level of borrowings and the current interest rate environment the Board does not consider fluctuations in interest rates to pose a significant risk to the Group.

The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

If interest rates on the financial assets and liabilities had been 50 bps higher and all other variables were held constant, the Group's loss for the year to 31 August 2009 would have increased by £66k (2008: decreased by £29k). If interest rates had been 50 bps lower and all other variables were held constant, the group's loss for the year to 31 August 2009 would have decreased by £66k (2008: increased by £29k). This is attributable to the Group's exposure to interest rates on its variable rate borrowings.

The weighted average interest rates paid were as follows:

	2009	2008
	%	%
Rolling credit facility	**3.66**	7.94
Bank loan	**3.66**	7.90

f) 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.

22. Financial instruments *continued*

g) Equity price risk management
The Group is exposed to equity price risks arising from its equity investment in Columbia Formation Group (Ireland) Limited which is summarised in note 1 to the consolidated financial statements. This equity investment is held for long term investment rather than trading purposes.

h) 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 banking and borrowing facilities and by continuously monitoring forecast and actual cash flows. Liquidity risk poses lesser threat at the end of this reporting period due to the large cash balances held.

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. The table includes both interest and principal cash flows. The interest rate used on the bank loans has been based on 200 bps above LIBOR on 10 November 2008.

31 August 2009

	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Greater than 5 years £'000	Total £'000
Trade and other payables	4,958	-	-	-	**4,958**
Bank loans	4,458	1,458	1,094	-	**7,010**
Deferred consideration	-	-	-	-	**-**
Finance leases	-	-	-	-	**-**
	9,416	1,458	1,094	-	**11,968**

31 August 2008

	Less than 1 year £'000	1-2 years £'000	2-5 years £'000	Greater than 5 years £'000	Total £'000
Trade and other payables	7,697	-	-	-	**7,697**
Bank loans	2,148	1,657	2,675	-	**6,480**
Deferred consideration	3,865	1,939	1,666	-	**7,470**
Finance leases	9	8	-	-	**17**
	13,719	3,604	4,341	-	**21,664**

i) Fair values
There is no material difference between the fair value of Group's assets and liabilities and their book value.

23. 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. Other deferred tax primarily relates to the trading losses available to set off against future profits.

	Accelerated tax depreciation £'000	Share based payment £'000	Employee benefits £'000	Other £'000	Total £'000
At 1 September 2007	13	147	15	(155)	20
Credit to income	2	26	1	100	129
Acquisition of subsidiary	5	-	-	-	5
Disposal of subsidiary	-	-	-	-	-
Other movement	1	(25)	-	5	(19)
At 1 September 2008	21	148	16	(50)	135
(Charge)/credit to income	(25)	(53)	-	188	110
Acquisition of subsidiaries	1	-	-	78	79
Other movement	-	(95)	-	-	(95)
At 31 August 2009	**(3)**	**-**	**16**	**216**	**229**

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

	2009 £'000	2008 £'000
Deferred tax liabilities	**(6)**	(50)
Deferred tax assets	**235**	185
	229	135

24. Share capital

	2009 £'000	2008 £'000
Authorised		
300,000,000 ordinary shares of 1p each (2008 – 300,000,000)	**3,000**	3,000
Allotted and called-up		
220,515,112 ordinary shares of 1p each (2008 – 220,515,112)	**2,205**	2,205

	Number	£'000
At 1 September 2007	205,772,960	2,058
Issue of ordinary shares of 1p at 22.60p per ordinary share	2,242,152	22
Issue of ordinary shares of 1p at 18.75p per ordinary share	12,500,000	125
At 1 September 2008 and 31 August 2009	**220,515,112**	**2,205**

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

24. 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 2009	2008
Enterprise management incentive plan	16-May-01	16-May-04 to 15-May-11	25.00p	-	112,000
Unapproved share option scheme	12-Dec-03	12-Dec-06 to 11-Dec-13	7.13p	**1,000,000**	1,000,000
Enterprise management incentive plan	12-Dec-03	12-Dec-06 to 11-Dec-13	7.13p	**800,000**	1,300,000
Non Executive plan	12-Dec-03	12-Dec-06 to 11-Dec-13	7.13p	**500,000**	1,000,000
Unapproved share option scheme	9-Dec-04	9-Dec-07 to 8-Dec-14	7.13p	-	400,000
Unapproved share option scheme	2-Feb-05	2-Feb-08 to 1-Feb-15	8.13p	-	1,000,000
LTIPS	21-Jun-07	1-Sep-10 to 20-Jun-17	-	-	1,254,545
Unapproved share option scheme	15-Nov-07	15-Nov-10 to 14-Nov-17	22.75p	**1,025,000**	2,225,000
Unapproved share option scheme	4-Mar-08	4-Mar-11 to 3-Mar-18	20.75p	-	975,000
LTIPS	4-Mar-08	4-Mar-11 to 3-Mar-18	-	-	650,000
Unapproved share option scheme	20-May-08	20-May-11 to 19-May-18	23.75p	-	735,000
				3,325,000	10,651,545

24. Share capital *continued*

Movements in share options are summarised as follows:

	2009 Number of options	**2009 Weighted average exercise price pence**	2008 Number of options	2008 Weighted average exercise price pence
Outstanding at the beginning of the year	**10,651,545**	**11.79**	6,066,545	6.15
Options issued during the year	**-**	**-**	4,585,000	19.26
Surrendered or expired during the year	**(7,326,545)**	**11.33**	-	-
Outstanding at the end of the year	**3,325,000**	**11.95**	10,651,545	11.79
Exercisable at the end of the year	**2,300,000**	**7.13**	4,812,000	7.75

The options outstanding at 31 August 2009 have a weighted average exercise price of 11.95 pence and a weighted average remaining contractual life of 5.49 years.

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

		2009	2008
Weighted average share price	Pence	**7.13 to 23.75**	7.13 to 23.75
Weighed average exercise price	Pence	**7.13 to 23.75**	7.13 to 23.75
Expected volatility	%	**14 to 43**	14 to 39
Expected life	Years	**3**	3
Risk-free rate	%	**4.3 to 5.1**	4.3 to 5.1
Expected dividend rate	%	**0.5 to 1.2**	0.5 to 1.2

Expected volatility was determined by calculating the historical volatility of the Group's share price in the period prior to issue. The Group and Company recognised a total charge of £154,000 (2008: a charge of £128,000) related to equity settled share based payment transactions.

25. Statement of changes in total equity

Treasury shares

The treasury shares represents 16,500,658 (2008: 515,000) ordinary shares of 1p each in the share capital of the Company.

	Share capital issued & to be issued £'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	**Attributable to equity holders of the parent £'000**	Minority interest £'000	**Total equity £'000**
At 1 September 2007	2,558	2,106	(689)	61	17,629	217	10	15,640	**37,532**	291	**37,823**
Gain on foreign currency translation	-	-	-	-	-	-	40	-	**40**	-	**40**
Profit for the year	-	-	-	-	-	-	-	2,703	**2,703**	-	**2,703**
Dividends	-	-	-	-	-	-	-	(235)	**(235)**	-	**(235)**
Acquisition of own share capital	-	-	(207)	-	-	-	-	-	**(207)**	-	**(207)**
Sale of own shares	-	-	828	-	-	-	-	-	**828**	-	**828**
Profit on sale of own shares	-	-	(34)	-	-	-	-	34	**-**	-	**-**
Issue of new share capital	125	-	-	-	2,219	-	-	-	**2,344**	-	**2,344**
Issue of share capital to be issued	(478)	-	-	-	478	-	-	-	**-**	-	**-**
Share based payment charge	-	-	-	-	-	128	-	-	**128**	-	**128**
Impact of deferred tax on share based payment charge	-	-	-	-	-	(21)	-	-	**(21)**	-	**(21)**
Minority share of profit for the year	-	-	-	-	-	-	-	-	**-**	49	**49**
At 31 August 2008	2,205	2,106	(102)	61	20,326	324	50	18,142	**43,112**	340	**43,452**

25. Statement of changes in total equity *continued*

	Share capital issued & to be issued £'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	**Attributable to equity holders of the parent £'000**	Minority interest £'000	**Total equity £'000**
At 31 August 2008	2,205	2,106	(102)	61	20,326	324	50	18,142	**43,112**	340	**43,452**
Gain on foreign currency translation	-	-	-	-	-	-	44	-	**44**	-	**44**
(Loss)/profit for the year	-	-	-	-	-	-	-	(26,771)	**(26,771)**	-	**(26,771)**
Acquisition of own share capital	-	-	(500)	-	-	-	-	-	**(500)**	-	**(500)**
Share based payment charge	-	-	-	-	-	154	-	-	**154**	-	**154**
Impact of deferred tax on share based payment charge	-	-	-	-	-	(95)	-	-	**(95)**	-	**(95)**
Realisation of merger reserve in respect of disposal of subsidiaries	-	-	-	-	(9,061)	-	-	9,061	**-**	-	**-**
Transfer to retained earnings	-	-	-	-	-	(328)	-	328	**-**	-	**-**
Purchase of minority interest	-	-	-	-	-	-	-	-	**-**	(340)	**(340)**
Minority share of profit for the year	-	-	-	-	-	-	-	(22)	**(22)**	-	**(22)**
At 31 August 2009	**2,205**	**2,106**	**(602)**	**61**	**11,265**	**55**	**94**	**738**	**15,922**	**-**	**15,922**

Minority interests

This reserve arises in respect of the 10% minority interest in the ordinary share capital of O.J. Kilkenny & Co. Limited and was purchased by the Group before the disposal of the subsidiary.

26. Disposal of subsidiary companies

As referred to in note 9, on 26 August 2009, the Group disposed of its interest in various subsidiary companies.

Proactive Sports Management Limited
James Grant Media Group Limited
OJ Kilkenny Limited
Proactive Sports Management USA Inc.
Formation Sports Capital Limited

The net assets of these subsidiaries, at the date of the disposal and at 31 August 2008 were as follows:

	31 August 2009 £'000	31 August 2008 £'000
Property, plant and equipment	**235**	216
Intangible assets	**8**	15
Trade receivables	**4,990**	10,393
Cash and cash equivalents	**702**	1,441
Inventories	**1,632**	1,390
Deferred tax asset	**(113)**	112
Current tax liability	**(376)**	(881)
Trade payables	**(8,577)**	(1,013)
Attributable goodwill	**27,089**	27,089
	25,590	38,762
Fees and costs	**986**	
Loss on disposal	**(9,849)**	
Total consideration	**16,727**	
Satisfied by:		
Cash	**16,477**	
Deferred consideration	**250**	
	16,727	
Net cash inflow arising on disposal:		
Cash consideration	**16,477**	
Fees and bonuses	**(295)**	
Cash and cash equivalents disposed of	**(702)**	
	15,480	

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

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

	2009 £'000	2008 £'000
Operating (loss)/profit from continuing operations	**(2,435)**	866
Operating profit from discontinued operations	**4,334**	2,614
Depreciation of property, plant and equipment	**111**	115
Amortisation of intangible assets	**7**	8
Share option charge	**154**	128
Loss on sale of tangible fixed assets	**-**	9
Operating cash flows before movements in working capital	**2,171**	3,740
Decrease/(increase) in inventories	**569**	(343)
(Increase)/decrease in receivables	**(3,349)**	161
Decrease in payables	**(571)**	(405)
Cash (used in)/generated by operations	**(38)**	3,153

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.

28. Operating lease arrangements

	2008 £'000	2007 £'000
Minimum payments under operating leases recognised in income in the year	**354**	356

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

	Land and buildings		Other	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Group				
Within one year	**143**	283	**-**	10
In the second to fifth years inclusive	**366**	847	**-**	14
After five years	**52**	455	**-**	-
	561	1,585	**-**	24

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.

29. Pension arrangements

The Group makes pension contributions to the personal pension plans of certain full-time employees. The pension cost charge for the year amounted to £115,000 (2008 – £127,000).

30. Related party transactions

The David Kennedy Family Trust is considered to be the group's ultimate controlling party.

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

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

O. J. Kilkenny & Co. Limited's office was occupied on a lease from Valeast Investment Trust which owns the property on trust for the personal pension plans of persons including O.J. Kilkenny (a Director of the Company) and P. Savage (a director of O.J. Kilkenny & Co. Limited). The terms of the lease, which were set by an independent commercial valuer at arm's length, to include rental of £117,500 p.a. invoiced quarterly in advance. This lease is terminated with three months notice. The charge for the year was £117,500 and no amount was due to Valeast Investment Trust at 31 August 2008 (2007 – £nil). This subsidiary has also been sold in the period.

David Kennedy and certain trusts of which he is a named beneficiary (the "David Kennedy Family Trust") have an interest in 114,108,696 shares in the Company. During the year:

- Formation Design & Build Limited project managed a number of property developments owned by companies controlled by the David Kennedy Family Trust. Revenue from these contracts totalled £17,497,000 (2008 – £22,058,000) in the year. At 31 August 2009, the Group had debtor balances with these companies of £846,000 (2008 – £1,278,000).

- Formation Design & Build Limited leased premises from Columbia House Properties (No. 6) Limited (a company controlled by the David Kennedy Family Trust) on a five year lease. The terms of the lease include a rental of £52,000 per annum. The charge for year was £52,000 (2008: £40,000) and £nil was owed to Columbia House Properties (No. 6) Limited at 31 August 2009 (2008: £nil).

The Group disposed of the Wealth Management division on 11 December 2009. The division was sold to former Employees and a former Director of the Group, Ian Battersby. Details of the disposal can be found in note 32 Post Balance Sheet Events.

The Group entered into a Joint Venture on 14 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 Formation 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.

Full details of the disposal can be found in note 32 Post Balance Sheet Events.

30. Related party transactions *continued*

The related party transactions disclosed in the Annual Report for the year ended 31 August 2008 for which there are no transactions this year are:

- Revenue recognised in respect of introduction fees relating to the Aldgate East Property Company Limited (Aldgate). Aldgate has made loans to a property developer to part fund a property development. The developer is under the control of the David Kennedy Family Trust (2008: £505,000).

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.

	2009 £'000	2008 £'000
Short-term employee benefits	**1,011**	996
Post employment benefits	**69**	64
Share-based payments	**154**	125
	1,234	1,185

31. Other financial assets and guarantees

In the year ended 31 August 2007, the Group acted as investment adviser to two bespoke property investment products which provided opportunities for the Group's high net worth clients to invest in property development schemes in a prime regeneration area in London.

Whitechapel Property Fund Limited ("Whitechapel")
Whitechapel issued £5.4 million of loan notes to the Group's clients on 28 February 2007. The proceeds of these loan notes were lent to a property developer to part fund a property development, with investors receiving a fixed compounded return. The loan notes will be in issue for a minimum period of two years or a maximum of four depending on the build programme and success of the scheme.

Formation is entitled to a share of the residual profits of the related property development. Formation has underwritten half of the value of the loan and associated interest. The maximum liability in relation to this is £4.0 million. No obligation in respect of this guarantee has been recognised at 31 August 2009 (2008: £nil).

Aldgate East Property Company Limited ("Aldgate")
Aldgate, issued £19.78 million of junior unsecured loan notes and subordinated junior unsecured loan notes to clients introduced by the Group on 31 August 2007. The proceeds of these loan notes were lent to a property developer to part fund a property development, with investors receiving a fixed compounded return. The loan notes will be in issue for a minimum period of two years or maximum of four depending on the build programme and success of the scheme.

Formation is entitled to receive a share of the residual profits of the related property development. Formation has underwritten half of the value of the junior unsecured loan notes and associated interest. The maximum liability in relation to this is £11.6 million. No obligation in respect of this guarantee has been recognised at 31 August 2009 (2008: £nil). Details of post balance sheet events which relate to this matter are detailed in note 32 to the consolidated financial statements.

32. Post balance sheet events

The events detailed below have been announced to the market via the London Stock Exchange Regulatory News Services "RNS" and can also be accessed via the company website www.formationgroupplc.com

Disposal of the Wealth Management division
On the 11 December 2009, the Group disposed of the assets of Formation Wealth Solutions Ltd for an estimated consideration of £225,000 and certain of the assets of Formation Asset Management Limited for an estimated consideration of £350,000. This was after the Board carried out a strategic review of the activities and reached a commercial decision to focus on its property businesses going forward.

The assets have been sold to former employees and directors of the company as referred to in note 30, related party transactions. The considerations are based on the future performance and will be received over a 5 year period.

Joint Venture regarding Aldgate East property development.
On 14 December 2009, settlement was reached between Julius Properties Limited (JPL) and the Administrators of Heritable Bank plc (Heritable) regarding the Aldgate East property development. The terms of the settlement were as follows:

- £11 million (the 'Settlement') was agreed as full and final settlement against the indebtedness to be paid by JPL to Heritable
- Formation and JV Finance Limited will each inject £5.5 million into a joint venture, JV Finance Ventures Limited and this will be paid to JPL in return for any profits generated in respect of the Aldgate development
- £7 million was paid by JV Finance Ventures Limited to JPL on Friday 11 December 2009 and this has been paid by JPL to the Administrator
- The balance of the Settlement of £4 million will be paid by JV Finance Ventures Limited to JPL and then paid by JPL to the Administrator in full and final settlement by 31 March 2010.

Repayment of loan
On 29 December 2009 the Group fully repaid the outstanding bank loan of £4,010,000.

Independent auditor's 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 2009 which comprise the 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 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 directors and auditors
As explained more fully in the Directors' Responsibilities Statement set out on page 24, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company 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 (APB'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/UKNP.

Opinion on financial statements
In our opinion the parent company financial statements:

- give a true and fair view of the state of the company's affairs as at 31 August 2009;
- 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.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the parent company 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 group financial statements of Formation Group PLC for the year ended 31 August 2009.

Joanne Kearns
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester

1 February 2010

Company Balance Sheet

31 August 2008

	Notes	**2009** £'000	2008 £'000
Fixed assets			
Intangible assets	3	**3**	4
Tangible assets	4	**29**	42
Investments	5	**10,591**	57,175
		10,623	57,221
Current assets			
Debtors	6	**912**	326
Cash at bank and in hand		**14,262**	745
		15,174	1,071
Creditors: Amounts falling due within one year	7	**(8,543)**	(12,155)
Net current assets/(liabilities)		**6,631**	(11,084)
Total assets less current liabilities		**17,254**	46,137
Creditors: Amounts falling due after one year	8	**-**	(7,615)
Net assets		**17,254**	38,522
Shareholders' funds			
Share capital	10	**2,205**	2,205
Share premium account	11	**2,106**	2,106
Treasury shares	11	**(602)**	(102)
Capital redemption reserve	11	**61**	61
Other reserves	11	**11,320**	20,649
Profit and loss account	11	**2,164**	13,603
Total shareholders' funds		**17,254**	38,522

The financial statements were approved by the Board of Directors on 1 February 2010 and signed on its behalf by:

Desmond Khan FCCA
Director

Registered number 04145632

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 of 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 £20,828,000 (2008: loss of £1,318,000).

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.

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
• Motor vehicles	4 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.

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

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

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

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

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). 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:

	2009 Number	2008 Number
Management Services	**1**	1
Professional Services	**2**	2
Administration	**4**	7
	7	10

	2009 £'000	2008 £'000
Their aggregate remuneration comprised:		
Wages and salaries	**767**	661
Social security costs	**99**	84
Other pension costs	**33**	32
	899	777

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

3. Intangible fixed assets

	£'000
Cost	
At 1 September 2008 and 31 August 2009	**7**
Amortisation	
At 1 September 2008	3
Charge for the year	1
At 31 August 2009	**4**
Net book value	
At 31 August 2009	**3**
At 31 August 2008	4

4. Tangible fixed assets

	Short leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Motor vehicles £'000	Total £'000
Cost				
At 1 September 2008	21	72	54	147
Additions	-	1	–	1
At 31 August 2009	**21**	**73**	**54**	**148**
Depreciation				
At 1 September 2008	4	47	54	105
Charge for the year	4	10	-	14
At 31 August 2009	**8**	**57**	**54**	**119**
Net book value				
At 31 August 2009	**13**	**16**	**-**	**29**
At 31 August 2008	17	25	-	42

5. Investments

	2009 £'000	2008 £'000
Subsidiary undertakings	**10,591**	52,313
Equity securities	**-**	4,179
Loan note	**-**	683
	10,591	57,175

Equity securities represents a 10% interest in the ordinary share capital of Columbia Formation Group (Ireland) Limited, a company registered in the Republic of Ireland. It is a holding company for two major property developments in Ireland.

During the period the carrying value of the Investments was evaluated during an impairment review. This resulted in the equity securities and the loan note investment being written down to zero.

5. Investments *continued*

Principal Group investments

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

Subsidiary undertakings	Country of incorporation or principal business address	Principal activity
Professional Services		
Formation Architectural Design Limited	England	Architectural design
Formation Asset Management Limited (formerly Kingsbridge Asset Management Limited	England	Wealth management
Formation Design & Build Limited	England	Property project management
Formation Wealth Solutions Limited	England	Wealth management

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

Subsidiary undertakings

	£'000
Cost	
At 1 September 2008	66,314
Acquisition of minority undertaking in OJ Kilkenny Limited	548
Disposal of subsidiary undertakings	(33,209)
At 31 August 2009	**33,653**
Provision for impairment	
At 1 September 2008	14,001
Impairments	9,061
At 31 August 2009	**23,062**
Net book value	
At 31 August 2009	**10,591**
At 31 August 2008	52,313

6. Debtors

	2009 £'000	2008 £'000
Trade debtors	**24**	24
Amount owed by group undertakings	**286**	21
VAT	**66**	14
Other debtors	**231**	133
Deferred consideration receivable	**250**	-
Prepayments and accrued income	**55**	-
Deferred tax asset	**-**	134
	912	326

7. Creditors: Amounts falling due within one year

	2009 £'000	2008 £'000
Overdraft and rolling credit facility	**3,000**	1,833
Bank Loan	**4,010**	-
Trade creditors	**354**	103
Amounts owed to group undertakings	**834**	5,692
Other taxation and social security	**31**	27
Contingent and deferred acquisition consideration	**-**	3,817
Amounts payable under finance leases	**-**	-
Accruals and deferred income	**314**	683
	8,543	12,155

8. Creditors: Amounts falling due after one year

	2009 £'000	2008 £'000
Contingent and deferred acquisition consideration	-	3,605
Bank loan	-	4,010
	-	7,615

i) The Group has a bank loan of £4,010,000. The facility has been secured by debentures from Formation Group PLC and certain of the Group's subsidiary companies as well as an inter company cross guarantee between these companies and carries an interest rate at 2.00% above LIBOR. The debenture creates fixed and floating charges over all or substantially all the undertaking and assets of all the Group companies that have signed up to the debenture. The loan is due to be repaid in full by 31 July 2010. At the year end, the group were in breach of a covenant relating to the operating profit from continuing operations. The loan has since been repaid.

ii) The Group has a £3,000,000 rolling credit facility which was taken out on 14 March 2008. £3,000,000 has been drawn down on this facility at the year end. This facility ceases on 28 February 2010. The facility has been secured by debentures from Formation Group PLC and certain of the Group's subsidiary companies in addition to an inter company cross guarantee between these companies and carries an interest rate at 2.00% above LIBOR.

At 31 August 2009, the Group had available £nil (2008: £2,000,000) of undrawn committed borrowing facilities in respect of which all conditions precedent had been met.

9. Deferred taxation

	Deferred taxation asset £'000
At 1 September 2008	134
Transfer to retained earnings	(39)
Other movement	(95)
At 31 August 2009	-

Deferred tax asset provided is analysed as follows:

	2009 £'000	2008 £'000
Accelerated capital allowances	-	11
Other timing differences	-	-
Share options	-	123
	-	134

10. Share capital

	2009 £'000	2008 £'000
Authorised		
300,000,000 ordinary shares of 1p each (2008 – 300,000,000)	**3,000**	3,000
Allotted and called-up		
220,515,112 ordinary shares of 1p each (2008 – 220,515,112)	**2,205**	2,205

	£'000
At 1 September 2008 and 31 August 2009	2,205

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

Share capital to be issued

In August 2007, the Company acquired O.J. Kilkenny & Co. Limited. Part of the consideration was satisfied by the issue of 2,242,152 new shares in the Company with a value of £500,000. These shares were allotted in September 2007.

Scheme	Number of shares under option	Subscription price per share	Exercise period
Unapproved share option scheme	1,000,000	7.13p	12 December 2006 to 11 December 2013
Enterprise management incentive plan	800,000	7.13p	12 December 2006 to 11 December 2013
Non Executive plan	500,000	7.13p	12 December 2006 to 11 December 2013
Unapproved share option scheme	1,025,000	22.75p	15 November 2010 to 14 November 2017

Further details are provided in note 24 to the consolidated financial statements

11. Reserves

	Treasury shares £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Retained earnings £'000	Total £'000
At 1 September 2008	(102)	2,106	61	20,649	13,603	**36,317**
Loss for the year	-	-	-	-	(20,828)	**(20,828)**
Share options	-	-	-	60	-	**60**
Acquisition of own share capital	(500)	-	-	-	-	**(500)**
Share option reserve transfers to profit and loss account	-	-	-	(328)	328	**-**
Realisation of merger reserve in respect of disposal of subsidiaries	-	-	-	(9,061)	9,061	**-**
At 31 August 2009	**(602)**	**2,106**	**61**	**11,320**	**2,164**	**15,049**

Treasury shares
Treasury shares represent 16,500,658 ordinary shares of 1p each in the share capital of the Company.

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

12. Financial commitments

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

	Land and buildings	
	2009 £'000	2008 £'000
Expiry date		
• between two and five years	**3**	29
• after five years	**-**	-
	3	29

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.

13. Pension arrangements

The Company makes pension contributions to the personal pension plans of certain full-time employees. The pension cost charge for the year amounted to £33,000 (2008 – £32,000).

14. Contingent liabilities

In the 2007 financial year, the Group acted as investment adviser to two bespoke property investment products which provided opportunities for the Group's high net worth clients to invest in property development schemes in a prime regeneration area in London.

Whitechapel Property Fund Limited ("Whitechapel")
Whitechapel issued £5.4 million of loan notes to the Group's clients on 28 February 2007. The proceeds of these loan notes were lent to a property developer to part fund a property development, with investors receiving a fixed compounded return. The loan notes will be in issue for a minimum period of two years or a maximum of four depending on the build programme and success of the scheme.

The Company is entitled to a share of the residual profits of the related property development. The Company has underwritten half of the value of the loan and associated interest. The maximum liability in relation to this is £4.0 million.

The obligations in respect of these financial guarantees is considered to be £nil at 31 August 2009 (2008: £nil).

Aldgate East Property Company Limited ("Aldgate")
Aldgate, issued £19.78 million of junior unsecured loan notes and subordinated junior unsecured loan notes to clients introduced by the Group on 31 August 2007. The proceeds of these loan notes were lent to a property developer to part fund a property development, with investors receiving a fixed compounded return. The loan notes will be in issue for a minimum period of two years or maximum of four depending on the build programme and success of the scheme.

The Company is entitled to receive a share of the residual profits of the related property development. The Company has underwritten half of the value of the junior unsecured loan notes and associated interest. The maximum liability in relation to this is £11.6 million.

The obligations in respect of these financial guarantees is considered to be £nil at 31 August 2009 (2008: £nil).
Details of post balance sheet events which relate to this matter are detailed in note 32 to the consolidated financial statements.

15. Post balance sheet events

Please see note 32 of the Consolidated Financial Statements.

Notes

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