Annual Report and Accounts 2014

formation
GROUP PLC

Formation Group PLC

Registered number: 04145632

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Grant Thornton UK LLP
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formation
GROUP PLC

ANNUAL REPORT AND ACCOUNTS 2014

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On 30th May 2014, the Group announced my appointment as Chairman, replacing David Kennedy in the role of Chairman. Group revenues continue to increase year on year with an uplift of 36% this year from £5.85m to £7.94m on the back of an increasing workload driven by the current strong London property market. It is expected that revenue will grow over the coming financial year with various work contracts in place and further commitments anticipated over the coming months.

Whilst this year has seen a loss of £0.52m (2013 loss: £0.41m) there has been an improvement in the Group's underlying financial performance following years of Sport related problems and restructuring as previously documented. The loss for the year from discontinued operations of £0.4m relates largely to a write down of the Bradford and Bristol properties to fair value. The continuous efforts of the Directors and management in this regard over the years are now showing through financially. The Group is now solely focused on Property activities which includes property development for the first time as per the RNS publications of the 11th April 2014 and 10th October 2014 regarding the purchase of the Iverson Road Site.

An RNS on the 21st March 2014, Formation was informed by Julius Properties Limited had resolved its legal dispute with Redrow Homes Limited over a title issue relating to the property at No 1 Commercial Street, London E1 and would be in full receipt of the majority of the funds by June 2014. Formation Group Plc announced by further RNS publications on the 11th April and 13th May 2014 that it had received the sum of £1.59m in part payment of its Aldgate Investment Funds. Formation Group Plc is confident it can source additional funds as and when viable investment opportunities are found.

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

The Group has added and will continue to add to the experienced base of construction and property personnel it has in order to meet its increasing contract commitments. It looks forward to utilising this experience to its advantage over the coming year. It is anticipated that access to future cash incomes and an improving credit rating for banking purposes will also allow the Group to drive further improvements, generate profits and enhance shareholder value.

The Board and Staff

I am pleased to report that The Group is now fully focused on property development and construction activities for the first time in its history. I would like to thank all board members and staff for the enormous efforts and dedicated contributions they have made over the past few difficult years in getting the business to where it now is, problem free and with a strong focus for the future.

We now look forward to operating a secure capital based property group going forward.

William

William O'Dea
Non-Executive Chairman

4 February 2015

Chairman's Statement

DAVID KENNEDY
CEO

NOEL O'CARROLL
Director of Property

DESMOND KHAN
Finance Director

MICHAEL KENNEDY
Non-Executive Director

PATRICK KENNEDY
Non-Executive Director

Strategic Report

Introduction

This has been a year of consolidation for the Group coupled with a material increase in revenue. Prudent financial cost cutting measures of the past are now benefitting the Group's financial stability with sound foundations.

The primary focus of the Group now remains on taking advantage of the buoyant London property sector in which we operate in.

Results

The trading results for the year have improved with Group revenue from continuing operations increasing to £7.94m (2013 £5.85m). This has resulted in a loss of £0.1m from continuing operations (2013 loss: £0.39m). The improved trading results resulted from an increased order book boosting turnover and profitability coupled with a lean cost base.

The loss for the year from discontinued operations of £0.4m relates largely to a write down of the Bradford and Bristol properties to fair value.

The audited financial statements for the year ended 31 August 2014 are set out on pages 19 to 68 The Group's result for the year after taxation was a loss of £520,000 (2013: £405,000).

Key Performance Indicators (KPIs)

Gross profit is considered to be the most meaningful KPI. Gross profit on professional services was 11.3% in the year to 31 August 2014 (31 August 2013: 11.6%). Turnover has risen by 36% in 2014 to £7.94m (2013 £5.85m).

The Group has a strong Health & Safety record and where possible has enlisted in the considerate contractor scheme. The Group's aim is to have a zero accident policy. Staff turnover is non-existent due to careful selection of top personnel and the Group's excellent reputation has ensured that it has attracted staff who are loyal and have worked with us in the past. The Group's policy is to retain high performing individuals and build strong teams.

Principal activity and business review

The principal activity of the Group is the provision of professional construction management services.
The subsidiary undertakings principally affecting the profits and net assets of the Group in the year are listed in note 5 to the Company financial statements.

Business Overview

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

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

(i) **Park Road, London N8**
Project management on the new build construction of 9 apartments and associated car parking on the site of a former pub. This project completed during the financial year.

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

(iii) **Boleyn Road, London N16**
Project management on the demolition of a pub and the new build construction of 9 apartments above a ground floor and basement commercial unit. This project completed during the financial year.

(iv) **Bovis House,142 Northolt Road, South Harrow,HA2 0EE**
Project management on a conversion of office to 101 apartments, associated car parking and land with further development potential.

(v) **South London Press,2-4 Leigham Court Road, London SW16 2PD**
Project management on a conversion and new build development of 35 apartments and a commercial unit in a restricted environment.

(vi) **116-120 Tooley Street, London SE1**
Project management on a new build construction of 9 apartments and a commercial unit in a restricted and busy environment on Tooley Street, between London Bridge and Tower Bridge.

(vii) **Norwich House,9-11 Streatham High Road, London SW16 1DZ**
Pre purchase assistance, appraisal and advice on the acquisition of a residential development site of circa 100 residential units, associated car parking, 3 commercial units, freehold interest in adjoining apartment block, and areas of possible further development potential.

(viii) **159-161 Iverson Road, London NW6**
Acquisition of this development site by Formation Homes (London) Limited (Group subsidiary) in West Hampstead, London. The site has the benefit of a planning approval for 19 residential units and 1 commercial unit. Completion of its purchase was in October 2014 with construction works scheduled to take 15 months from commencement of piling works.

Two of the above schemes have been completed during the year with the others ongoing.

We have seen an increasing appetite from banks this year to support development funding and the outlook for the buoyant London property market in the sector we operate in remains positive.

Investment Properties Retained

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

(i) **52-58 Commercial Road, London E1**
Rocquefort Properties Limited owed the Group an outstanding sum of £275,000 as announced on 14th February 2014. In settlement thereof, it now holds on behalf of Formation Group Plc 11 car parking spaces valued at £25,000 each. The spaces are to be sold or let as directed by Formation Group Plc who will then receive the net proceeds.

Risks and Uncertainties

Going concern

With the partial receipt of the Aldgate JV monies, the material increase in Construction Project Management Contracts and the acquisition of a development site in London (159-161 Iverson Road, NW6), the Directors are confident this risk is minimal.

Other potential risks are listed below:-

Potential Risks	Mitigation
Health and safety.	External Professional Health and Safety advisor engaged. All site staff fully trained with regular site monitoring and meetings. This has resulted in a strong health and safety record.
Client's ability to pay.	Client has long track record in securing bank funding.
Risk of defective build, normal perils on site such as fire, flooding, accidents etc.	Full insurances in place to cover all such eventualities.
Development and Investments in property market with less than 60% gearing.	Proper checks are in place prior to purchase using various tools such as market appraisal, profit and cash flow projections. However this is always subject to a downturn in the property sector.
Recruitment and Staffing.	The Group is fully satisfied that it is adequately geared to meet current activity levels.

Outlook

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

The outlook is promising with a larger order book than last year and the belief that it will continue to grow. The completion of the acquisition of a development site in London by a Group subsidiary post year end, and the possibility of investing into further London development opportunities over the coming year offers the potential of a return to profits for the Group.

We believe the Group is in a position where it is ready to prosper from the current strong London residential property market. The balance of Company's investment in Aldgate, being £2.80m, is available for property investment opportunities as agreed with JV Ventures Finance Limited.

The Chief Executive Officer's report and strategic report have been approved by the Board.

By order of the Board

David Kennedy
CEO
4 February 2015

Directors’ Report

Directors' Report

The Directors present their annual report on the affairs of the Group, together with the financial statements and auditor's reports, for the year ended 31 August 2014.

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

Whilst we have strengthened our position in this regard, we require the available cash resources to invest into the business, hence the directors, have decided not to pay a shareholders a final dividend (2013: £nil). The decision will continue to be reviewed as the Group's resources and performance improves.

Risk Management Policies
As disclosed in note 19, 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 19 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. The Audit Committee, under authority delegated by the board, formulates high level Group risk management policy and monitors risk management to allow it to review the effectiveness of the Group's risk management policies.

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

W. O'Dea	Chairman (Appointed 30th May2014)
D. Kennedy	CEO (Non-Executive Chairman until 29th May2014)
M. Kennedy	Non-Executive Director
P. Kennedy	Finance Director
D. Khan	Property Director
N. O'Carroll	Property Director

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

Substantial shareholdings

On 16 January 2015, 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	Impalip Private Trust Limited as trustees of The Tulip Trust	76,297,354	34.60
Fitel Nominees Limited	Kennedy Private Trust Company Limited as trustees of The Kennedy Family Discretionary Settlement	54,999,821	24.94
K.B. Moran	K.B. Moran	10,068,916	4.57
Kennedy Private Trust Company Limited as Trustees of The Kennedy Family Discretionary Settlement	Formation Group Plc – Treasury Account	8,823,529	4.00
Lynchwood Nominees Limited	P. Stretford	8,156,000	3.70

Transactions in the Company's own shares

During the year, the Company did not purchase any of its own shares. The company sold all of the treasury shares on the 27 March 2014 to a related party for £313,447.90 in order to provide working capital funding for the Group. (2013: 16,497,258) as mentioned in Note 20 to the accounts.

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.

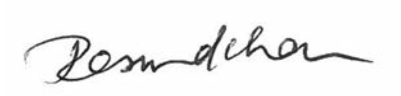
Post Balance Sheet Event

An RNS published on 10 October,2014 announced that, through a wholly owned subsidiary Formation Homes (London) Limited has now completed on the purchase of a development site at 159-161 Iverson Road, London for a total consideration of £5.9m The development consists of 19 apartments and 1 commercial unit with a timetable of 16 months to complete. This purchase has been funded with a combination of bank funding and cash from Group resources utilising £2.409 million from the partial repayment of funds from the Formation Group JV investment in Aldgate.

Auditors

Grant Thornton UK LLP were appointed as auditors of Formation Group Plc. 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
4 February 2015

Corporate Governance

Introduction
The Company's shares are listed on the Alternative Investment Market (AIM) and as such there is no requirement to publish a detailed Corporate Governance statement. We do not comply with the UK Corporate Governance Code, however, we have reported on our corporate governance arrangements by drawing on best practice available including those aspects of the UK Corporate Governance code we consider to be relevant to the Group.

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

David Kennedy (Aged 37) Chief-Executive Officer
David is a member of the board for the Group's largest shareholder. David has a background in property development and is qualified in Architecture and Town Planning which adds significant strength to the board in these areas. David also holds other directorships within property, ecommerce, education and service sectors.

William O'Dea (Aged 61) Chairman
Willie O'Dea joined the Board in June 2014 as Chairman. He is a member of Parliament for the Limerick City Constituency in the Republic of Ireland and is a former Minister in several Irish Government Departments. Willie is a former Director of Union Jack Oil Ltd and a non-practising Barrister at Law

Noel O'Carroll (Aged 54) Property Director
Noel O'Carroll is Managing Director of the group and he is a member of the Royal Institution of Chartered Surveyors. Noel has a professional practice and contracting background, both in the UK and overseas, in civil engineering and construction.

Desmond Khan (Aged 52) Finance Director
A Fellow of the Association of Certified Chartered Accountants with vast previous experience operating within various sectors of the construction industry. Desmond joined the business as Financial Controller in 1997, progressing to position of Finance Director of Formation Design & Build Limited in 2000 and Formation Architectural Design Limited in 2007. Desmond was appointed Group Finance Director on 25 January 2010.

Michael Kennedy (Aged 71) Non-Executive Director
Michael Kennedy joined the Group in January 2005. He is a Senior Partner at the law firm Herbert Reeves & Co. and specialises in property law.

Patrick Kennedy (Aged 34) Non-Executive Director
Patrick represents the interests of the Group's largest shareholder the David Kennedy Family Trust. Patrick has a background in property development and adds significant strength to the board in this area, holding other directorships within the property sector.

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

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

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

Nominations Committee
The Board operates a Nominations Committee for the appointment of Directors. The members of the Committee are D. Kennedy (Chairman of the committee), 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 day notice of the Annual General Meeting at which Directors are available for questions.

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

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

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

Directors' Responsibilities
A statement covering the Directors' responsibilities for preparing the financial statements is included on page 16.

Internal Control
The Board has overall responsibility for the Group's system of internal control, including financial, operational and compliance controls and risk management. The Board is responsible for reviewing its overall effectiveness of internal control. The system is designed to manage rather than eliminate risk and can provide only reasonable and not absolute assurance against material mis-statement or loss.

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.

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

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

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

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

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

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

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

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

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

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

In the case of early termination of employment, the Committee will adopt the objectives outlined in the UK Corporate Governance Code 2012.

Directors' emoluments

Name of Director	**Fees/basic Salary £'000**	**2014 Total £'000**	**2013 Total £'000**
Executive			
N. O'Carroll	165	**165**	169
D. Khan	135	**135**	160
Aggregate emoluments	300	**300**	329
Fees to third parties	-	4	-

Fees to third parties of £4,000 (2013- £nil) comprises fees accrued to W.O'Dea , the Chairman. No benefits were paid to the Directors (2013-£nil).The highest paid Director has received remuneration of £165,000.

Directors interest in share options

Name of Director	Scheme	At 1 September 2013 Number	**At 31 August 2014 Number**	Exercise price	Date from which exercisable	Expiry Date
N. O'Carroll	Unapproved	300,000	**300,000**	22.75p	14/11/10	13/11/17
D. Khan	Unapproved	150,000	**150,000**	22.75p	14/11/10	13/11/17

Directors' contracts

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

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

By order of the Board,

David Kennedy
Chairman - Remuneration Committee
4 February 2015

Statement of Director’s Responsibilities

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

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards/IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company’s 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.

Independent Auditors' Report (on the consolidated financial statements)

Report of the Independent Auditor to the members of Formation Group plc

We have audited the financial statements of Formation Group plc for the year ended 31 August 2014 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position and parent company balance sheet, the consolidated statement of changes in equity, the consolidated statement of cash flows and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements 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 Statement of Directors Responsibilities set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

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 2014 and of the Group's loss for the year then ended;

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

- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and

- the financial statements 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 Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Stuart Muskett
Senior Statutory Auditor

for and on behalf of
Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
4 February 2015

Consolidated Income Statement

For the year ended 31 August 2014

	Notes	2014 £'000	2013 £'000
Continuing operations			
Revenue	2	**7,941**	5,849
Cost of sales		**(7,149)**	(5,284)
Gross profit		**792**	565
Administrative expenses		**(861)**	(805)
Operating loss from continuing operations	2	**(69)**	(240)
Finance costs	3	**(30)**	(34)
Loss before taxation and exceptional items		**(99)**	(274)
Exceptional Items	8		(113)
Loss before taxation		**(99)**	(387)
Taxation	7	**-**	-
Loss for the year from continuing operations		(99)	(387)
Discontinued operations			
Loss for the year from discontinued operations	9	**(421)**	(18)
Loss for the year	4	**(520)**	(405)
Attributable to:			
Equity holders of the parent		**(520)**	(405)
		(520)	(405)
Loss per share			
From continuing operations			
Basic & Diluted	10	**(0.05p)**	(0.19p)
From discontinued operations			
Basic & Diluted	10	**(0.20p)**	(0.01p)
From continuing and discontinued operations			
Basic & Diluted	10	**(0.25p)**	(0.20p)

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2014

	2014 £'000	2013 £'000
Loss for the year	**(520)**	(405)
Other comprehensive (expense)/income:	**-**	-
Total comprehensive income/(expense) income for the year	**(520)**	(405)

Attributable to:
Equity holders of the parent

Continued operations	**(99)**	(387)
Discontinued operations	**(421)**	(18)
	(520)	(405)

Consolidated Statement of Financial Position

31 August 2014

	Notes	2014 £'000	2013 £'000
Non-current assets			
Other intangible assets	11	**-**	1
Property, plant and equipment	12	**15**	7
Investments accounted for using the equity method	13(i)	**4,648**	6,238
Investments property	13(ii)	**275**	-
		4,938	6,246
Current assets			
Inventories	14	**707**	-
Trade and other receivables	15	**2,215**	1,951
Cash and cash equivalents	16	**328**	240
		3,250	2,191
Assets included in disposal group classified as held-for-sale	9/14	**3,505**	3,918
Total current assets		**6,755**	6,109
Total assets		**11,693**	12,355
Current liabilities			
Trade and other payables	17	**(1,590)**	(2,073)
Bank Loans	18	**(4,321)**	(4292)
Total current liabilities		**(5,911)**	(6,593)
Net current assets/(liabilities)		**(844)**	(256)
Total Liabilities		**(5,911)**	(6,593)
Net Assets		**5,782**	5,990
Equity			
Share capital		**2,205**	2,205
Share premium account		**2,106**	2,106
Treasury shares		**-**	(602)
Capital redemption reserve		**61**	61
Share option reserve		**22**	22
Retained earnings		**1,388**	2,198
Total equity attributable to the parent's shareholders		**5,782**	5,990

The financial statements were approved by the Board of Directors on 4 February 2015 and signed on its behalf by:

Desmond Khan FCCA
Director
Registration number: 4145632

Consolidated Statement of Changes in Equity

31 August 2014	Called up share capital £'000	Share premium account £'000	Treasury Shares £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total Earnings £'000
Balance at At 1 September 2014	2,205	2,106	(602)	61	22	-	6,395
Transactions with owners	-	-	-	-	-	-	-
Loss and total comprehensive income for the financial period	-	-	-	-	-	(405)	(405)
Balance at At 31 August 2014	2,205	2,106	(602)	61	22	2,198	5,990
Transaction with owners							
Sales of treasury shares	-	-	602	-	-	(290)	312
Loss and total comprehensive income for the financial period	-	-	-	-	-	(520)	(520)
Balance at At 31 August 2014	2,205	2,106	-	61	22	1,388	5,782

Consolidated Statement of Cash Flows

For the year ended 31 August 2014

	Notes	2014 £'000	2013 £'000
Operating activities			
Cash used in operations	21	**(1,798)**	(134)
Interest paid		**(30)**	(34)
Net cash outflow from operating activities		**(1,828)**	(168)
Investing activities			
Purchases of property, plant and equipment		**(16)**	(8)
Repayments of investment accounted for using the equity method		**1,591**	-
Net cash used in by investing activities		**1,575**	(8)
Financing activities			
New loans		**30**	7
Proceeds on sale of Treasury Shares		**311**	-
Net cash generated by financing activities		**341**	7
Net decrease in cash and cash equivalents		**88**	(169)
Cash and cash equivalents at the beginning of the year		**240**	409
Cash and cash equivalents at the end of the year		**328**	240

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 6.

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

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

1. Consolidated 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 IFRIC interpretations issued by the International Accounting Standards Board and the Companies Acts 2006.

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

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

Basis of preparation and Going Concern
The Directors have prepared working capital forecasts for the period to 29 February 2016. The ability of the Group to continue trading as a going concern is dependent on the continuing income streams from existing and new contracts, together with the continued realisation of the Group's remaining investment from the Aldgate Development. Additionally, continued support may be required from its majority shareholder.

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

1. Significant accounting policies *continued*

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

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.

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

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

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

Investment properties
Investment property is stated at cost, net of depreciation and any provision for impairment, Depreciation is provided on a straight line basis over the period in which each property is expected to generate rental income. No depreciation is charged in the period of acquisition.

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:

Fixtures and fittings	5 years
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.

1. Significant accounting policies *continued*

Taxation

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

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

Deferred tax liabilities are recognised for taxable temporary differences arising on interests in subsidiaries and associates and the investment in JV Finance Ventures Limited, unless the Group is able to control the reversal of the temporary difference. It is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

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

Revenue for construction project management represents amounts chargeable for services provided and expenses recharged to clients. Revenue is recognised based on an assessment of the fair value of the services provided at the balance sheet date as a proportion of the total value of the contract. Profits are recognised in line with each separate supply. Where it is probable that total costs will exceed total revenue on a particular development, the expected loss is recognised as an expense immediately.

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

1. Significant accounting policies *continued*

Leases

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

Share-based payments

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

Inventories - work in progress

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

1. Significant accounting policies *continued*

Financial assets

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. No financial assets are held which are categorised as at fair value through profit or loss or held to maturity investments.

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

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

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

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

Financial liabilities

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

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

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

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

1. Significant accounting policies *continued*

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

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

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.

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

- "Capital Redemption Reserve" represents the nominal value of own shares acquired under a share buy back arrangement.

1. Significant accounting policies *continued*

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

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

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

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

- is a subsidiary acquired exclusively with a view to resale

The disclosures for discontinued operations in the current and prior year relate to all operations that had been discontinued by the balance sheet date for the latest period presented. Where assets are classified as held for sale, these are measured at the lower of carrying value and fair value less costs to sell.

Any impairment arising on the write down of assets is recognised directly in loss from discontinued operations.

1. Significant accounting policies *continued*

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

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

- *Adverse market conditions affecting property investments* – due to the currently depressed market conditions, the Group has been unable to dispose of its completed property developments in Bristol and Bradford. Dunbar Assets Plc currently provides non-recourse funding, secured upon the scheme. The Group handed over management of these properties to Dunbar Assets Plc's recommended agents in October 2013 and it is our belief that the bank will dispose of the assets in the immediate short term. The directors have assessed the carrying value of these properties (note 9) which has required consideration of property market conditions and other available market evidence.

1. Significant accounting policies *continued*

Standards and interpretations

At the date of authorisation of these consolidated financial statements, the following standards and interpretations which have not been applied in these consolidated financial statements were in issue but not yet effective.All standards listed below are effective for accounting periods commencing on or after 1 January 2014.

- IFRS 7 (amendments) Disclosures – Offsetting Financial assets and liabilities
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 (Revised), Separate Financial Statements
- IAS 28 (Revised), Investments in Associates and Joint Ventures
- IAS 32 (amendments) Offsetting Financial assets and liabilities
- IAS 36 (amendments) Impairment of assets
- IAS 39 (amendments) Novation of derivatives and continuation of hedge accounting

The application of these standards and interpretations is not expected to have a material impact on the Group's reported financial performance or position. However, they may give rise to additional disclosures being made in the financial statements.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (CODM). The CODM, who is responsible for allocating resources and assessing performance of operating segments, has been identified as the Executive Directors.

Exceptional items

The Group treats certain items which are considered to be one-off and not representative of the underlying trading of the Group as exceptional in nature.

The Directors apply judgment in assessing the particular items, which by virtue of their scale and nature, should be classified as exceptional items. The Directors consider that separate disclosure of these items is relevant to an understanding of the Groups' financial performance.

2. Segment information

For management purposes, the Group is organised into one operating segment being professional construction services Segment information about these businesses is presented below:

2014

	Professional constructed services £'000	Discontinued operations £'000	Consolidated £'000
Revenue from external customers	8,142	(201)	7,941
Segment gross profit	922	(130)	792
Unallocated corporate expenses			(861)
Operating loss			(69)
Finance costs			(30)
Loss before taxation and exceptional items			(99)
Exceptional items			-
Loss for the year from continuing operations			(99)
Loss for the year from discontinued operations			(421)
			(520)

2. Segment information *continued*

2013

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

2. Segment information *continued*

Discontinued operations
Discontinued operations in the year ended 31 August 2014 primarily relate to the winding down of FG Bradford Limited, FG Bristol Limited.

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

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

	Revenue by geographical market	
	2014	2013
	£'000	£'000
United Kingdom	**7,941**	5,849
	7,941	5,849

During the year under review, companies controlled by Impalip Private Trust Limited for Tulip Trust and Impala Private Trust Company contributed 99% (2013: 97%) of the revenue within the Professional construction services segment.

All assets are located in the United Kingdom.

3. Finance costs

Finance costs

	2014 £'000	2013 £'000
Other interest payable	**(30)**	(34)

4. Loss for the year

Loss for the year is stated after charging:

	Continuing operations		**Discontinued operations**		**Total**	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Amortisation	**1**	-	-	-	-	-
Depreciation of property, plant and equipment	**8**	3	**-**	-	**8**	3
Impairment of investment properties (note 9)	**-**	-	**(403)**	-	**(403)**	-
Employee costs (note 5)	**441**	413	**-**	-	**441**	413
Auditors' remuneration (see opposite)	**29**	26	**-**	-	**26**	26

4. Loss for the year *continued*

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

	2014 £'000	2013 £'000
Fees payable to the Company auditor for the audit of the parent and consolidated financial statements	**18**	15
Other fees to auditors – the audit of the Company's subsidiaries pursuant to legislation	**9**	9
Tax compliance	**2**	2
	29	26

5. Employee costs

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

	2014 Number	2012 Number
Professional Services	**3**	2
Administration	**1**	1
	4	3

	2014 £'000	2013 £'000
Their aggregate remuneration comprised:		
Wages and salaries	**397**	374
Social security costs	**44**	39
Pension	**-**	-
	441	413

6. Directors' remuneration, interests and transactions

Aggregate remuneration

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

	2014 £'000	2013 £'000
Emoluments	**300**	329

Directors' emoluments

Name of Director	Fees/basic salary £'000	**2014 Total £'000**	2013 Total £'000
Executive			
N. O'Carroll	165	**165**	169
D. Khan	135	**135**	160
Aggregate emoluments	300	**300**	329
Fees to third parties	-	**4**	-

Fees to third parties of £4,000 (2013- £nil) comprises fees accrued to W.O'Dea the Chairman. No benefits were paid to the Directors (2013-£nil). The highest paid Director has received remuneration of £165,000.

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

Directors' share options

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

Name of Director	Scheme	At 1 September 2013 Number	**At 31 August 2014 Number**	Exercise price	Date from which exercisable	Expiry Date
N. O'Carroll	Unapproved	300,000	**300,000**	22.75p	14/11/10	13/11/17
D. Khan	Unapproved	150,000	**150,000**	22.75p	14/11/10	13/11/17

The market price of the ordinary shares at 31 August 2014 was 1.67p and the range during the year was 0.85p to 2.53p. Share options are issued to senior executives of the Group and have performance targets relating to the Group's operating profit or EPS growth for each of the three years following the grant of the options. The Remuneration Committee believe that the use of the operating profit and EPS represents the most appropriate measures of the Group's financial performance.

Directors' interests

The Directors who held office at 31 August 2014, had the following beneficial interests in the 1p ordinary shares of the Company:

	31 August 2014 Number	31 August 2013 Number
N. O Carroll	**755,316**	755,316
M. Kennedy	**50,000**	50,000
W. O'Dea	**2,000,000**	-
P. Kennedy/D. Kennedy*	**140,113,704**	115,243,696

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

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

7. Tax on loss on ordinary activities

The tax (credit)/charge comprises:

	Continuing operations		Discontinued operations		Total	
	2014 £'000	2013 £'000	**2014 £'000**	2013 £'000	**2014 £'000**	2013 £'000
Current tax	**-**	-	**-**	-	**-**	-
Deferred tax	**-**	-	**-**	-	**-**	-
	-	-	**-**	-	**-**	-

UK corporation tax is calculated at 22.17% (2013: 23%) of the assessable profits for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The tax on discontinued operations related to profits/losses arising in the period to disposal. No tax charge or credit arose on the disposal of the relevant subsidiaries.

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

	2014 £'000	2013 £'000
(Loss)/profit before tax		
Continuing operations	**(99)**	(387)
Discontinued operations	**(421)**	(18)
	(520)	(405)
Tax at UK corporation tax rate of 22.17% (2013: 23%)	**(115)**	93
Tax effect of expenses/income not deductible/taxable for tax purposes	**89**	49
Utilisation of brought forward losses	**7**	44
Movement in unrecognised losses carried forward	**19**	-
Tax charge for the year	**-**	-

8. Exceptional items

	2014 **£'000**	2013 £'000
Impairment of other receivables	-	(87)
Loss on deconsolidation	-	(26)
	-	(113)

In the year ended 31 August 2013, the impairment of other receivables related to a realistic appraisal of the expected profit share due from the Group's share of profit due on the Whitechapel development. The loss on the deconsolidation related to the accounting treatment following the voluntary liquidation of Proactive Sports Management Limited.

9. Discontinued operations

Discontinued operations relate to the continued treatment of the investment properties FG Bradford Limited & FG Bristol Limited results as part of discontinued operations.

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

	2014 £'000	2013 £'000
Revenue	**201**	219
Cost of sales	**(70)**	(78)
Gross profit	**131**	141
Administrative expenses	**(10)**	(6)
Impairment of investment properties – adjustment to fair value less costs to sell	**(403)**	-
Operating (loss)/profit from discontinued operations	**(282)**	135
Financial costs	**(139)**	(153)
Loss before taxation	**(421)**	(18)
Attributable tax expense	**-**	-
Loss for the year from discontinued operations	**(421)**	(18)

	2014 £'000	2013 £'000
Investment properties	**3,505**	3,918

The investment properties are secured by Dunbar Assets Plc under non-recourse financing.

The effect of discontinued operations on segment results is disclosed in note 2. An impairment charge has been recognised on the investment properties which have been written down to its fair value less costs to sell. This is based on current market evidence.

10. Loss per share

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

	2014 £'000	2013 £'000
Basic and diluted loss – continuing operations	**(99)**	(387)
Basic and diluted loss – discontinued operations	**(421)**	(18)
Basic and diluted loss – continuing and discontinued operations	**(520)**	(405)

	2014 Number of shares '000	2013 Number of shares '000
Weighted average number of shares:		
Ordinary shares in issue	**220,515**	220,515
Treasury shares	**(9,311)**	(16,497)
Basic	**211,204**	204,018
Dilutive effect of share options	**-**	-
Diluted	**211,204**	204,018

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

The share options in issue are anti-dilutive in respect of the loss per share calculations in 2014 and 2013.

11. Other intangible assets

	Trademarks £'000	Total £'000
Cost		
At 1 September 2012, 31 August 2013 and **31 August 2014**	**7**	**7**
Amortisation		
At 1 September 2013	6	6
Charge for the year	-	-
At 1 September 2013	6	6
Charge for the year	1	1
At 31 August 2014	**7**	**7**
Net book value		
At 31 August 2014	**-**	**-**
At 31 August 2013	1	1

12. Property, plant and equipment

	Short leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost			
At 1 September 2012	21	170	191
Additions	-	7	7
At 1 September 2013	21	177	198
Additions	-	16	16
At 31 August 2014	**21**	**193**	**214**
Accumulated depreciation			
At 1 September 2012	21	167	188
Charge for the year	-	3	3
At 1 September 2013	21	170	191
Charge for the year	-	8	8
At 31 August 2014	**21**	**178**	**199**
Net book value			
At 31 August 2014	**-**	**15**	**15**
At 31 August 2013	-	7	7

13. Investments

(i) Equity Method Investment in JV Finance Ventures Limited	**2014** **£'000**	2013 £'000
Brought forward	6,238	6,238
Monies Received	**(1,590)**	-
	4,648	6,238

In the year ending 31 August 2010, Formation Group PLC, in partnership with JV Finance Limited, contributed through JV Finance Ventures Limited, a combined sum of £18.2 million, (Formation Group Plc's contribution of £6.7 million on terms as announced on 2nd September 2010) in order to settle with both Heritable Bank Plc's administrator and outstanding creditors, in order to secure the Aldgate site and the necessary warranties for completed construction works.

Formation Group Plc's percentage shareholding in JV Finance Ventures Limited is 36.88% and is based on Formation's percentage share of long term loans in JV Finance Ventures Limited of £6.7m. On the basis that the loans are repayable in 10 years time and the percentage of the loan directly affects the shareholding, the loans have been treated as an investment in an associated undertaking and is accounted for under the equity method. Accordingly the investment in JV Finance Ventures Limited has been adjusted to the anticipated fair value of the sales proceeds less costs to sell. The fair value is based on the present value of the anticipated future cash flows due within one year. The underlying activity of JV Finance Ventures Limited has now ceased and the movement in the current year therefore represents cash payments that have been received by Formation Group plc from JV Finance Ventures Limited against the brought forward carrying value. As detailed in note 25, a further settlement of £2.41 million was recovered as funding for the purchase of the Iverson road site on 10 October 2014.

(ii) Investment Property Car parking spaces 52-58 Commercial Road	**£'000**	£'000
Brought forward	-	-
Additions	**275**	-
	275	-

Rocquefort Properties Limited owed the Group an outstanding sum of £275,000 as announced on 14th February 2014. In settlement thereof it now holds in trust for Formation Group Plc,11 car parking spaces valued at £25,000 each. The spaces are to be sold or let as directed by Formation Group Plc who will then receive the net proceeds. On 10 October 2014, a charge was put in place over the 11 car parking spaces in respect of a loan facility granted to Rocquefort Properties Limited.

14. Inventories

	£'000	£'000
Work in progress	**707**	-

The inventory is held at the lower of cost and net realisable value. There have been no write down of inventories or amounts recognised in the income statement during the year. Work in progress relates to costs pertaining to the development of the 161 Iverson Road Site.

15. Trade and other receivables

	2014 £'000	2013 £'000
Trade receivables	**1,957**	1,245
Allowance for doubtful debts	**-**	(268)
	1,957	977
Other receivables and prepayments	**258**	974
	2,215	1,951

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

Other receivables and prepayments mainly relates to prepaid expenses and vat receivable incurred as part of the group's continuing operations.

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

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

The ageing of trade receivables was as follows:	**£'000**	£'000
Current	**1,089**	958
Past due but not impaired:		
0-30 days	**666**	5
30-60 days	**177**	3
60-90 days	**25**	5
> 90 days	**-**	6
Past due and impaired:		
> 90 days	**-**	268
	1,957	1,245

Of the trade receivables 56% (2013: 77%) are neither past due or impaired and considered to be fully recoverable.

The movements in the allowance for doubtful debts are as follows:	**£'000**	£'000
Balance at the beginning of the year	268	365
Amount written off / collected	**(268)**	(97)
Balance at the end of the year	**-**	268

16. Cash and bank deposits

	2014 £'000	2013 £'000
Cash in hand and at bank	**328**	240

17. Trade and other receivables

	2014 £'000	2013 £'000
Current:		
Trade payables	**869**	989
Other payables	**86**	641
Accruals	**635**	443
	1,590	2,073

Trade payables and accruals principally comprise amounts outstanding from trade purchases and ongoing costs. The average credit period taken for trade purchases is 44 days (2013: 67 days). The Directors consider that the carrying amount of trade payables approximates to their fair value.

18. Bank overdrafts and loans

	2014	2013
	£'000	£'000
Current:		
Bank loan - term loan facility	**4,321**	4,292
	4,321	4,292

The borrowings are repayable as follows:

	2014	2013
	£'000	£'000
On demand or within one year	**4,321**	4,292

The weighted average interest rates paid were as follows:

	2014	2013
	%	%
Bank loan	**3.25**	4.00

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

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

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

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

19. 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

	2014 £'000	2013 £'000
Financial assets		
Loans and receivables – other	**1,971**	1,789
Loans and receivables – cash and cash equivalents	**328**	240
	2,299	2,029

Financial liabilities		
Amortised cost	**5,911**	6,365

(b) Financial risk management objectives

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

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

(c) Capital risk management

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

(d) Finance and interest rate risk

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

The weighted average interest rates paid were as follows:

	2014 %	2012 %
Bank / Related party loan	**3.25**	4.00

At 31 August 2014, it is estimated that a general increase of 1% in interest rates would increase the Group's losses before tax and its equity by approximately £42,926 (2013: £49,000).

19. Financial instruments *continued*

(e) Credit risk management

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

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

The maximum exposure to credit risk at the year end is £nil (2013: £6,000).

(f) Liquidity risk management

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

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

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

31 August 2014

	Less than 1 year £'000	Total £'000
Trade and other payables	1,590	**1,590**
Bank loans	4,321	**4,321**
	5,911	**5,911**

31 August 2013

	Less than 1 year £'000	Total £'000
Trade and other payables	2,073	2,073
Bank loans	4,292	4,292
	6,365	6,365

20. Share capital

	2014 £'000	2013 £'000
Authorised		
300,000,000 ordinary shares of 1p each (2013: 300,000,000)	**3,000**	3,000
Allotted and called-up		
220,515,112 ordinary shares of 1p each (2013 – 220,515,112)	**2,205**	2,205

	Number	£'000
At 1 September 2013 and 31 August 2014	**220,515,112**	**2,205**

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

Treasury shares
All of the treasury shares were sold on the 27 March 2014 to a related party for £313,447.90 in order to provide working capital funding for the Group. (2013: 16,497,258).

20. 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 2014	2013
Unapproved share option scheme	12-Dec-03	12-Dec-06 to 11-Dec-13	8.13p	-	1,000,000
Unapproved share option scheme	15-Nov-07	15-Nov-10 to 14-Nov-17	22.75p	**450,000**	450,000
				450,000	1,450,000

Movements in share options are summarised as follows:

	2014 Number of options	**2014 Weighted average exercise price pence**	2013 Number of options	2013 Weighted average exercise price pence
Outstanding at the beginning of the year	**1,450,000**	**12.66**	1,450,000	12.66
Expired during the year	**(1,000,000)**	**(8.13)**	-	-
Outstanding at the end of the year	**450,000**	**22.75**	1,450,000	12.66
Exercisable at the end of the year	**450,000**	**22.75**	1,450,000	12.66

The options outstanding at 31 August 2014 have a weighted average exercise price of 22.75 pence and a weighted average remaining contractual life of 3.13 years.

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

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

	2014 £'000	2013 £'000
Operating loss from continuing operations	**(69)**	(240)
Operating loss profit from discontinued operations (Note 9)	**(421)**	(18)
Depreciation of property, plant and equipment (Note 12)	**8**	3
Impairment of assets classified as held for sale (Note 9)	**403**	-
Amortisation of intangible assets (Note 11)	**1**	1
Operating cash flows before movements in working capital	**(78)**	(254)
(increase)/decrease in inventories	**(697)**	1
(Increase) in receivables	**(540)**	(141)
(decrease)/increase in payables	**(483)**	373
Adjustments for exceptional items (note 8)	**-**	(113)
Cash used in operations	**(1,798)**	(134)

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.

22. Operating lease arrangements

	2014 £'000	2013 £'000
Minimum payments under operating leases recognised in income in the year	**29**	31

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	
	2014 £'000	2013 £'000
Group		
Within one year	**30**	30
In the second to fifth years inclusive	**60**	90
	90	120

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.

23. Related party transactions

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

Included within trade and other receivables is a sum due from Rocquefort Property Holdings Limited, a company which is owned by the Impala Discretionary Settlement of which the potential beneficiaries are D Kennedy and P Kennedy. The amount relates to a profit share in Whitechapel. The balance at the year end was £Nil (2013: £777,308). Movements during the year on this balance are detailed below:

	2014 £'000
Balance brought forward	**777**
Amounts received in cash	**(502)**
Grant of car parks spaces-held as properties (note 13(ii))	**(275)**
Balance carried forward	**-**

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

The Tulip Trust and Kennedy Private Trust Company Limited as trustees of The Kennedy Family Discretionary Settlement have an interest in 140,113,704 shares (2013:115,243,696 shares) in the Company. During the year:

- Formation Design & Build Limited & Formation Construction Limited project managed a number of property developments for companies controlled by the Osprey Private Trust Company Limited, as trustees of The Osprey Trust and Kennedy Private Trust Company Limited and as trustees of Kennedy Family Discretionary Settlement. Revenue from these contracts totalled £7,893,670 (2013: £5,823,000) in the year. At 31 August 2014, the Group had debtor balances due from these companies of £1,941,676 (2013: £930,226).

- Formation Design & Build Limited leased premises from Columbia House Properties (No.6) Limited (a company ultimately owned by Kennedy Private Trust Company Limited as trustees of Kennedy Family Discretionary Settlement) on a five year lease from 6 September 2012. The terms of the lease include a rental of £29,700 per annum. The charge for the year was £29,286 (2013: £30,531).

The Group invested in JV Finance Ventures Limited in December 2009 with JV Finance Limited. JV Finance Limited is majority owned by the J V Purpose Trust. Therefore, JV Finance Limited is viewed as a related party given its relationship with the Tulip Trust and Kennedy Family Trust, which is also the majority shareholder in the Group. Full details of all repayments on these investments are fully disclosed in note 13 to the accounts.

23. Related party transactions *continued*

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

	2014 £'000	2013 £'000
Short-term employee benefits	**300**	329
	300	329

24. Contingent liabilities and guarantees

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

25. Post Balance Sheet Event

An RNS published on 10 October, 2014 announced that, through a wholly owned subsidiary Formation Homes (London) Limited has now completed on the purchase of a development site at 159-161 Iverson Road, London for a total consideration of £5.9m The development consists of 19 apartments and 1 commercial unit with a timetable of 16 months to complete. This purchase has been funded with a combination of bank funding and cash from Group resources utilising £2.41 million from the partial repayment of funds from Formation Group JV investment in Aldgate.

Company Balance Sheet

31 August 2014

	Notes	2014 £'000	2013 £'000
Fixed assets			
Intangible assets	3	**-**	1
Investment property	4	**275**	-
Investments	5	**4,658**	6,248
		4,933	6,249
Current assets			
Debtors	6	**1,498**	805
Cash at bank and in hand		**4**	2
		1,502	807
Creditors: Amounts falling due within one year	7	**(49)**	(785)
Net current assets		**1,453**	22
Total assets less current liabilities		**6,386**	6,271
Net assets		**6,386**	6,271
Shareholders' funds			
Share capital	8	**2,205**	2,205
Share premium account	9	**2,106**	2,106
Treasury shares	9	**-**	(602)
Capital redemption reserve	9	**61**	61
Other reserves	9	**22**	22
Profit and loss account	9	**1,992**	2,479
Total shareholders' funds	9	**6,386**	6,271

The financial statements were approved by the Board of Directors on 4 February 2015 and signed on its behalf by:

Desmond Khan

Desmond Khan FCCA
Director

Company number: 04145632

Notes to the Company Financial Statements

Basis of preparation
The accounts have been prepared in accordance with the Companies Act 2006 and United Kingdom Generally Accepted Accounting Practice ("UK GAAP"), under the historical cost convention. As permitted by the Companies Act 2006, no separate profit and loss account has been presented in respect of the Company. Formation Group Plc reported a loss for the financial year of £487,000 (2013: loss of £506,000).

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 European Union.

Basis of preparation and Going Concern
The Directors have prepared working capital forecasts for the period to 29 February 2016. The ability of the Group to continue trading as a going concern is dependent on the continuing income streams from existing and new contracts, together with the continued realisation of the Group's remaining investment from the Aldgate Development. Additionally, continued support may be required from its majority shareholder.

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 UK GAAP are summarised below. They have all been applied consistently throughout both the current and prior years.

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

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

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

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

Investments
Fixed asset investments are shown at cost less provision for impairment.

Investments properties
Investment property is stated at cost, net of depreciation and any provision for impairment, Depreciation is provided on a straight line basis over the period in which each property is expected to generate rental income. No depreciation is charged in the period of acquisition.

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

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

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

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

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

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

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

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

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

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

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

2. Employee costs

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

	2014 Number	2013 Number
Administration	**1**	1
	1	1

	2014 £'000	2012 £'000
Their aggregate remuneration comprised:		
Wages and salaries	**135**	160
Social security costs	**15**	18
	150	178

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

3. Intangible fixed assets

	Trademarks £'000
Cost	
At 1 September 2013 and 31 August 2014	**7**
Amortisation	
At 1 September 2013	7
Charge for the year	-
At 31 August 2014	**7**
Net book value	
At 31 August 2014	**-**
At 31 August 2013	1

4. Investment property

Car Parks 52-58 Commercial Road

	2014 £'000	2013 £'000
Brought Forward	**-**	-
Additions	**275**	-
	275	-

Rocquefort Properties Limited owed the Group an outstanding sum of £275,000 as announced on 14th February 2014. In settlement thereof it now holds in trust for Formation Group Plc ,11 car parking spaces valued at £25,000 each. The spaces are to be sold or let as directed by Formation Group Plc who will then receive the net proceeds.

5. Investments

	2014 £'000	2013 £'000
Subsidiary undertakings	**10**	210
Investment in JV Finance Ventures Limited	**4,648**	6,238
	4,658	6,248

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

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

5. Investments *continued*

Principal investments

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

Subsidiary undertakings	Country of incorporation or principal business address	Principal activity
Formation Architectural Design Limited	England	Non-trading
Formation Wealth Solutions Limited	England	Non-trading
Formation Design & Build Limited	England	Property project management
Formation Construction Limited	England	Property project management
FG (Bristol) Limited	England	Discontinued Activity
FG (Bradford) Limited	England	Discontinued Activity

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

5. Investments *continued*

Subsidiary undertakings

	Subsidiary Undertakings £'000	Other Investments £'000	Total £'000
Cost			
At 1 September 2013	33,653	6,772	40,425
At 31 August 2014	**33,653**	**6,772**	**40,425**
Provision for impairment			
At 1 September 2013	**33,443**	**534**	**34,177**
Monies Received	-	**1,590**	**1,590**
31 August 2013	**33,643**	**2,124**	**35,767**
Net book value			
At 31 August 2014	**10**	**4,648**	**4,658**
At 31 August 2013	10	6,238	6,248

6. Debtors

	2014 £'000	2013 £'000
Amount owed by group undertakings	**1,485**	15
Prepayments and accrued income	**13**	790
	1,498	805

7. Creditors: Amounts falling due within one year

	2014 £'000	2013 £'000
Trade creditors	-	25
Other creditors	-	570
Amounts owed to group undertakings	-	144
Other taxation and social security	**7**	9
Accruals and deferred income	**42**	37
	49	785

8. Share capital

	2014 £'000	2013 £'000
Authorised		
300,000,000 ordinary shares of 1p each (2013 – 300,000,000)	**3,000**	3,000
Allotted and called-up		
220,515,112 ordinary shares of 1p each (2013 – 220,515,112)	**2,205**	2,205

	£'000
At 1 September 2012 and 31 August 2014	**2,205**

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

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

Scheme	Number of shares under option	Subscription price per share	Exercise period
Unapproved share option scheme	450,000	22.75p	15 Nov 2010 to 14 Nov 2017

9. Reserves

	Share capital £'000	Treasury shares £'000	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 September 2013	2,205	(602)	2,106	61	22	2,479	**6,271**
Loss for the year	-	-	-	-	-	(197)	**(197)**
Sale of treasury shares	-	602	-	-	-	(290)	**312**
At 31 August 2014	**2,205**	**-**	**2,106**	**61**	**22**	**1,992**	**6,386**

Treasury shares
Treasury shares represent 16,497,258 ordinary shares of 1p each in the share capital of the Company that the company acquired for £602,000. All of the treasury shares were sold on the 27 March 2014 to a related party for £313,447.90 in order to provide working capital funding for the Group.

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

10. Related party transactions

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

	2014 £'000	2013 £'000
Brought forward	**6,238**	6,238
Deposit Iverson Road	**(590)**	-
Monies Received	**(1,000)**	-
	4,648	6,238

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

Formation Group Plc's percentage shareholding in JV Finance Ventures Limited is 36.88% and is based on Formation's percentage share of long term loans in JV Finance Ventures Limited of £6.7m. On the basis that the loans are repayable in 10 years time and the percentage of the loan directly affects the shareholding, the loans have been treated as an investment in an associated undertaking and is accounted for under the equity method.

Accordingly the investment in JV Finance Ventures Limited has been adjusted to the anticipated fair value of the sales proceeds less costs to sell. The fair value is based on the present value of the anticipated future cash flows due within one year.

Included within trade and other receivables is a sum due from Rocquefort Property Holdings Limited, a company which is owned by the Impala Discretionary Settlement of which the potential beneficiaries are D Kennedy and P Kennedy. The amount relates to a profit share in Whitechapel. The balance at the year end was £Nil (2013: £777,308). Movements during the year on this balance are detailed below:

	2014 £'000
Brought forward	**777**
Amounts received in cash	**(502)**
Grant of car parks	**(275)**
Balance Carried Forward	-

11. Post Balance Sheet Event

An RNS published on 10 October, 2014 announced that, through a wholly owned subsidiary Formation Homes (London) Limited has now completed on the purchase of a development site at 159-161 Iverson Road, London for a total consideration of £5.9m The development consists of 19 apartments and 1 commercial unit with a timetable of 16 months to complete. This purchase has been funded with a combination of bank funding and cash from Group resources utilising £2.41 million from the partial repayment of funds from FG Plc's JV investment in Aldgate.

Formation Group PLC

Annual report and consolidated financial statements
for the year ended 31 August 2015

Registered number: 04145632

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formation
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