formation
GROUP PLC

Annual report and consolidated financial statements

for the year ended 31 August 2018

Registered number: 04145632

Contents

Chairman's Statement

I am pleased to present the annual result for the Company for the twelve month period to 31 August 2018.

The year ended 31 August 2018 saw Formation work on existing construction projects, but it did not initiate any new larger projects during the latter part of the year. The more cautious investment activity is predominantly due to the uncertainty of the UK economy, both before and after the 'Brexit' referendum. House prices in London, the Group's key market, have been volatile throughout the reporting period.

The Group spent much of the year completing existing projects, and revenues have increased this year from £37.011m in 2017 to £38.629m in 2018. Despite the increase in turnover and an operating profit prior to exceptional items of £0.034m, the Company has seen a loss for the year of £0.284m (2017 loss £0.152m) partly as a result of the inclusion of a provision of £0.318m in the balance sheet of Formation Construction Limited related to an accident on one of the Company's construction sites in 2015.

Every effort is being made to source further development and investment opportunities and the Group is continuing to seek out new opportunities.

The Group is pleased with its investment in Proton Partners International Limited (PPI). PPI has successfully opened a treatment centre in Wales with further centres nearing completion in the UK.

The Group has added and will continue to add to its experienced base of construction personnel to drive the Company forward.
I would like to thank all board members and staff for the enormous efforts and dedicated contributions they have made during the year. I would also like to thank our shareholders for their continued trust and confidence in the Board and in my leadership as Chairman.

William O'Dea

Willi

Non-Executive Chairman

30 January 2019

Strategic Report

Introduction

The year ended 31 August 2018 has been a challenging year for the Group. Increases in revenue reflect the completion of projects that had begun in prior periods. Sales were also derived from its development at Iverson Road, West Hampstead with the sales of its two remaining unsold apartments at the year end.

Results

Being a year of consolidation, as noted in the Chairman’s report, despite revenue increasing to £38.629m (2017 £37.011m), the audited financial statements for the year ended 31 August 2018, as set out on pages 14 to 56, the Group’s result for the year after taxation was a loss of £0.284m (2017 loss of £0.152m).

Principal activity and business review

The principal activity of the Group is the provision of Property Development and construction management services.

The Group has continued to project manage many central London property developments and has been engaged to provide these project management services by companies which are defined as related parties of Formation Group Plc. Except for the 34 Wembley Hill project, noted above, no new major contracts were signed in the year.

The Group has an investment and financial interest in three projects as follows: -

Norwich House, 9-11 Streatham High Road, London SW16 1DZ

All funds due under this profit share agreement were fully repaid in February 2017, with all of revenue having been recognised in the prior period.

159-161 Iverson Road, London NW6

The development was completed in March 2016 with profit on apartments sold recognised in the fiscal year. Further sales took place which enabled the loan to be paid off on the 9 of November 2016. The remaining apartments have been sold in the year.

34 Wembley Hill Road, Wembley.

Formation entered into a profit share agreement on the 28th February 2017 with London (North) Properties Limited and Pinacle Developments. Work on this 40-month construction programme began in Q1 2018. Within these accounts the company has recognised a fair value gain of £0.450m (note 14)

Principal Risks and Uncertainties

The principal risk to the Group is the uncertainty in the property market since the UK's decision in June 2016 to leave the European Union. As noted below, the Group has for some time been dependant on contracts from Related Parties to fully deploy its resources and expertise.

The Group will benefit from its participation in the 40% profit share agreement with London (North) Properties Limited and Pinacle Developments.

Specific risks are listed below: -

Potential Risks	Mitigation
The Group has entered into major building contracts with external counterparties. Irrecoverable cost over runs or timing delays that could cause penalties and / or increase costs could adversely impact the financial performance of the company.	The Group have robust project management policies and procedures involving day to day site management and periodic review of project costs.
The Group's activities have in the past involved sales to related parties. There is a risk that the related parties may be less active in the Group's core markets and / or choose not to continue to enter into contracts with the Group.	Whilst, the Group's operational management continue to maintain good and fruitful relationships with the directors of the key related parties, and have regular discussions about potential opportunities, the Group is unable to further influence the Related Parties investment decisions.
The Group has recognised a significant loan and receivable in relation to the Wembley Hill profit share. There is a risk that the timing or amount of the cash flows received by the Group in relation to the profit share are not consistent with the assumptions made by management in the recognition of the receivable, or that amount owed to the Group is not recoverable.	Management are closely monitoring the progress of the Wembley Hill development and the recoverability of the receivable and are satisfied that the risk is being managed appropriately. The loan has now been repaid in full, therefore limiting the Groups exposure to the receivable element of the profit share agreement
The Group has invested £5.0m into the purchase of shares in Proton Partners Investments Limited (PPI). This investment is a diversification, from the Groups point of view, in light of the uncertainty surrounding property in the UK/London market at present.	Management are closely monitoring the activities of PPI and are satisfied risk is being managed appropriately.

Outlook

This year the Group completed many ongoing projects demonstrating its capability in its core property construction activity.
However, the outlook for the property market and therefore for the Group is difficult to accurately forecast. During the forthcoming year, the Board will review strategic options for the future, including the possibility of growth enabling capital raising. At the same time operating costs will be kept under close supervision to ensure that the size of the organisation remains consistent with the work that is available and that the business remains ready for when markets are more stable.

By order of the Board

David Kennedy
Chief Executive Officer

30 January 2019

formation GROUP PLC

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's reports, for the year ended 31 August 2018.

Dividend

The Group has previously sought to reward shareholders by way of an annual dividend payment. In recent years however, the Group has not done so.

Whilst we have further strengthened our position in this regard, we require the available cash resources to invest into the business, hence the directors, have decided not to pay shareholders a final dividend (2017 £nil). The decision will continue to be reviewed in light of future investment opportunities.

Financial Risk Management Policies

As disclosed in note 17 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 financial risks faced by the Group are credit risk, interest risk and liquidity risk which are detailed in note 17 to the financial statements. The Board has reviewed and agreed policies for management of these risks. All of the Group's activities involve analysis, acceptance and management of some degree of risk or combination of risks.

The Group's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits and controls and to monitor the risks and limits continually by means of reliable up-to-date systems. The Group modifies and enhances its risk management policies and systems to reflect changes in markets and products.

Directors

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

W. O'Dea	Chairman
D. Kennedy	CEO
M. Kennedy	Non-Executive Director (resigned 27 February 2018)
P. Kennedy	Non-Executive Director
D. Khan	Finance Director (resigned 1 November 2017)
N. O'Carroll	Property Director
B. O'Keeffe	Non-Executive Director
D Walsh	Non-Executive Director

Substantial shareholdings

On 30 January 2019, the Company had been notified of the following interests in the ordinary share capital of the Company:

Name of holder	Beneficial holder	Number	Held (%)
HSBC Global Custody	Kennedy Private Trust Ltd as Trustees of The Kennedy Family Discretionary Settlement	11,453,720	25.97
HSBC Global Custody	Streetwise Limited	15,259,470	34.60
K B Moran	K B Moran	2,162,783	4.90
Lynchwood Nominees Limited	P Stretford	1,401,200	3.18
Rock (Nominees) Ltd	Rock (Nominees) Ltd	2,818,212	6.39

Staff development

The Group believes that investment in staff development and welfare builds a stronger business and will continue to make appropriate investment to further develop our team and our environment.

Throughout the year, Directors of the Group provide relevant information to employees and engage in consultation with them to ensure that their views are considered.

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.

Auditors

A resolution to re-appoint Grunberg and Co. Ltd as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board,

Noel O'Carroll.

N. O’Carroll
Secretary
Oakwood House
414 - 422 Hackney Road
London
E2 7SY

30 January 2019

Directors' responsibilities statement

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

Company law requires the directors to prepare Financial Statements for each fiscal year. Under that law the directors have prepared the financial statements of the Group in accordance with Financial Reporting Standard 102 for the first time ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

The directors confirm that:-

- so far as each of the director is aware there is no relevant audit information of which the company’s auditor is unaware; and
- the directors have taken all steps that they ought to have taken as directors to make themselves aware of any relevant audit information and to establish that the auditor is 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.

Report of the Auditors to the Members of Formation Group Plc

Opinion

We have audited the financial statements of Formation Group Plc for the year ended 31 August 2018 on pages 14 to 56 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position, the parent company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows, related notes to the financial statements. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group’s and of the Parent Company’s affairs as at 31 August 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

<u>Disclosure and carrying value of unlisted investment of £5m (2017: £Nil)</u>

Key audit matter description

The Group's assessment of the accounting treatment of the funds invested in an unlisted company, resulting in the £5m invested being recognised as cost less impairment, with as yet no impairment or fair value movement being recognised. This is a judgement process due to the interpretation of the valuation of the investment as the Group considered that there is no readily available information to ascertain the fair value of the investment. As set out in note 12 to the consolidated financial statements, after initial recognition, the investment is measured at cost less impairment. Any gain or loss arising from the movement in the investment is recognised in finance income or cost, less provision for impairment.

How the scope of our audit responded to the key audit matter

- We have tested the assumptions made by management by review of the investment and underlying documentation to confirm whether the correct accounting treatment has been applied.
- We have challenged the key assumptions employed in determining the valuation of the investment and whether the assessment of recognising the investment as cost rather than fair value as permitted by Financial Reporting Standard 102 (FRS 102) when there is no readily available market, has been correctly applied in the current year's financial statements.
- We have challenged the key assumptions made in respect of the test for impairment made by the company.
- We have reviewed the appropriateness of disclosures provided in accordance with FRS 102.

Key observations

The Group's assumptions for the investment, and lack of any impairment recognition at this point, were consistent with our own expectations and the carrying value, at the balance sheet date, is materially correct.

<u>Disclosure and classification of share of profit of £450K (2017: £Nil)</u>

Key audit matter description

The Group's assessment of the accounting treatment of a profit share agreement entitling the company to 40% share of profits on a property development project as a financial instrument and consequently carried at fair value in the accounts. The group has recognised £450K (2017: £Nil) as the fair value of the financial instrument in the financial statements. This is a judgement process due to the interpretation of the underlying contract and expectations of the return and uncertainty over future profits. As set out in note 14 to the consolidated financial statements, the fair value recognised in the consolidated financial statements has been calculated by reference to the present value of the share of profit based on the stage of completion of the development which is carried out by another party in the profit share agreement. This is on the basis that the other party in the agreement has been engaged to undertake the construction project at a pre-agreed fee, the future profit on the project can be reliably estimated. Any fair value gain or loss arising from the movement in the financial instrument is recognised in the Income Statement as a gain or loss on financial assets at fair value.

How the scope of our audit responded to the key audit matter

- We have tested the assumptions made by management by review of the profit share contracts to confirm whether the correct accounting treatment has been applied.
- We have challenged the key assumptions employed in determining the expected profits on the project and whether any fair value of share of profits should be recognised in the current year's financial statements.
- We have challenged the key assumptions made in respect of the methodology used to fair value the financial instrument and the assumptions made by the Group.
- We have reviewed the appropriateness of disclosures provided in accordance with FRS 102.

Key observations

Based on our procedures, we are satisfied that the Group's assumption for the profit share agreement as a financial instrument, and the fair value adjustments recognised in the financial statements were consistent with our own expectations and that the fair value at the balance sheet date is materially correct.

Our application of materiality

We define materiality as the magnitude of misstatement in the Financial Statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the Financial Statements as a whole as follows:

Group materiality - £0.354m (2017: £0.315m).

Basis for determining materiality - an average of 1% of turnover and 2% of group gross assets.

Rationale for the benchmark applied

The group acts as both an investment and trading group and as a result, an average of the two benchmarks have been deemed to be most appropriate.

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including assessing the risks of material misstatement at the Group level. The entire Group is audited by one audit team, led by the Senior Statutory Auditor. The audit is performed centrally and comprises all the divisions which comprise the Group's investments, the Group's profession construction services and development operations.

Other information

The directors are responsible for the other information. The other information comprises the information in the Strategic Report and the Report of the Directors, but does not include the financial statements and our Report of the Auditors thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

- the information given in the Strategic Report and the Report of the Directors for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Report of the Directors have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Group and Parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Report of the Directors.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the 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.

Responsibilities of directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue a Report of the Auditors that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually, or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our Report of the Auditors.

Use of this report

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 of for the opinions we have formed.

Gedalia Waldman BA ACA (Senior Statutory Auditor)
for and on behalf of Grunberg & Co Limited
Chartered Accountants & Statutory Auditors
5 Technology Park
Colindeep Lane
Colindale
London
NW9 6BX

Date: 31 January 2019

Consolidated income statement

For the year ended 31 August 2018

	Notes	2018 £'000	2017 £'000
Continuing operations			
Turnover	2	38,629	37,011
Cost of sales		(37,674)	(34,835)
Gross profit		955	2,176
Administrative expenses		(1,371)	(2,283)
Operating loss on ordinary activities before investment income, interest and taxation		(416)	(107)
Finance income	8	-	(33)
Finance costs	3	-	(12)
Gain on financial assets at fair value through profit and loss account		450	-
Profit/(loss) on ordinary activities before exceptional items and taxation		34	(152)
Exceptional item	22	(318)	-
Loss on ordinary activities before taxation	4	(284)	(152)
Taxation	7	-	-
Loss for the year		(284)	(152)
Attributable to:			
Equity holders of the parent		(284)	(152)
Earnings per share			
From continuing operations before exceptional items			
Basic	9	0.08p	(0.34)p
From continuing operations after exceptional items			
Basic	9	(0.64)p	(0.34)p

Consolidated statement of comprehensive income

For the year ended 31 August 2018

	2018 £'000	2017 £'000
Loss for the year	(284)	(152)
Total comprehensive Income for the financial year	(284)	(152)
Attributable to:		
Equity holders of the parent		
Continued operations	(284)	(152)
	(284)	(152)

Consolidated statement of financial position

As at 31 August 2018

	Notes	2018	2017
		£'000	£'000
Fixed Assets			
Tangible Assets	10	14	21
Investment Property	11	275	275
Investments	12	5,000	-
		5,289	296
Current assets			
Inventories	13	156	1,406
Debtors	14	9,949	7,525
Cash at bank and in hand	15	746	4,229
		10,851	13,160
Current liabilities			
Creditors: Amounts falling due within one year			
Creditors	16	(5,878)	(3,227)
Total current liabilities		(5,878))	(3,227)
Net current assets		4,973	9,933
Total assets less current liabilities		10,261	10,229
Provision for liabilites	22	318	-
Net assets		9,945	10,229

Consolidated statement of financial position

As at 31 August 2018

	Notes	2018	2017
		£'000	£'000
Shareholders' funds			
Share capital	18	2,205	2,205
Share premium account		2,106	2,106
Capital redemption reserve		61	61
Share option reserve		22	22
Retained earnings		5,101	5,835
Fair value reserve		450	-
Total shareholders' funds		9,945	10,229

The financial statements were approved by the Board of Directors on 30 January 2019 and signed on its behalf by:

David Kennedy

Director

Registration number: 4145632

formation GROUP PLC

Consolidated statement of changes in equity

For the year ended 31 August 2018

	Called up share capital	Share premium account	Capital redemption reserve	Share option reserve	Retained earnings	Fair value reserve	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 September 2016	2,205	2,106	61	22	5,987	-	10,381
Loss and total comprehensive income for the financial period	-	-	-	-	(152)	-	(152)
Balance at 31 August 2017	2,205	2,106	61	22	5,835	-	10,229
Loss and total comprehensive income for the financial period	-	-	-	-	(734)	450	(284)
Balance at 31 August 2018	2,205	2,106	61	22	5,101	450	9,945

Consolidated statement of cash flows

For the year ended 31 August 2018

	Notes	2018	2017
		£'000	£'000
Cash flows from operating activities			
Loss for the financial year from continuation operations		(284)	(152)
Depreciation of tangible assets	10	14	22
Decrease in inventories		1,250	5,839
Decrease/(increase) in trade and other debtors		(7,424)	2,576
Increase/(Decrease) in trade and other creditors		2,969	(838)
Net cash inflow from operating activities		(3,476)	7,447
Cash flows from investing activities			
Purchases of tangible assets		(7)	(21)
Cash inflow from Norwich House profit share		-	4,787
Cash outflow in respect of 34 Wembley Hill loan		-	(5,000)
Cash inflow in respect of 34 Wembley Hill loan		5,000	-
Cash outflow in respect of Proton Partners International		(5,000)	-
Net cash (used)/generated by investing activities		(7)	(234)
Cash flows from financing activities			
Loans repaid		-	(3,314)
Net cash used by financing activities		-	(3,314)
Net increase/(decrease) in cash and cash equivalents		(3,483)	3,899
Cash and cash equivalents at the beginning of the year		4,229	330
Cash and cash equivalents at the end of the year		746	4,229

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.

General information

Formation Group PLC is a company incorporated in England and Wales 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 5.

The financial statements are presented in pounds sterling which is also the functional currency of the parent company.

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

1 Consolidated accounting policies

These financial statements have been prepared in accordance with applicable United Kingdom accounting standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS 102'), for the first time, and with the Companies Act 2006. The financial statements have been prepared on the historical cost basis except for the modification to a fair value basis for certain financial instruments and investment properties as specified in the accounting policies below.

Basis of preparation and going concern

After reviewing the group's forecasts and projections for the two years ended 31 August 2019, the directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing its consolidated financial statements.

The Company has taken advantage of s408, Companies Act 2006 and not separately disclosed its own profit and loss account. The Company's profit for the year ended 31 August 2018 was £0.255 (2017, loss £0.245m)

Basis of consolidation

The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 August 2018. All subsidiaries have a reporting date of 31 August 2018.

All transactions and balances between Group companies are eliminated on consolidation, including unrealised gains and losses on transactions between Group companies. Where unrealised losses on intra-group sales are reversed on consolidation the underlying asset is also tested for impairment from a group perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Control over a subsidiary undertaking is considered to be achieved where the company has power to direct the subsidiary's activities, exposure in rights to variable returns arising from the subsidiary's operations and the ability to use its power to direct the subsidiary's operations.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that it is necessary to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed in the period in which they are incurred and reported in finance costs (see note 3).

1 Consolidated accounting policies (continued)

Investment properties

The Group carries its investment property at fair value, with changes in fair value being recognised through profit and loss . The key assumptions used to determine the fair value of the investment property are further explained in note 11 to the consolidated financial statements.

Deferred tax is recognised on the timing differences that have originated due to any fair value gains recognised through the income statement.

Tangible fixed assets

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:

Fixtures fittings and Office Equipment	Between 3 and 5 years

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

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

Investments

Investments comprise investments in unquoted equity instruments. The investments are carried at fair value through profit and loss. Where fair value cannot be measured reliably, the investment is carried at cost less impairment.

Impairment of assets

At each reporting date fixed assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment. If the estimated recoverable amount is lower than the carrying amount, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognised immediately in the profit or loss.

If an impairment loss is reversed this is reflected in the estimated recoverable amount but not in excess of the original cost. A reversal of an impairment loss is recognized immediately in profit or loss.

Taxation

Current tax, including UK corporation 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 gain 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.

1 Consolidated accounting policies (continued)

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

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

Turnover recognition

Turnover 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 services provided, net of discounts, value added tax and excludes intra-group transactions.

Turnover for construction project management represents amounts chargeable for services provided and expenses recharged to clients. Turnover, when the outcome of a transaction can be measured reliably, turnover is recognised by reference to the stage of completion of the services rendered as duly certified by a group Quantity Surveyor. Where it is probable that total costs will exceed total turnover on a particular project. The expected loss is recognised as an expense. Turnover is recognised by reference to the stage of physical project completion for which the particular project management services are rendered.

Rental turnover comprises rental income receivable in the year and is recognised in the period to which it relates.

Operating leases

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

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. All options expired post year end.

Inventories - work in progress

Work in progress is stated at the lower of cost and estimated selling price, net of payments received on account. At each balance sheet date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

1 Consolidated accounting policies (continued)

Financial assets

The Group's financial assets are all considered to be loans and receivables.

Financial assets are assigned to the different categories by management on initial recognition, depending on the purpose for which they were acquired. The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available. Financial assets that are held d accounted for at fair value through profit or loss or held for maturity of investments, along with an arrangement constituting a financing transaction, are measured at the present value of the future receipts discounted at a market rate of interest.

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and 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.

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

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.

All other financial liabilities are recorded initially at fair value, net of direct issue costs. These are subsequently recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand that is readily converted to a known amount of cash and is subject to an insignificant risk of change in value.

1 Consolidated accounting policies (continued)

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.

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- “Share option reserve” includes equity-settled share-based employee remuneration until such share options are exercised.
- "Retained earnings" represents retained earnings.
- “Capital redemption reserve” represents the nominal value of own shares acquired under a share buyback arrangement.
- “Treasury shares” represents the nominal value of treasury shares.
- “Fair value reserve” represents the fair value gains or losses recognised in the profit and loss account.

Operating profit

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

1 Consolidated accounting policies (continued)

Significant judgements and estimates

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The items in the financial statements where these judgements and estimates have been made include:

The Company carries its investment property at fair value, with changes in fair value being recognised in the profit and loss account. The key assumptions used to determine the fair value of the investment property are further explained in note 11 to the consolidated financial statements.

The group is required to make judgements over the carrying value of investments in unquoted companies, where fair values cannot be readily established and evaluate the size of any impairment required. The carrying value of such investments cannot always be substantiated by comparison with independent markets, and in many cases may not be capable of being realised immediately. The company reviews information obtained from the investee company as the basis of testing for impairment.

Management have assessed the accounting treatment of the profit share agreement and consider it to be a financial asset as defined by FRS102. Further details on the accounting treatment are provided in 14 of the consolidated financial statements. Management have assessed the future cash flows due to the Group under the profit share agreement, both on the date of inception and at the balance sheet date. Management have also assessed the recoverability of these cash flows.

34 Wembley Road profit share agreement

Management have assessed the accounting treatment of the profit share agreement and consider it to be a loan and receivable. Management have assessed the future cash flows due to the Group under the profit share agreement, both on the date of inception and at the balance sheet date. Management have also assessed the recoverability of these cash flows.

Provisions for liabilities

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

2. Turnover

For management purposes, the Group is organised into different segments being professional construction services and development operations. All turnover is generated in the United Kingdom.

Turnover analysed by category was as follows:

	2018	2017
	£'000	£'000
Professional construction services	37,268	30,191
Development operations	1,361	6,820
	38,629	37,011

Geographical disclosures

All turnover and non-current assets are derived from the United Kingdom.

3. Finance costs

Finance costs

	2018	2017
	£'000	£'000
Other interest payable	-	12

4. Loss on ordinary activities before taxation

Loss for the year is stated after charging:

	2018	2017
	£'000	£'000
Other operating lease rentals (note 19)	-	63
Auditors' remuneration (see below)	40	37

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

	2018	2017
	£'000	£'000
Fees payable to the Company auditor for the audit of the parent and consolidated financial statements	35	32
Other fees to auditors - the audit of the Company's subsidiaries pursuant to legislation	5	5
	40	37

5. Employee costs

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

	2018	2017
	Number	Number
Professional construction services	7	8
Administration	5	1
	12	9

5. Employee costs (Continued)

	2018	2017
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	611	698
Social security costs	60	71
	671	769

6. Directors' remuneration, interests and transactions

Aggregate remuneration

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

	2018	2017
	£'000	£'000
Emoluments	250	288

Directors' emoluments

Name of Director	Fees/basic Salary £'000	2018 Total £'000	2017 Total £'000
Executive			
N. O'Carroll	160	160	153
D. Khan	90	90	135
			-
Aggregate emoluments	250	250	288
Fees to third parties	3	3	12

Fees to third parties of £0.003m (2017 £0.012m) comprises NIL (2017 £0.003m) paid to W O'Dea, the Chairman, £0.002m (2017 £0.003m) paid to David Walsh, a Non-Executive Director and £0.001m (2017 £0.003m) paid to Bartholomew O'Keeffe a Non-Executive Director. No benefits were paid to the Directors (2016 £nil). The highest paid Director has received remuneration of £0.160m.

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, all of which have expired during the year:

Name of Director	Scheme	At 1 September 2017 Number 1p shares	At 31 August 2018 Number 5p shares	Exercise price	Date from which exercisable	Expiry Date
N. O'Carroll	Unapproved	60,000	-	£1.1375p	14/11/10	13/11/17
D. Khan	Unapproved	30,000	-	£1.1375p	14/11/10	13/11/17

The market price of the ordinary shares at 31 August 2018 was 5.75p and the range during the year was 5.75p to 7.75p.

The share options expired before the year end.

Directors' interests

The Directors who held office at 31 August 2018, had the following beneficial interests in the 5p (2017 5p) ordinary shares of the Company:

	31 August 2018 Number	31 August 2017 Number
N. O Carroll	281,065	281,065
M. Kennedy	10,000	10,000
W. O'Dea	400,000	400,000
D. Walsh	41,600	41,600

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

7. Tax on profit on ordinary activities

The tax charge comprises:

	2018 £'000	2017 £'000
Current tax	-	-
Deferred tax	-	-
	-	-

UK corporation tax is calculated at 19% (2017 19%) of the assessable profits for the year. The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2018	2017
Loss before tax	£'000	£'000
Continuing operations	(284)	(152)
	(284)	(152)
Tax at UK corporation tax rate of 19% (2017 19%)	(54)	(29)
Expenses not deductible for tax purposes	70	
Differences between capital allowance and depreciation	(0.9)	-
Unrealised fair value movement not taxable	(89)	
Utilisation of brought forward losses	(11)	-
Unreleased tax losses and other deductions within the period	85	29
Tax charge for the year	-	-

Following Budget 2018 announcements, there will be a further reduction in the main rate of corporation tax to 17% from 1 April 2020.

As at the year end, the Group had unutilised tax losses of £0.085m (2017 £0.029) equating to a potential deferred tax asset of £0.016 (2017 £0.006). As it cannot be foreseen, with any underlying certainty, as to when this asset will be realised in the near future, it has not been recognised in the accounts.

8. Finance Income

	2018 £'000	2017 £'000
Norwich House profit share	-	(33)
	-	(33)

9. Earnings per share

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

	2018 £'000	2017 £'000
Basic earnings before exceptional items	34	(152)
Basic loss after exceptional items	(318)	-
Basic and diluted profit	(284)	(152)

	2018 Number of 5p shares '000	2017 Number of 5p shares '000
Weighted average number of shares:		
Ordinary shares in issue	44,103	44,103
Basic	44,103	44,103
Dilutive effect of share options	784	791
Diluted	44,887	44,894

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

10. Tangible fixed assets

	Short leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost			
At 1 September 2016	21	229	250
Additions	-	21	21
At 1 September 2017	21	250	271
Additions		7	7
At 31 August 2018	21	257	278
Accumulated depreciation			
At 1 September 2016	21	207	228
Charge for the year	-	22	22
At 1 September 2017	21	229	250
Charge for the year	-	14	14
At 31 August 2018	21	243	264
Net book value			
At 31 August 2018	-	14	14
At 31 August 2017	-	21	21

No impairments were required or recognised on fixed assets during the year.

11. Investment property

Car parking spaces 52-58 Commercial Road valued by Directors based on estimated potential rental income and current comparable yields.

	2018	2017
	£'000	£'000
Fair value as at 1 September 2017	275	275
Additions	-	-
Fair value as at 31 August 2018	275	275

12. Investments

	2018	2017
	£'000	£'000
Cost	Unlisted	
At 1 September 2017	investments -	-
Additions	5,000	-
At 31 August 2018	5,000	-
Net book value		
At 31 August 2018	5,000	-

The fixed asset investment comprises an investment in an unlisted company, is carried at cost less any impairment as the directors are of the opinion that the fair value of the unlisted investment cannot be measured reliably at the year end.

13. Inventories

	2018	2017
	£'000	£'000
Work in progress & stock of properties	156	1,406

The inventory is held at the lower of cost and estimated selling price. During the year under review, an impairment amounting to £0.014 of inventories was recognised in the income statement.

Inventories recognised in cost of sales during the year as an expense were £1.245m (2017: £6.275m). Work in progress relates to costs pertaining to the completed development of the 161 Iverson Road site of £NIL (2017 £1.406m). The properties were sold during the year.

14. Debtors

	2018	2017
	£'000	£'000
Trade debtors	8,180	1,012
	8,180	1,012
Loan receivable 34 Wembley Hill Road	-	5,000
Other debtors and prepayments	1,319	1,513
Fair value gain on 34 Wembley Hill Road	450	-
	9,949	7,525

- No interest is charged on any trade debtors that are overdue.
- Other debtors and prepayments mainly relates to prepaid expenses and vat receivable incurred as part of the group's continuing operations.

14. Debtors (continued)

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

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

Profit Share agreement:- 34 Wembley Hill Road. Wembley.

Formation entered into the agreement on the 28th February, 2017 with London (North) Properties Limited and Pinacle Developments. The property has been granted planning approval to develop 89 apartments and associated car parking. The property also has an alternative planning approval for a 21 storey building containing 198 apartments with car parking, communal and private amenity space, public realm improvements, landscaping and other associated works.

Under the terms of the Profit share agreement, Formation has advanced a loan of £nil (2017: £5m) to London (North) Properties Limited to continue to allow it to work on the development which commenced in February 2017. The loan attracts no interest but instead entitles Formation to 40% of the net profit arising on the development (i.e. the profit generated from the sales of units after the repayment of the debt utilised to purchase the site, the cost of development, taxation and repayment of the loan advanced by the company). Payment of funds in relation to the Profit Share Agreement will be made to Formation once all of the units in the development have been sold. The loan was repaid in full during the year.

As part of the loan advanced to London (North) Properties Limited, Formation group are entitled to 40% of the net profits from the development once 95% of the flats have been completed or the flats have been long leased. The directors are of the opinion that the profit share is a financial instrument and as such it should be carried at fair value in the accounts. At the balance sheet date, the directors have considered that a fair value estimate of the profit share agreement can be calculated by reference to the stage of completion of the development carried out by London (North) Properties Limited. This is on the basis that as London (North) Properties Limited has been engaged to undertake the construction project at a pre-agreed fee, the future profit on the project can be reliably estimated. As such, the directors have recognised a fair value gain in the accounts. The assessment is based on the financial instrument falling in to the classification of a long-term contract. The profit share agreement is linked to a development contract which is being accounted for under the construction industry rules by London (North) Properties Limited. The fair value is based on the present value of the anticipated cash flows due within three years from the year ended 31 August 2018. The current completion date has been set by London (North) Properties Limited, who are principally undertaking the development.

The company has used an effective rate of interest of 6% to discount the future cash flows. The 6% effective interest rate has been used as this is considered to be a commercial rate of interest applicable to the Group.

No allowance for bad and doubtful has been made in the year.

15. Cash at bank and in hand

	2018	2017
	£'000	£'000
Cash at bank and in hand	746	4,229

16. Trade and other payables

	2017	2017
	£'000	£'000
Current:		
Trade creditors	5,067	2,482
Other payables	172	104
Accruals	639	641
	5,878	3,227

Trade creditors and accruals principally comprise amounts outstanding from trade purchases and ongoing costs. The average credit period taken for trade purchases is 54 days (2017 38 days). The Directors consider that the carrying amount of trade creditors approximates to their fair value. Other payables consist of vat £0.07m (2017 £0.006m), social security of £0.066m (2017 £0.065m), and sundry creditors of £0.036m (2017 £0.033m).

17. Financial instruments

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

(a) Categories of financial instruments

	2018 £'000	2017 £'000
Financial assets measured at fair value through profit or loss	450	-
	450	-
Financial assets measured at amortised costs		
Loans and receivables – other	9,499	7,525
Loans and receivables - cash and cash equivalents	746	4,229
	10,695	11,754
Financial liabilities measured at amortised costs		
Amortised cost	5,878	3,227

17. Financial instruments (continued)

(b) Financial risk management objectives

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

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

(c) Capital risk management

The capital structure of the Group is presented in the statement of financial position and includes equity cash and borrowings. The statement of changes in equity provides details of equity and during the year no bank loans or overdraft facilities were used by the group. If required, short term funding requirements are provided by a bank loan. The objectives when managing capital are to safeguard its ability to continue as a going concern and have access to adequate funding for business opportunities, so that it can provide returns for shareholders and benefits for other stakeholders. The Group manages its capital structure and makes adjustment in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may issue new shares or draw down debt.

The Group maintains sufficient cash levels to enable it to meet its liabilities as they fall due. Management review cash flow forecasts on a regular basis to determine whether the group has sufficient cash reserves to meet future working capital requirements, financing obligations and to take advantage of business opportunities. In reviewing cash flows and identifying the need for further funds, management consider the nature of cash flow requirements and take appropriate action.

(d) Finance and interest rate risk

The Group finances its operations through cash and cash equivalents, and when required bank loans. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

The weighted average interest rates paid were as follows:

	2018	2017
	%	%
Bank loans	-	9

17. Financial instruments (continued)

(e) Credit risk management

Credit risk is the risk that financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. The Group has dedicated standards, policies and procedures to control and monitor all such risks. Although the Group is potentially exposed to credit loss in the event of non-performance by counterparties, such credit risk is controlled through reviews of counterparties and limiting the exposure to any single counterparty.

The Group only transacts with entities that have a good credit rating. Customer debtor balances are monitored on an ongoing basis and provision is made for estimated irrecoverable amounts. The maximum amount of exposure to credit risk at the year-end is £8.180m (2017 £1.012m)

(f) Liquidity risk management

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

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

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

At 31 August 2018, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

31 August 2018		Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	£'000	£'000	£'000	£'000
Bank borrowings	-	-	-	-
Trade and other payables	5,878	-	-	-
	5,878	-	-	-

31 August 2017		Current		Non-current
	Within 6 months	6 to 12 months	1 to 5 years	later than 5 years
	£'000	£'000	£'000	£'000
Bank borrowings	-	-	-	-
Trade and other payables	3,227	-	-	-
	3,227	-	-	-

18. Share capital

	2018	2017
	£'000	£'000
Authorised		
160,000,000 ordinary shares of 5p each from the 27th February 2017.	8,000	8,000
Allotted and called-up		
44,103,023 ordinary shares of 5p each from the 27th February 2017.	2,205	2,205

	Number	£'000
At 1 September 2017 5p shares	44,103,023	44,103,023
At 31 August 2018 5p shares	44,103,023	44,103,023

The Company has one class of ordinary share which carries no right to fixed income. The shares were consolidated on a 1 for 5 basis at the Company's 2017 AGM.

Share capital to be issued

The Company operated two share option schemes in relation to Group employees. Options were exercisable three years from the date of grant if stated performance criteria were met. During the year under review, the options lapsed and were not exercised within the ten years from the grant date. Additionally, one of the participants left the Group's employment and these options lapsed.

The options were 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 2018 5p shares	2017 5p shares
Unapproved share option scheme	15-Nov-07	15-Nov-10 to 14-Nov-17	£1.1375p	-	90,000
				-	90,000

18. Share capital (continued)

Movements in share options are summarised as follows:

	2018 Number of options	2018 Weighted average exercise price pence	2017 Number of options	2017 Weighted average exercise price pence
Outstanding at the beginning of the year 1p	90,000	£1.1375	90,000	£1.1375
Expired during the year	-	-	-	-
Outstanding at the end of the year	-	£1.1375	90,000	£1.1375
Exercisable at the end of the year	-	£1.1375	90,000	£1.1375

The options outstanding at 31 August 2017 had a weighted average exercise price of £1.1375 pence and expired in the year

Should these have been settled, the above share based payments would have been settled by way of equity.

19. Operating lease arrangements

	2018 £'000	2017 £'000
Minimum payments under operating leases recognised in expense in the year	-	63

There are no restrictions on the renewal of the operating leases.

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

	Land and buildings 2018 £'000	Land and buildings 2017 £'000
Group		
Within one year	-	63
In the second to fifth years inclusive	-	116
	-	179

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.

20. Related party transactions

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

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

(i)Tulip Trust and Kennedy Private Trust Company Limited have an interest in 26,713,190 5p shares (2017: 26,713,190 5p shares) in the Company.

During the year:

- Formation Design and Build Limited and Formation Construction Limited project managed a number of property developments for companies controlled by the Impalip Private Trust Company Limited and the Kennedy Private Trust Company Limited. Revenue from these contracts totalled £37.073m (2017 £28.248m) in the year. At 31 August 2018, the Group had debtor balances due from these companies of £8.208m (2017 £1.695m).

- Formation Design & Build Limited leased premises from Columbia House Properties (No.6) Limited a company ultimately owned by Kennedy Private Trust Company Limited on a five year lease from 6 September 2012. The terms of the lease include a rental £0.0297m per annum. The charge for the year was £0.030m (2017 £0.003m). Balance outstanding as at 31 August 2018 is £nil (2015 £0.008m). This lease expired on the 5th September 2017 and is rolled over on a monthly basis.

- Formation Group Plc leased premises from Columbia House Properties (No.6) Limited a company ultimately owned by Kennedy Private Trust Company Limited on a seven year lease from 1 March 2015. The terms of the lease include a rental of £0.033m per annum. The charge for the year was £0.030m (2017 £0.033m). Balance outstanding as at 31 August 2017 is £nil (2016 £nil).

Please refer to note 14 for the details of the 34 Wembley Hill Road profit share agreement, which is with London (North) Properties Limited, a company under the control of David and Patrick Kennedy.

(ii) Additionally, the Group entered into the following transactions with Fulham Property Development Limited and is such is classed as related due to the fact that Noel O'Carroll is a 100% shareholder of Fulham Property Development Limited and additionally Sean O' Brien and Noel O'Carroll are directors of both Formation companies and Fulham Property Development Limited.

- Formation Design and Build Limited project managed a property development for Fulham Property Development Limited. Revenue from this contract totalled £0.036m (2017 £1.649m) in the year. At 31 August 2018, the Group had a debtor balance due from this company of £0.006m (2017 £0.269m).

20. Related party transactions (Continued)

Key management compensation

The remuneration of Directors, who are the key management personnel of the Group, is set out below. Further information about the remuneration of individual Directors is provided in note 6 to the consolidated financial statements.

	2018	2017
	£'000	£'000
Short-term employee benefits	250	291
	250	291

21. Contingent liability note

On the 4th November, 2015, the health and safety executive began an investigation into Formation Construction Limited following an accident on one of its construction sites on that date. Prosecution by the Health and Safety Executive against Formation Construction Limited has now been concluded and the financial impact of the court case can now be reliably estimated. At the balance sheet date, as referenced in note 22 of these accounts, the directors of the company have made a provision to reflect the judgement passed by the court.

22. Exceptional Item

Included in these accounts is a provision of £0.318m in relation to a judgement passed by the court to Formation Construction Limited (FCL). This liability is the sole obligation of FCL, with no recourse to the remainder of the group.

Company Balance Sheet

	Note	£'000 2018	£'000 2017
Fixed assets			
Tangible Assets	3	-	1
Investment property	4	275	275
Investments	5	5,010	10
		5,285	286
Current assets			
Debtors	6	4,571	7,221
Cash at bank and in hand		656	1,818
		5,227	9,039
Creditors: Amounts falling due within one year	7	(1,078)	(146)
Net current assets		4,149	8,893
Total assets less current liabilities		9,434	9,179
Net assets		9,434	9,179
Shareholders' funds			
Share capital	8	2,205	2,205
Share premium account	9	2,106	2,106
Capital redemption reserve	9	61	61
Other reserves	9	22	22
Profit and loss account	9	5,040	4,785
Total shareholders' funds	9	9,434	9,179

The financial statements were approved by the Board of Directors on 30 January 2019 and signed on its behalf by:

David Kennedy
Director

Company number: 04145632

Basis of preparation

The accounts have been prepared in accordance with the Companies Act 2006 and the Financial Reporting Standard 102 ''The Financial Reporting Standard applicable in the UK and the Republic of Ireland under the historical cost convention. As permitted by the Companies Act 2006, no separate profit and loss account has been presented in respect of the Company. Formation Group Plc reported a profit for the financial year of £0.255m (2017 loss £0.245m).

The consolidated financial statements of Formation Group Plc, which are presented separately have been prepared in accordance with the Companies Act 2006 and the Financial Reporting Standard 102 ''The Financial Reporting Standard applicable in the UK and the Republic of Ireland under the historical cost convention. This is the first year that the consolidated statements have been prepared in accordance with the Companies Act 2006 and the Financial Reporting Standard 102.

The financial statements are prepared in pounds sterling which is the functional currency of the entity.

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 Strategic report on page 3.

Basis of preparation and Going Concern

The Directors have prepared working capital forecasts for the period to 31 August 2019. The ability of the Group to continue trading as a going concern is dependent on the continuing income streams from existing, new contracts and property development.

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

1. Principal accounting policies

The principal applicable accounting policies applied under FRS102 are summarised below. They have all been applied consistently throughout both the current and prior years.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on 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:

Fixtures fittings and Office Equipment	Over three years

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

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

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

1. Principal accounting policies (continued)

Investment in subsidiaries

Fixed asset investments are accounted for at cost less provision for impairment.

Investment properties

Investment properties are shown at fair value and any changes in fair value are recognised in the income statement.
Deferred tax is recognised on the timing differences that have originated due to any fair value gains recognised through the income statement.

Investments

Investments comprise investments in unquoted equity instruments. The investments are carried at fair value through profit and loss. Where fair value cannot be measured reliably, the investment is carried at cost less impairment.

Taxation

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

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

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

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

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

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

Operating leases

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

1. Principal accounting policies (continued)

Classification as equity or financial liability

Management have assessed the accounting treatment of the profit share and consider it to be a loan and receivable. Further details on the accounting treatment are provided in note 14 of the Group financial statements. Management have assessed the future cash flows due to the company under the profit share agreement, both at the date of inception and at the balance sheet date. Management have also assessed the recoverability of these cash flows

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

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

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

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

Share-based payments

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

Financial assets

The Company's financial assets are all considered to be debtors.

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. Financial assets that are held and accounted for as at fair value through profit or loss or held for maturity of investments, along with an arrangement constituting a financing transaction, are measured at the present value of the future receipts discounted at a market rate of interest.

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

Other debtors are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade and other receivables are classified as loans and receivables. Other debtors 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.

Provisions against other debtors are made when there is objective evidence that the Company 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

1. Principal accounting policies (continued)

Financial assets (continued)

difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate.

Financial liabilities

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

All other financial liabilities are recorded initially at fair value, net of direct issue costs. These are subsequently recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective Interest method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

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

Provisions for liabilities

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Company will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, considering the risks and uncertainties surrounding the obligation.

Where the effect of the time value of money is material, the amount expected to be required to settle the obligation is recognised at present value using a pre-tax discount rate. The unwinding of the discount is recognised as a finance cost in profit or loss in the period it arises.

Significant judgements and estimates

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. The items in the financial statements where these judgements and estimates have been made include:

The Company carries its investment property at fair value, with changes in fair value being recognised in the profit and loss account. The key assumptions used to determine the fair value of the investment property are further explained in note 11 to the consolidated financial statements.

The group is required to make judgements over the carrying value of investments in unquoted companies where fair values cannot be readily established and evaluate the size of any impairment required. The carrying value of such investments cannot always be substantiated by comparison with independent markets and, in many cases, may not be capable of being realised immediately.

Management have assessed the accounting treatment of the profit share agreement and consider it to debtor as defined by FRS102. Further details on the accounting treatment are provided in note 14 of the consolidated financial statements. Management have assessed the future cash flows due to the Group under the profit share agreement, both on the date of inception and at the balance sheet date. Management have also assessed the recoverability of these cash flows.

2. Employee costs

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

	2018	2017
	Number	Number
Administration	1	4
	1	4

	2018	2017
	£'000	£'000
Their aggregate remuneration comprised:		
Wages and salaries	90	135
Social security costs	6	8
	96	143

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

3. Tangible fixed assets

	Fixtures, fittings and office equipment £'000	Total £'000
Cost		
At 1 September 2016	-	-
Additions	3	3
At 1 September 2017	3	3
Additions	-	-
At 31 August 2018	3	3
Accumulated depreciation		
At 1 September 2016	1	1
Charge for the year	1	1
At 1 September 2017	2	2
Charge for the year	1	1
At 31 August 2018	3	3
Net book value		
At 31 August 2018	0	0
At 31 August 2017	1	1

During the year, no impairment provisions have been made against any class of tangible fixed asset.

4. Investment property

Car Parks 52-58 Commercial Road

	2018	2017
	£'000	£'000
Brought Forward and Carried Forward	275	275
	275	275

Rocquefort Properties Limited owed the Group an outstanding sum of £0.275m as announced on 14th February 2014. In settlement thereof it now holds in trust for Formation Group Plc, 11 car parking spaces valued at £0.025m each. The spaces are to be sold or let as directed by Formation Group Plc who will then receive the net proceeds.

Investment properties were valued on a fair value basis as at the balance sheet date. Please refer to note 11 (ii) for details of the charges in place over the parking spaces.

5. Investments

	2018	2017
	£'000	£'000
Subsidiary undertakings	10	10
Investment	5,000	-
	5,010	10

During the year, no impairment provisions have been made against any investments in subsidiaries.

Principal investments

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

Subsidiary undertakings	Percentage holding	Country of incorporation or principal business address	Principal activity
Formation Architectural Design Limited	100%	England	Non-trading
Formation Design & Build Limited	100%	England	Property project management
Formation Construction Limited	100%	England	Property project management
FG (Bristol) Limited	100%	England	Non-trading
FG (Bradford) Limited	100%	England	Non-trading
Formation (Homes) London Ltd	100%	England	Property development
Formation Homes (No1) Ltd	100%	England	Non-Trading
Formation Homes (No2) Ltd	100%	England	Dormant
Formation Homes (No3) Ltd	100%	England	Dormant
Formation Homes (Ireland) Ltd	100%	Ireland	Dormant
Formation (M&E)	100%	England	Dormant

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

Subsidiary undertakings

	Subsidiary Undertakings £'000	Other Investments £'000	Total £'000
Cost			
At 1 September 2017	33,653	6,772	40,425
Repayment	-	-	
At 31 August 2018	33,653	6,772	40,425
Provision for impairment			
At 1 September 2017	33,643	6,772	40,415
Monies Received/Impairment	-	-	-
31 August 2018	33,643	6,772	40,415
Net book value			
At 31 August 2018	10	-	10
At 31 August 2017	10	-	10

Investments

	2018	2017
	£'000	£'000
Cost	Unlisted	
At 1 September 2017	investments	-
	-	
Additions	5,000	-
At 31 August 2018	5,000	-
Net book value		
At 31 August 2018	5,000	-

The fixed asset investment comprises an investment in an unlisted company, which is carried at cost less any provision for impairment as the directors are of the opinion that the fair value of the unlisted investment cannot be reliably measured as at the year end.

6. Debtors

	2018	2017
	£'000	£'000
Amount owed by group undertakings	4,108	2,215
Prepayments and accrued income	13	6
Loan Receivable Norwich House Profit Share	-	-
Loan Receivable 34 Wembley Hill Road Profit Share	-	5,000
Fair value gain on 34 Wembley Hill Road	450	-
	4,571	7,221

Please refer to note 14 of the Group financial statements for further details of the 34 Wembley Hill profit share agreement.

During the year, no impairment provisions have been made against any class of debtors.

7. Creditors: Amounts falling due within one year

	2018	2017
	£'000	£'000
Trade creditors	32	5
Other taxation and social security	3	12
Accruals and deferred income	113	129
Other creditors	5	-
Amounts owed to group undertakings	925	925
	1,078	146

8. Share capital

	2018	2017
	£'000	£'000
Authorised		
160,000,000 ordinary shares of 5p each from the 27th February 2017.	8,000	8,000
Allotted and called-up		
44,103,023 ordinary shares of 5p each from the 27th February 2017	2,205	2,205

	Number	£'000
At 1 September 2017	44,103,023	2,205
At 31 August 2018	44,103,023	2,205

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

9. Reserves

	Share capital	Share premium account	Capital redemption reserve	Other reserves	Profit and loss account	Total
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 September 2017	2,205	2,106	61	22	4,785	9,179
Profit for the year	-	-	-	-	254	254
At 31 August 2018	2,205	2,106	61	22	5,039	9,433

Other reserves

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

The amounts included within the capital redemption reserve and other reserves are not readily available for distribution.

10. Related party transactions

The Company has taken advantage of the exemption available under the terms of section 33 of Financial Reporting Standard 102 Related Party Disclosures, not to disclose related party transactions with its wholly owned subsidiaries in the Group.

Included within debtors is a fair value gain of £450,000 on the 34 Wembley Hill Road development that the company has with London (North) Properties Limited, a company under the control of David and Patrick Kennedy. Please refer to note 14 of the consolidated accounts for reference to this.