

## **FORMATION GROUP PLC**

("Formation" or "the Group")

Interim Results - for the six months ended 29 February 2008

Formation Group PLC provides management and professional services to its clients within the sports, music and entertainment sectors as well as other high net worth individuals and trusts.

These services include accountancy, construction management, representation, sports finance broking and wealth management.

### **HIGHLIGHTS**

- Acquisition of leading talent management business, James Grant Media Group Ltd ("JGMG") on 29th February 2008 for a total potential consideration of £29.8 million. This figure is linked to JGMG achieving certain financial performance targets over a 3 year period
- Revenue from continuing operations of £12.8 million (2007: £3.0 million)
- Profit before tax from continuing operations of £1.76 million (2007: £0.33 million)
- Basic earnings per share from continuing activities increased to 0.59 pence (2007: 0.18 pence)
- Committed future gross profit at end of Feb 2008 of £19.4 million (2007: £5.5 million)
- The Group is currently trading ahead of consensus forecasts for the full year and the board remains confident of the Group's prospects for the remainder of the year

John Lawrence MBE, Chairman of Formation said,

"I am very pleased to report that results from continuing businesses as a whole are trading ahead of our expectations and continue to provide good growth opportunities. Particularly pleasing is the growing amount of future contracted income the Group has secured. This gives us visibility and confidence as we plan for our future.

The acquisition of James Grant Media also enables us to diversify into related and complementary business areas, adding scale and reach to our Group. We now serve clients within the sports, music and entertainment industries.

In addition, we have recently further strengthened our board with the appointments of Peter Powell, Ossie Kilkenny and Patrick Kennedy. Both Peter and Ossie have enviable track records in the entertainment and music industries and add depth and experience to this growing area of the Group. Patrick's appointment brings us closer to our largest strategic investor, the David Kennedy Family Trust, and additional depth to our Property Services. I welcome all three Directors to the board which has a good balance of executive and non-executive Directors.

We believe that the outlook for the Group over the short, medium and long term remains encouraging."

### **Enquiries:**

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**Notes to editor:**

Formation Group PLC (AIM: FRM) provide management and other professional services predominantly to high net worth clients within the sports, music and entertainment industries. Formation's services, delivered through two distinct divisions; Management and Professional Services, include accountancy, tax, wealth management, talent management, sports representation, construction management and sports finance broking. High net worth clients include professional athletes, sporting clubs and institutions, entertainers, musicians, real estate developers and trust companies.

**CHAIRMAN'S STATEMENT**

It gives me great pleasure to present the Group's results for the six months ended 29 February 2008.

This has been another busy period for the Group with the acquisition of the leading talent management business; James Grant Media Group Ltd (JGMG) on the last day of the period.

This acquisition is in line with our previously stated strategy of diversifying into related and complementary business areas. We now serve clients within the sports, music and entertainment sectors. I would also like to formally welcome the management and staff of JGMG.

As a direct consequence of our acquisitions, we have strengthened our board with the addition of Peter Powell and more recently Ossie Kilkenny. Both have enviable track records in the entertainment and music industries and add depth and experience to this growing area of the Group. I am also delighted to confirm that Patrick Kennedy has also recently joined the board, representing the interests of our largest shareholder; the David Kennedy Family Trust which at the time of publishing hold in excess of 51% of the Group's issued share capital. I welcome all three Directors to the board which has a good balance of executive and non-executive Directors.

The results from continuing businesses are strong and a good reference point for our continued progress. We are currently trading ahead of consensus forecasts for the full year and continue to see growth opportunities going forward. It is also encouraging to see the growing amount of future contracted income the Group has secured. This gives us visibility and confidence as we plan for our future.

We will continue to seek complementary acquisitions whilst remaining firmly focused on delivering organic growth. We will achieve this by leveraging the collective services we have carefully assembled for the benefit of all our clients.

May I also take this opportunity to thank all our staff who are a highly professional and dedicated group of people committed to serving the needs of our valued clients. We will continue to recognise and reward our employees in line with the Group's performance.

Finally I am pleased to report that your board believes the outlook for the short, medium and long term remains encouraging.

**John Lawrence MBE**

**Non-Executive Chairman**

**CHIEF EXECUTIVE OFFICER'S REPORT**

Revenue for the period was £12.8 million from continuing operations (2007: £3.0 million) and profit before tax from continuing operations was £1.76 million (2007: £0.33 million). Basic earnings per share from continuing activities were 0.59 pence (2007: 0.18 pence).

As at 29 February 2008, the Group had committed future gross profit of £19.4 million (2007: £5.5 million), which represents an increase of 252% over last year. Of this, £5.3 million (2007: £1.6 million) is expected to be recognised in the current financial year ending 31 August 2008.

In line with the Group's current dividend policy, no interim dividend is being declared. However, the Directors expect to recommend the payment of a final dividend at the time of the preliminary results for the year ending 31 August 2008.

## **TRADING**

In line with our previously stated strategy, we have continued to develop the business and enhance our service proposition.

We have structured our business into two distinct divisions; Management Services and Professional Services and will report financials on this basis going forward.

## **MANAGEMENT SERVICES DIVISION**

Revenue for the period under review was £1.5 million (2007: £1.2 million) and operating profit was £0.48 million (2007: £0.18 million).

Our Management division contains three businesses; James Grant Media Group Ltd, Proactive Sports Management Ltd and Proactive Sports Management USA Inc. All three businesses provide career management and representation advice to entertainers and athletes within the sports and entertainment sectors. For many of our clients our services extend beyond commercial and endorsement contract negotiation to a variety of concierge services.

### **Entertainment Management - James Grant Media Group Ltd**

We concluded the acquisition of JGMG on the last day of this reporting period. It is therefore too early to provide any review on its financial performance. However, we are confident in this business and look forward to reporting on its first trading period within the Group at the year end.

### **Sports Management - Proactive Sports Management (UK and USA)**

Both sports management businesses are trading ahead of expectation and are showing good year on year growth. The USA business is starting to become a material part of the Group and offers further growth opportunities going forward, both from an organic and acquisition perspective. In January this year this business managed to recruit seven of the top 12 Major League Soccer collegiate elite players (via the USA draft system) which was an exceptional achievement. The business has also appointed two senior managers during the period and the outlook remains strong in its core football market.

In the UK, we have produced another strong performance which is very pleasing in what can only be described as a difficult market. This is due in the main to the high proportion of overseas players joining Premier League clubs. Understandably they have already appointed representatives on their arrival to the UK. Consequently, client recruitment remains an ongoing challenge but we are well positioned to attract new clients and have further developed our ancillary concierge service to reinforce and differentiate our service proposition.

## **PROFESSIONAL SERVICES DIVISION**

Revenue for the period under review was £11.3 million (2007: £1.8 million) and operating profit was £1.8 million (2007: £0.42 million).

Our Professional Services division contains a number of subsidiary companies including; O J Kilkenny & Co Ltd, Kingsbridge Asset Management Ltd, Formation Wealth Solutions Ltd, Formation Sports Capital Ltd, Formation Design & Build Ltd and Formation Architectural Design Ltd.

We have the opportunity and importantly, the service capability and skill set to deliver Professional Services across our chosen customer segments. These are sport, music and entertainment as well as clients in the property construction management arena. The short, medium and long term objective will be to increase cross selling of our services within our existing client base, allowing each client to engage with the Group at the level they choose is most appropriate for them. Some clients will continue to place all their service requirements with us whilst others will select individual services based on their needs.

The following details our Professional Services businesses in terms of the services they provide and sectors they currently operate in.

Service	Subsidiary Company	Sectors serviced
Accountancy & Taxation	O J Kilkenny & Co (OJK)	Individuals and companies in sport, music & entertainment
Wealth Management	Kingsbridge Asset Mgmt (KAM) Formation Wealth Solutions (FWS)	Individuals in sport, music & entertainment
Sports Finance Brokerage	Formation Sports Capital (FSC)	Clubs and organisations in sport & media
Construction Management	Formation Design & Build (FDB) Formation Architectural Design (FAD)	Property developers seeking property management services

**Accountancy** - OJK is a leading specialist accountancy practice within its chosen sectors and has the ability to consolidate this position through further organic growth from clients both within and outside of the Group as well as through selective acquisition.

**Wealth Management** - KAM provides wealth management services, as a directly authorised FSA approved IFA to a wide range of professional athletes (predominantly football, golf and cricket), entertainers and musicians. FWS provides bespoke investment products to other third party financial institutions for the benefit of their clients. These businesses have recorded a strong trading period. They are also benefiting from various people and technological investments we have made over the last 12 months. Both businesses will, with effect from 1 July 2008, be based in Wilmslow, Cheshire, a move which will enhance the businesses profitability over time whilst enabling it to work more closely with its sister company; Proactive Sports Management. Unlocking the potential to independently advise other clients across the Group will also provide organic growth.

**Sports Finance Brokerage** - FSC provides bespoke financial solutions to sporting organisations, football clubs and selected media outlets within the UK and elsewhere in Europe who are looking to accelerate their cash flow from contracted income. Clubs can use this service to manage cash flows against a number of their different income streams including transfer fees, broadcast income, endorsement agreements and season ticket revenues. The business is trading behind plan at the half year. The complexity of some of the deal structures within this business aligned to a more cautious approach to lending means that the conclusion of deals has been more protracted than usual.

**Construction Management** - Through two businesses; FDB and FAD, we provide a range of construction management services to property development companies. This business co-ordinates the construction process on behalf of a developer and uses these relationships to devise and present investment opportunities which can then be packaged and ultimately sold via our two wealth management sister companies; Kingsbridge Asset Management and Formation Wealth Solutions. Investment funds within this asset class have traditionally, and will continue to appeal to many of our clients. The business continues to trade in line with its plan and will continue to work closely with our property development clients to carefully select, evaluate and construct investment opportunities for the benefit of our clients. Location will continue to be key and we expect future developments to continue to be in and around the centre of London.

## RISKS AND UNCERTAINTIES

Understanding and mitigating business risks are as important to the Group as developing and maximising its growth potential. As a board, we constantly review this area of our business and readily accept our responsibility to convey a balanced view to all our shareholders.

**Commercial property markets** - The key challenges outlined as part of our year end report in November 2007 remain largely unaltered. The potential property liabilities previously disclosed within the two property funds

launched last year remain unchanged with 'The Whitechapel Property Fund Limited' projects substantially mitigated following the off plan bulk purchases of units previously announced. 'The Aldgate East Property Company Limited' project is not due for completion until 2010 and we continue, through our liaison with the trustees of this company, to monitor progress of this prime London location now that construction has begun. Whilst the trustees of this fund remain confident in these development locations, given the macro economic environment, this area of potential risk will be continually assessed and actively managed.

**Single majority shareholder** - We continue to firmly believe that the David Kennedy Family Trust are involved with the Group for the long term. Their tremendous support is as strong as ever. The £8 million term loan facility arranged by the David Kennedy Family Trust, at the time of our acquisition of James Grant Media Group Ltd, is a direct testament to the continued support that we receive from our largest shareholder. However, we also acknowledge that a high percentage of the Group's share capital within the control of a single party is not without some degree of risk.

**People** - As a services orientated business it is our people who deliver for our clients. We acknowledge their value and appreciate the need to continue to motivate, recognise and reward our people in order to maximise both our and their performance. In December 2007, we successfully recruited the Group's first dedicated HR Manager who will drive consistency in our processes whilst working closely with all subsidiaries to ensure we attract, reward and develop the very best people available.

## **OUTLOOK**

We have continued to develop the business and its client proposition during the last six months and the outlook for all trading subsidiaries remains encouraging. We have also continued to operate and execute a strategy we have developed since our listing in 2001. Our focus on acquiring complementary businesses which add value to our clients, provide incremental revenue and help drive shareholder value continues to be successfully implemented and we are starting to achieve the scale which we believe will, over time, produce significant reward.

As ever, the dedication and devotion of our skilled team of employees is at the heart of our business performance and I would like to thank all Group staff for their continued hard work and endeavour.

## **NEIL RODFORD**

Chief Executive Officer

Consolidated income statement  
For the six months ended 29 February 2008

		6 months ended 29 Feb. 2008	6 months ended 28 Feb. 2007	Year ended 31 Aug. 2007
	Note	(Unaudited) £'000	(Unaudited) £'000	(Audited) £'000
Continuing operations				
Revenue	2	12,761	3,027	11,138
Cost of sales		(6,167)	(202)	(3,697)
Gross profit		6,594	2,825	7,441
Administrative expenses		(4,932)	(2,587)	(6,293)
Operating profit from continuing operations	2	1,662	238	1,148
Investment income		104	120	261
Finance costs		(3)	(29)	(40)
Profit before taxation		1,763	329	1,369
Taxation	4	(530)	(99)	(434)
Profit for the financial period from continuing operations		1,233	230	935
Discontinued operations				
Profit for the financial period from discontinued operations	3	621	4,372	4,748
Profit for the financial period		1,854	4,602	5,683
Attributable to:				
Equity holders of parent		1,826	4,602	5,683
Minority interests		28	-	-
		1,854	4,602	5,683
Earnings per share				
From continuing operations				
Basic	6	0.59p	0.18p	0.66p
Diluted	6	0.58p	0.18p	0.65p

From discontinued operations				
Basic	6	0.30p	3.46p	3.36p
Diluted	6	0.29p	3.36p	3.28p
From continuing and discontinued operations				
Basic	6	0.89p	3.64p	4.02p
Diluted	6	0.87p	3.54p	3.93p
		£'000	£'000	£'000
Final dividend paid for the year ended 31 August 2007 of 0.115p per ordinary share (2006 - 0.105p)		234	131	131

#### Consolidated statement of recognised income and expense

For the six months ended 29 February 2008

	6 months ended 29 Feb. 2008  (Unaudited) £'000	6 months ended 28 Feb. 2007  (Unaudited) £'000	Year ended 31 Aug. 2007  (Audited) £'000
Exchange gain/(loss) on foreign currency translation of foreign operations	9	(7)	(13)
Profit for the financial period attributable to equity holders of parent and minority interests	1,854	4,602	5,683
Total recognised income and expenses for the period attributable to equity holders of the parent and minority interests	1,863	4,595	5,670

Consolidated balance sheet  
As at 29 February 2008

	29 Feb. 2008 (Unaudited) £'000	28 Feb. 2007 (Unaudited) £'000	31 Aug. 2007 (Audited) £'000
Note			
Non-current assets			
Goodwill	47,434	12,773	31,685
Other intangible assets	22	31	26
Property, plant and equipment	320	221	314
Long term financial assets	4,862	-	4,862
Deferred tax asset	21	115	20
	52,659	13,140	36,907
Current assets			
Inventories	2,770	-	2,291
Trade and other receivables	5,740	2,568	7,281
Cash and cash equivalents	2,191	7,538	3,605
	10,701	10,106	13,177
Total assets	63,360	23,246	50,084
Current liabilities			
Trade and other payables	(8,711)	(2,994)	(9,938)
Tax liabilities	(1,519)	(44)	(711)
Obligations under finance leases	(34)	(13)	(37)
	(10,264)	(3,051)	(10,686)
Net current assets	437	7,055	2,491
Non-current liabilities			
Trade and other payables	(5,336)	(83)	(1,560)
Tax liabilities	-	(99)	-
Obligations under finance leases	(11)	(45)	(15)
Loans	(6,000)	-	-
	(11,347)	(227)	(1,575)

Total liabilities		(21,611)	(3,278)	(12,261)
Net assets		41,749	19,968	37,823
Equity				
Share capital		2,080	1,264	2,058
Shares to be issued		2,344	-	500
Share premium account		2,106	694	2,106
Treasury shares		(794)	(433)	(689)
Capital redemption reserve		61	61	61
Currency and other reserves		18,400	3,823	17,856
Retained profits		17,233	14,559	15,640
		41,430	19,968	37,532
Minority interests		319	-	291
Total equity	8	41,749	19,968	37,823

Consolidated cash flow statement  
For the six months ended 29 February 2008

		6 months ended	6 months ended	Year ended
	Note	29 Feb. 2008	28 Feb. 2007	31 Aug. 2007
		(Unaudited)	(Unaudited)	(Audited)
		£'000	£'000	£'000
Cash generated by/(used in) operations	7	24	(8)	1,703
Income taxes paid		(194)	(127)	(101)
Interest paid		(3)	(29)	(40)
Net cash (outflow)/inflow from operating activities		(173)	(164)	1,562
Investing activities				
Interest received		104	121	262
Proceeds on disposal of property, plant and equipment		-	8	8
Purchases of property, plant and equipment		(40)	(999)	(1,075)
Purchases of trademarks and rights		-	-	(1)
Deferred consideration paid		(678)	(335)	(385)
Acquisition of subsidiaries		(9,403)	-	(1,600)
Cash acquired with subsidiary		2,688	-	425
Acquisition expenses		(595)	(29)	(141)
Purchase of long term financial assets		-	-	(4,862)
Net proceeds on disposal of subsidiary companies		1,015	9,208	8,662
Cash disposed of with subsidiary companies		-	(1,987)	(1,986)
Net cash (used in)/generated by investing activities		(6,909)	5,987	(693)
Financing activities				
Dividends paid		(234)	(131)	(131)
Proceeds on issue of shares		-	-	1,500
Purchase of own shares		(105)	(295)	(751)
New loans		6,000	-	-
New obligations under finance leases		-	29	-
Repayments of obligations under finance leases		(8)	(5)	(12)
Net cash generated by/(used by) financing activities		5,653	(402)	606

Net (decrease)/increase in cash and cash equivalents	(1,429)	5,421	1,475
Cash and cash equivalents at the beginning of the period	3,605	2,143	2,143
Effect of foreign exchange rate changes	15	(26)	(13)
Cash and cash equivalents at end of the period	2,191	7,538	3,605

#### Notes to the Interim Information

For the six months ended 29 February 2008

1. **Basis of preparation**  
The Group's interim results for the six months ended 29 February 2008 have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS). The accounting policies adopted are consistent with those adopted in the preparation of the annual financial statements for the year ended 31 August 2007 and represent those to be used in the preparation of the annual financial statements for the year ending 31 August 2008.

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

Statutory financial statements for the year ended 31 August 2007 have been filed with the Registrar of Companies for England and Wales and have been reported on by the Group's auditors. The report of the auditors was not qualified and did not contain a statement under section 273(2) or (3) of the Companies Act 1985.

2.

Segment information

The Company previously reported as two divisions: Professional Services and Property Development and Investment. Following the acquisition of James Grant Media Group Limited, the Company will now report two divisions, being Management and Professional Services.

	6 months ended 29 Feb. 2008		6 months ended 28 Feb. 2007		Year ended 31 Aug. 2007	
	(Unaudited)		(Unaudited)		(Audited)	
	Revenue	Profit from continuing operations	Revenue	Profit from continuing operations	Revenue	Profit from continuing operations
	£'000	£'000	£'000	£'000	£'000	£'000
By class of business:						
Management Services	1,505	482	1,186	187	3,347	869
Professional Services	11,256	1,801	1,841	416	7,791	1,077
	12,761	2,283	3,027	603	11,138	1,946
Unallocated corporate expenses		(621)		(365)		(798)
Operating profit from continuing operations		1,662		238		1,148

### 3. Results of discontinued operations

The deferred consideration due on the disposal of the Sports Marketing business was determined by reference to profits earned by that business in the year ended 31 August 2007. Discussions with the purchaser regarding the amount of deferred consideration have been finalised in the period resulting in the recognition of a further profit on the disposal of discontinued operations of £621,000.

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

	6 months ended 29 Feb. 2008 (Unaudited) £'000	6 months ended 28 Feb. 2007 (Unaudited) £'000	Year ended 31 Aug. 2007 (Audited) £'000
Revenue	-	1,742	1,742
Cost of sales	-	(1,154)	(1,154)
Gross profit	-	588	588
Administrative expenses	-	(326)	(326)
Operating profit from discontinued operations	-	262	262
Investment income	-	1	1
Profit before taxation	-	263	263
Attributable tax expense	-	(92)	(92)
Profit for the financial period from continuing operations	-	171	171
Profit on disposal of discontinued operations	621	4,201	4,577
Attributable tax expense	-	-	-
Profit on disposal of discontinued operations	621	4,201	4,577
Net profit attributable to discontinued operations	621	4,372	4,748

#### 4. Taxation

The taxation charge at 30.0% of profit before taxation, is based on the estimated effective rate of tax on earnings for the full year ending 31 August 2008.

#### 5. Dividends

	6 months ended 29 Feb. 2008 (Unaudited) £'000	6 months ended 28 Feb. 2007 (Unaudited) £'000	Year ended 31/08/07 (Audited) £'000
Dividend paid per share in the period of 0.115 pence (2007 - 0.105 pence)	234	131	131

#### 6. Earnings per share

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

	6 months ended 29 Feb. 2008 (Unaudited) £'000	6 months ended 28 Feb. 2007 (Unaudited) £'000	Year ended 31 Aug. 2007 (Audited) £'000
Profit for the period:			
Basic and diluted earnings - continuing operations	1,233	230	935
Basic and diluted earnings - discontinued operations	621	4,372	4,748
Basic and diluted earnings - continuing and discontinued operations	1,854	4,602	5,683
	Number of shares '000	Number of shares '000	Number of shares '000
Weighted average number of shares:			
Basic	207,929	126,361	141,277
Diluted	212,741	129,923	144,689

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

	6 months ended 29 Feb. 2008 (Unaudited) £'000	6 months ended 28 Feb. 2007 (Unaudited) £'000	Year ended 31 Aug. 2007 (Audited) £'000
Profit from continuing operations	1,662	238	1,148
Profit from discontinued operations	-	262	262
Depreciation of property, plant and equipment	54	46	85
Amortisation of intangible assets	4	10	10
Share option charge/(credit)	58	11	(8)
Loss on sale of property, plant and equipment	8	20	22
Impairment of intangible assets	-	-	6
Operating cash flows before movements in working capital	1,786	587	1,525
Increase in inventories	(478)	-	(367)
Decrease/(increase) in receivables	1,608	100	(1,130)
(Decrease)/increase in payables	(2,892)	(695)	1,675
Cash generated by/(used in) operations	24	(8)	1,703

## 8. Statement of changes in total equity

	6 months ended 29 Feb. 2008 (Unaudited) £'000	6 months ended 28 Feb. 2007 (Unaudited) £'000	Year ended 31 Aug. 2007 (Audited) £'000
Opening total equity	37,823	15,808	15,808
Dividends paid	(234)	(131)	(131)
Profit for the period	1,854	4,602	5,683
Issue of new share capital	-	-	16,147
Purchase of treasury shares	(105)	(295)	(751)
Issue of treasury shares	-	-	200
Share capital to be issued	2,344	-	500
Minority interest arising on acquisition of subsidiary undertaking	-	-	291
Other reserves movement due to share options charge and disposal of subsidiaries	58	(9)	89
Exchange gain/(loss) on foreign currency translation recognised directly in equity	9	(7)	(13)
Closing total equity	41,749	19,968	37,823

9. During the period the Group recognised revenue of £505,000 in respect of introduction fees relating to the Aldgate East Property Company Limited (Aldgate). Aldgate has made loans to a property developer to part fund a property development. The developer is under the control of the David Kennedy Family Trust, the Group's largest shareholder.

## 10. Acquisition of James Grant Media Group Limited

On 29 February 2008, the Group acquired the leading talent management agency James Grant Media Group Limited (JGMG).

The consideration payable to the vendors comprises:

- Initial cash consideration of £7.5m (and a further payment of £1.9m for the net assets)
- Issue of 12,500,000 shares in the Group
- Deferred consideration of up to £18m payable in shares and cash, which is linked to the financial performance of JGMG over a three year period.

The total initial cash consideration was funded from a mixture of existing Group cash reserves and a term loan facility of £8m arranged by the David Kennedy Family Trust, the Group's largest shareholder. Post period end this loan was repaid in full utilising a debt facility with Bank of Scotland (Ireland) Limited.

## INDEPENDENT REVIEW REPORT TO FORMATION GROUP PLC

### Introduction

We have been engaged by the company to review the financial information in the half-yearly financial report for the six months ended 29 February 2008 which comprises the consolidated income statement, the consolidated statement of recognised income and expense, the consolidated balance sheet, the consolidated cash flow statement and the related notes 1 to 10. We have read the other information contained in the half yearly financial report which comprises only the Chairman's Statement and Chief Executive Officer's Report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the financial information.

This report is made solely to the company in accordance with guidance contained in ISRE (UK and Ireland) 2410, "Review of Interim Financial Information performed by the Independent Auditor of the Entity". Our review work has been undertaken so that we might state to the company those matters we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusion we have formed.

### Directors' responsibilities

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The AIM rules of the London Stock Exchange require that the accounting policies and presentation applied to the interim figures are consistent with those which will be adopted in the annual accounts having regard to the accounting standards applicable for such accounts. As disclosed in note 1, the annual financial statements of the group are prepared in accordance with the basis of preparation.

### Our Responsibility

Our responsibility is to express to the company a conclusion on the financial information in the half-yearly financial report based on our review.

### Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the financial information in the half-yearly financial report for the six months ended 29 February 2008 is not prepared, in all material respects, in accordance with the basis of accounting described in note 1.

Grant Thornton UK LLP  
Chartered Accountant

Manchester

20/05/08

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The company news service from the London Stock Exchange