Annual Report and Accounts 2015

formation
GROUP PLC

Formation Group PLC

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

Registered number: 04145632

formation
GROUP PLC

ANNUAL REPORT AND ACCOUNTS 2015

I am pleased to report that the year ended 31 August 2015 has been a record year for Formation Group and the Company is well positioned for 2016 and the future. Group revenues continue to increase year on year with an uplift of 199% this year from £7.941m to £23.764m 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.

This year has seen a net profit of £1.814m (2014 loss: £0.520m) which is an improvement in the Group's underlying financial performance. The loss for the year from discontinued operations of £0.219m relates largely to a write down of property values at Bradford and Bristol to fair values (2014 loss of £0.421m related largely to the same) which were sold on 2 October 2015 for £3.366m.

The finance income item of £2.421m relates to income recognised from the profit share agreement entered into by Formation Group Plc as announced on the 8 July 2015 with Sunbel Development Limited ('Sunbel') and Pinacle Developments Limited ('Pinacle') in relation to a development property at Norwich House, 9-19 Streatham High Road, London which is being converted from office space to 103 residential units.

The Group is now focused only on property activities which includes property development, property investment and professional construction management. Every effort is being made to source further development opportunities with the cash resources available to the Group from its participation in the recent development of Norwich House and anticipated profits from its continuing development at Iverson Road, London NW6.

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 increased banking facilities will enable the Group to drive further improvements, increase profits and enhance shareholder value.

The Board and Staff

I would like to thank all board members and staff for the enormous efforts and dedicated contributions they have made in achieving a record year, with an enormous uplift in revenues and profits for the Group. I would also like to thank our shareholders for their continued trust and confidence in the Board and in my leadership as Chairman.

The outlook for the Group is exciting and we look forward to operating a secure, profitable, capital based property group going forward and to delivering long-term, sustainable earnings growth to our shareholders.

William O'Dea
Non-Executive Chairman

29 January 2016

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

I am delighted to report that this has been an exceptional year for the Group with a material increase in revenue and return to profits. Formation Group has strengthened its presence in the London property market through a profit share participation at Norwich House, in Streatham, London and through the acquisition of a residential lead development site with planning permission in Iverson Road, West Hampstead.

The outlook for the Group is robust and the primary focus of Formation Group will be to take advantage of the buoyant property market that currently exists in the UK.

DAVID WALSH
Non-Executive Director

BARTHOLOMEW O'KEEFFE
Non-Executive Director

Results

The trading results for the year have improved with Group revenue from continuing operations increasing to £23.764m (2014 £7.941m) due to the larger amount of contracts in progress which is in line with management expectations. This has resulted in a pre-tax profit of £2.203m from continuing operations (2014 loss: £0.099m).

The loss for the year from discontinued operations of £0.219m 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 2015 are set out on pages 20 to 59 The Group's result for the year after taxation was a profit of £1.814m (2014: loss of £.520m).

Key Performance Indicators (KPIs)

Gross profit is considered to be the most meaningful KPI. Gross profit on professional services was 6.3% in the year to 31 August 2015 (31 August 2014: 11.3%). Turnover has risen by 199% in 2015 to £23.764m (2014 £7.941m). The reduction in the Gross profit margin in the year to 31 August 2015 is mainly due to an overrun on one of the completed projects.

The Group's building companies are listed in the considerate contractor scheme. The Group's aim is to have a zero accident policy. Staff turnover is low due to careful selection of top class personnel and its excellent reputation continues to attract loyal and hardworking staff.

Principal activity and business review

The principal activity of the Group is the provision of professional construction management services with an increasing focus on the more profitable development/investment business.

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.

The Group has continued to project manage a number of central London property developments and has been engaged to provide these project management services by companies which are related parties of Formation Group plc.

The Group has also commenced the development of the Iverson Road site. Construction at the site is on-going and the sales of residential units are anticipated to be recognised in the year ending 31 August 2016. No amounts have been recognised in relation to property development or property sales in the year ended 31 August 2015.

In addition, the Group has invested £2.444m in the Norwich House profit share agreement. Further details are given in note 8.

The Group has received the remaining funds of £4.638m from its joint venture with JV Finance Limited during the year.

The Group have been involved in the construction project management of eleven mainly residential projects during the year. The revenue from these projects were £23.764m in the year to 31 August 2015 (2014 £7.941m involving eight projects). All of the projects are located in Greater London. Two of the schemes have been completed in the year with nine ongoing.

The Group have an investment and financial interest in two of the projects as follows:

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

Project management and profit share participation in a development site of 103 residential units, associated car parking, 3 commercial units and the freehold interest in an adjoining apartment block. The profit share arrangement and the related accounting treatment is explained in detail in note 8. As part of its participation in the profit share, the Group advanced a loan of £2.444m.

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 complete in March 2016. The construction and project management works have been financed by borrowings of £5.617m, as detailed in note 19. As the properties were under development at the year end, no property sales were recognised in these financial statements.

Investment Property Retained

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

52-58 Commercial Road, London E1

Rocquefort Properties Limited holds on behalf of Formation Group Plc 11 car parking spaces valued at £25,000 each, a total value of £275,000. The spaces are to be sold or let as directed by Formation Group Plc who will then receive the net proceeds.

Principal Risks and Uncertainties

Potential risks are listed below:

Potential Risks	Mitigation
The Group's activities are primarily based on sales to related parties. There is a risk that the related parties may not continue to enter into contracts with the Group, or that related party balances may become irrecoverable if the related parties do not have the ability to pay.	The Group's operational management are in close contact with the directors of the key related parties, and have regular discussions about potential opportunities. The ability of related parties to pay amounts outstanding is monitored, and payments are reviewed to ensure that they are received on a timely basis.
The Group's activities are concentrated in the London residential property market. This creates the risk that a downturn in the London property market will affect the levels of project management activity and the market value of the Iverson Road properties, and therefore the Group's profitability.	Management closely monitor activity in the property market, and assess whether selling prices are appropriate based on current market data.
There is a risk that the properties in the Iverson Road development do not generate the revenues expected, due to either factors specific to the development or due to a downturn in the local or national property market. This would adversely affect the Group's profitability.	Management have prepared detailed forecasts for the Iverson Road development, and have compared the expected sales revenues to current market data. Forecasts are regularly reassessed by management. Sales enquires received to date suggests that projected sales values will be achieved.
The Group has recognised a significant loan and receivable in relation to the Norwich House profit share. There is a risk that the timing or amount of the cash flows received by the Group in relation to the profit share are not consistent with the assumptions made by management in the recognition of the receivable, or that amount owed to the Group is not recoverable.	Management are closely monitoring the progress of the Norwich House development and the recoverability of the receivable. As the loan was advanced to a related party of the Group, management have access to relevant financial information which allows them to monitor the expected proceeds.

Outlook

This year the Group delivered a material increase in revenues and returned to profit. Formation Group is confident that its core construction and property activity remains strong and that it will be able to continue to generate substantial revenues. The Group has a healthy on-going project stream that includes the completion of the Iverson Road project, expected to occur during the year ending 31 August 2016, and we anticipate this will generate significant revenues for the Group in the form of property sales. Further cash receivable to the Group under the Norwich House profit share agreement is also due in 2016, with an initial £2m received in the year ended 31 August 2015.

Formation Group's focus is now purely on property activities, which includes property development, property investment and professional construction management. The Board intends to use the cash generated from the development at Norwich House and anticipated profits from Iverson Road to source further development opportunities. We have seen a strong appetite from the banks again this year to support development funding and this, coupled with a buoyant London property market, which we intend to exploit, gives reason for the Board to view the future with confidence.

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

By order of the Board

David Kennedy
Chief Executive Officer
29 January 2016

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 2015.

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 (2014: £nil). The decision will continue to be reviewed as the Group's resources and performance improves.

Financial 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
D. Kennedy	CEO
M. Kennedy	Non-Executive Director
P. Kennedy	Non-Executive Director
D. Khan	Finance Director
N. O'Carroll	Property Director
B. O'Keeffe	Non-Executive Director *(appointed 7th May, 2015)*
D. Walsh	Non-Executive Director *(appointed 7th May, 2015)*

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 29 January 2016, 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 trust Limited as Trustees of the Tulip Trust	76,297,354	34.60
Fitel Nominees Limited	Kennedy Private Trust Ltd as Trustees of The Kennedy Family Discretionary Settlement	31,322,813	14.20
Kennedy Private Trust Company Limited	As Trustees of the Kennedy Family Discretionary Settlement	25,320,787	11.48
W O'Dea	W O'Dea	2,000,000	0.91
Funds Direct Nominees	R N O'Carroll	1,305,316	0.59
D Walsh	D Walsh	208,000	0.09
M Kennedy	M Kennedy	50,000	0.02
K B Moran	K B Moran	11,256,916	5.10
Lynchwood Nominees Limited	P Stretford	7,318,070	3.32
Various	Franey Family	8,823,500	4.01

Staff development
The Group believes that investment in staff development and welfare builds a stronger business and will continue to make appropriate investment to further develop our team and our environment. Throughout the year, Directors of the Group provide relevant information to employees and engage in consultation with them to ensure that their views are considered.

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

Post balance sheet event
As previously announced the Investment properties held in Formation Group plc 100% owned subsidiaries FG (Bradford) Limited and FG (Bristol) Limited were handed back to Dunbar Assets plc in late 2013 with a view to dispose of the properties. Formation Group Plc is pleased to announce that the sale was completed on 2 October 2015 with a positive write back of £1.076m on the loans secured against these properties by Dunbar Assets Plc. No further adjustment was required to the carrying value of the investment properties.

Future developments
Future developments are detailed in the strategic report.

Auditors
A resolution to re-appoint Grant Thornton UK LLP as the Company's auditor will be proposed at the forthcoming Annual General Meeting.

By order of the Board,

D. Khan Secretary

Oakwood House,
414 - 422 Hackney Road
London, E2 7SY
29 January 2016

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 four Non-Executive Directors.

David Kennedy (Aged 38) Chief-Executive Officer
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 62) Chairman
William joined the Board on 30 of May, 2014 and was a director of Union Jack Oil plc until 30 July 2013. He is an Irish Fianna Fail politician and a Teachta Dala for the Limerick City constituency. He served as the Minister for Defence from September 2004 until 18 February 2010. William brings experience and proven leadership skills to the Company.

Noel O'Carroll (Aged 55) 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 53) 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 Group as Financial Director in 2006 of Formation Design & Build Limited and Formation Architectural Design Limited. Desmond was appointed Group Finance Director on 25 January 2010.

Michael Kennedy (Aged 72) 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 35) Non-Executive Director
Patrick has a background in property development and adds significant strength to the board in this area, holding other directorships within the property sector.

Bartholomew O'Keeffe (Aged 70) Non-Executive Director
Bartholomew is a former politician having been a member of Irish parliament and Senate from 1992 to 2011, serving in various departments, including as Minister for Enterprise, Trade and Innovation (2010 - 2011), Minister for Education and Science (2008 - 2010) and Minister of State for Housing and Urban renewal (2007 - 2008).

David Walsh (Aged 64) Non-Executive Director
David has significant experience in the construction management sector, having built a property portfolio through the purchase, development and construction of property from 1976. He acts in a professional capacity as an Agricultural Consultant, being self-employed since 1988 and having worked for the Agricultural Training Council ('ACOT') previously.

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 17.

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 misstatement 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 three main elements of the remuneration package for Executive Directors and senior management:

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

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	2015 Total £'000	2014 Total £'000
Executive			
N. O'Carroll	165	**165**	165
D. Khan	135	**135**	135
Aggregate emoluments	300	**300**	300
Fees to third parties	**18**	**18**	**4**

Fees to third parties of £18,000 (2014- £4,000) comprises £9,000 paid to W O'Dea, the Chairman, £5,000 paid to David Walsh, a Non-Executive Director and £4,000 paid to Bartholomew O'Keeffe a Non-Executive Director.
No benefits were paid to the Directors (2014:£nil). The highest paid Director has received remuneration of £165,000.

Directors interest in share options

Name of Director	Scheme	At 1 September 2014 Number	**At 31 August 2015 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
29 January 2016

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

Company law requires the directors to prepare Financial Statements for each 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 company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards/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.

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 2015 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of financial position and the 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 17, 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 2015 and of the Group's profit 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.

Report of the Independent Auditor to the members of Formation Group plc ***(continued)***

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
29 January 2016

Consolidated Income Statement

For the year ended 31 August 2015

	Notes	2015 £'000	2014 £'000
Continuing operations			
Revenue	2	**23,764**	7,941
Cost of sales		**(22,266)**	(7,149)
Gross profit		**1,498**	792
Administrative expenses		**(1,716)**	(861)
Operating loss from continuing operations	2	**(218)**	(69)
Finance income	8	**2,421**	-
Finance costs	3	**-**	(30)
Profit/(Loss)before taxation		**2,203**	(99)
Taxation	7	**(170)**	-
Profit/(Loss) for the year from continuing operations		**2,033**	(99)
Discontinued operations			
Loss for the year from discontinued operations	9	**(219)**	(421)
Profit/(Loss) for the year	4	**1,814**	(520)
Attributable to:			
Equity holders of the parent		**1,814**	(520)
		1,814	(520)
Earnings/(Loss) per share			
From continuing operations			
Basic and diluted	10	**0.9p**	(0.1p)
From discontinued operations			
Basic and diluted	10	**(0.1p)**	(0.2p)
From continuing and discontinued operations			
Basic and diluted	10	**0.8p**	(0.3p)

Consolidated Statement of Comprehensive Income

For the year ended 31 August 2015

	2015 £'000	2014 £'000
Profit/(Loss) for the year	1,814	(520)
Total comprehensive income/(expense) income for the year	1,814	(520)
Attributable to: Equity holders of the parent		
Continued operations	2,033	(99)
Discontinued operations	(219)	(421)
	1,814	(520)

Consolidated Statement of Financial Position

As at 31 August 2015

	Notes	2015 £'000	2014 £'000
Non-current assets			
Intangible assets	11	-	-
Property, plant and equipment	12	26	15
Investments			
Investment accounted for using the equity method	13(i)	-	4,648
Investments property	13(ii)	275	275
		301	4,938
Current assets			
Inventories	14	10,387	707
Trade and other receivables	15	5,820	2,215
Cash and cash equivalents	16	1,633	328
		17,840	3,250
Assets included in disposal group classified as held-for-sale	9	3,311	3,505
Total current assets		21,151	6,755
Total assets		21,452	11,693
Current liabilities			
Trade and other payables	17	(3,893)	(1,590)
Bank Loans	18	(9,963)	(4,321)
Total current liabilities		(13,856)	(5,911)
Net current assets (liabilities)		7,295	(844)
Total Liabilities		(13,856)	(5,911)
Net assets		7,596	5,782
Equity			
Share capital	20	2,205	2,205
Share premium account		2,106	2,106
Capital redemption reserve		61	61
Share option reserve		22	22
Retained earnings		3,202	1,388
Total equity attributable to the parent's shareholders		7,596	5,782

The financial statements were approved by the Board of Directors on 29 January 2016 and signed on its behalf by:

Desmond Khan FCCA
Director
Registration number: 4145632

Consolidated Statement of Changes in Equity

For the year ended 31 August 2015

	Called up share capital £'000	Share premium account £'000	Treasury Shares £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 September 2013	2,205	2,106	(602)	61	22	2,198	5,990
Transactions with owners							
Sales of treasury shares	-	-	602	-	-	(290)	312
Loss and total comprehensive income for the financial period	-	-	-	-	-	(520)	(520)
Balance at 31 August 2014	**2,205**	**2,106**	**-**	**61**	**22**	**1,388**	**5,782**
Profit and total comprehensive income for the financial period	-	-	-	-	-	1,814	1,814
Balance at 31 August 2015	**2,205**	**2,106**	**-**	**61**	**22**	**3,202**	**7,596**

Consolidated Statement of Cash Flows

For the year ended 31 August 2015

	Notes	2015 £'000	2014 £'000
Operating activities			
Cash used in operations	21	**(6,752)**	(1,798)
Interest paid		**(154)**	(30)
Net cash outflow from operating activities		**(6,906)**	(1,828)
Investing activities			
Purchases of property, plant and equipment		**(25)**	(16)
Cash inflow from Norwich House profit share		**400**	-
Cash outflow in respect of Norwich House profit share		**(2,444)**	-
Repayments of investment accounted for using the equity method		**4,638**	1,591
Net cash generated by investing activities		**2,569**	1,575
Financing activities			
New loans		**5,642**	30
Proceeds on sale of Treasury Shares		**-**	311
Net cash generated by financing activities		**5,642**	**341**
Net increase in cash and cash equivalents		**1,305**	88
Cash and cash equivalents at the beginning of the year		**328**	240
Cash and cash equivalents at the end of the year		**1,633**	328

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 8.

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

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

1. Consolidated accounting policies

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 28 February 2017 and as a result are satisfied the Group has sufficient resources to continue in operational existence for the next 12 months. The financial statements are therefore prepared on a going concern basis.

Basis of consolidation
The Group financial statements consolidate those of the parent company and all of its subsidiaries as of 31 August 2015. All subsidiaries have a reporting date of 31 August 2015.

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

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

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

1. Significant accounting policies *continued*

Investments in joint ventures
Investments in joint ventures are accounted for using the equity method.

The carrying amount of the investment in joint ventures is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the Group, and dividends or other returns of capital.

Unrealised gains and losses on transactions between the Group and its 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.

Investment properties
Investment properties are properties held to earn rentals or for capital appreciation, or both, and are accounted for using the fair value model. Investment properties are revalued annually with resulting gains and losses recognised in profit or loss, and are included in the statement of financial position at their fair values.

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 fittings and office equipment	Between 3 and 5 years

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

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

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) and 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. In accordance with IAS 18: Revenue, when the outcome of a transaction can be measured reliably, revenue is recognised by reference to the stage of completion of the services rendered. Where it is probable that total costs will exceed total revenue on a particular project. The expected loss is recognised as an expense. Revenue is recognised by reference to the stage of physical project completion for which the particular project management services are rendered.

Rental revenue comprises rental income receivable in the year and is recognised in the period to which it relates (discontinued operations).

1. Significant accounting policies *continued*

Leases
An operating lease is defined as a lease in which substantially all of the risks and rewards incidental to ownership of the leased asset remain with the lessor. 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.

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

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

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

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

1. Significant accounting policies *continued*

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand that is readily converted to a known amount of cash and is subject to an insignificant risk of change 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.
- "Capital redemption reserve" represents the nominal value of own shares acquired under a share buy back arrangement.
- "Treasury shares" represents the nominal value of treasury shares.

1. Significant accounting policies *continued*

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

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

- represents a separate major line of business or geographical area of operations
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale

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

Significant management judgements and key sources of estimation 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 significant management judgements in applying the accounting policies of the Group that have had the most significant effect in the financial statements. Each section also includes information about the estimates and assumptions that have the most significant effect on the recognition and measurements of assets, liabilities, income and expenses.

Norwich House profit share agreement
Management have assessed the accounting treatment of the profit share agreement and consider it to be a loan and receivable as defined by IAS 39. Further details on the accounting treatment are provided in note 8. Management have assessed the future cash flows due to the Group under the profit share agreement, both on the date of inception and at the balance sheet date. Management have also assessed the recoverability of these cash flows.

Discontinued operations
Management have assessed the activities of FG (Bradford) Limited and FG (Bristol) Limited as discontinued operations which have required consideration of the criteria set out within IFRS 5. Management have also assessed the fair values less cost to sell of the properties as at 31 August 2015, utilising evidence gained from the post year-end sales of the properties (see note 9).

Revenue recognition
Recognition of construction project management revenue requires assessment of the stage of physical completion of a project in determining when to recognise revenue for services provided.

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.

- IAS 16 (amended) – Property, plant and equipment
- IAS 38 (amended) – Intangible assets
- IAS 27 (amended) – Separate financial statements
- IAS 28 (amended) – Investments in associated and joint ventures
- IAS 41 (amended) - Agriculture
- IFRS 10 (amended) – Consolidated financial statements
- IFRS 11 (amended) – Joint arrangements
- IFRS 12 (amended) – Disclosure of interests in other entities
- IFRS 14 – Regulatory deferral accounts
- Annual improvements to IFRSs 2012 – 2014 cycle
- IFRS 15 – Revenue from contracts with customers
- IFRS 9 – Financial Instruments
- Disclosure initiative: Amendments to IAS 1 – Presentation of financial statements

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.

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:

2015

	Professional constructed services £'000	Discontinued operations £'000	Consolidated £'000
Revenue from external customers	23,998	(234)	23,764
Segment gross profit/(loss)	1,628	(130)	1,498
Unallocated corporate expenses			(1,716)
Operating loss			(218)
Finance income			2,421
Finance costs			-
Profit for year before taxation			2,203
Taxation			(170)
Profit for the year from continuing operations			2,033
Loss for the year from discontinued operations			(219)
Profit for the year			1,814

2. Segment information *continued*

2014

	Professional construction 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)
Share of profit from equity accounted investments			-
Finance costs			(30)
Loss before taxation and exceptional items			(99)
Taxation			-
Loss for the year from continuing operations			(99)
Loss for the year from discontinued operations			(421)
Loss for the year			(520)

2. Segment information *continued*

Discontinued operations
Discontinued operations in the year ended 31 August 2015 relate to the winding down of FG (Bradford) Limited and FG (Bristol) Limited.

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

Geographical disclosures
All revenue and non-current assets are derived from the United Kingdom.

During the year under review, companies controlled by Impalip Private Trust Company Limited, as Trustees of the Tulip Trust and Impala Discretionary Settlement and Kennedy Private Trust Company Limited contributed 100% (2014: 99%) of the revenue within the Professional construction services segment. Please refer to note 23 for further details.

Revenue analysis
All revenue is generated from the rendering of services.

3. Finance costs

Finance costs

	2015 £'000	2014 £'000
Other interest payable	**-**	(30)

4. Profit/(loss) for the year

Profit/(loss) for the year is stated after charging:

	Continuing operations		Discontinued operations		Total	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Amortisation	**-**	1	-	-	-	-
Depreciation of property, plant and equipment	**14**	8	**-**	-	**14**	8
Impairment of investment properties (note 9)	**-**	-	**(193)**	(403)	**(193)**	(403)
Employee costs (note 5)	**663**	441	**-**	-	**663**	441
Auditors' remuneration (see opposite)	**37**	26	**-**	-	**37**	26

4. Loss for the year *continued*

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

	2015 £'000	2014 £'000
Fees payable to the Company auditor for the audit of the parent and consolidated financial statements	**28**	18
Other fees to auditors – the audit of the Company's subsidiaries pursuant to legislation	**9**	9
Tax compliance	**13**	2
	50	29

5. Employee costs

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

	2015 Number	2014 Number
Professional construction services	**8**	3
Administration	**1**	1
	9	4

	2015 £'000	2014 £'000
Their aggregate remuneration comprised:		
Wages and salaries	**601**	397
Social security costs	**62**	44
	663	441

6. Directors' remuneration, interests and transactions

Aggregate remuneration

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

	2015 £'000	2014 £'000
Emoluments	**300**	300

Directors' emoluments

Name of Director	Fees/basic salary £'000	**2015 Total £'000**	2014 Total £'000
Executive			
N. O'Carroll	165	**165**	165
D. Khan	135	**135**	135
Aggregate emoluments	300	**300**	300
Fees to third parties	18	**18**	4

Fees to third parties of £18,000 (2014- £4,000) comprises £9,000 paid to W O'Dea, the Chairman £5,000 paid to David Walsh, a Non-Executive Director and £4,000 paid to Bartholomew O'Keeffe a Non-Executive Director.
No benefits were paid to the Directors (2014:£nil). The highest paid Director has received remuneration of £165,000.

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

Directors' emoluments

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 2014 Number	**At 31 August 2015 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 2015 was 6.87p and the range during the year was 1.67p to 8.47p. 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 2015, had the following beneficial interests in the 1p ordinary shares of the Company:

	31 August 2015 Number	31 August 2014 Number
N. O'Carroll	**1,305,316**	755,316
M. Kennedy	**50,000**	50,000
W. O'Dea	**2,000,000**	2,000,000
D. Walsh	**208,000**	-

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

7. Tax on profit/(loss) on ordinary activities

The tax charge comprises:

	Continuing operations		Discontinued operations		Total	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000	**2015 £'000**	2014 £'000
Current tax	**170**	-	**-**	-	**170**	-
Deferred tax	**-**	-	**-**	-	**-**	-
	170	-	**-**	-	**170**	-

UK corporation tax is calculated at 20% (2014: 22.17%) of the assessable profits for the year. The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows.

	2015 £'000	2014 £'000
Profit/(Loss) before tax		
Continuing operations	**2,203**	(99)
Discontinued operations	**(219)**	(421)
	1,984	(520)
Tax at UK corporation tax rate of 20% (2014: 22.17%)	**411**	(115)
Tax effect of expenses/income not deductible/taxable for tax purposes	**168**	89
Income not taxable	**(90)**	-
Differences between capital allowance and depreciation	**(4)**	-
Utilisation of brought forward losses	**(315)**	-
Unreleased tax losses and other deductions within the period	**-**	7
Movement in unrecognised losses carried forward	**-**	19
Tax charge for the year	**170**	-

A deferred tax asset of £121k (2014: £454k) relating to tax losses has not been recognised on the basis that there is insufficient evidence that the deferred tax asset will be recoverable against future profits of the Group.

8. Finance Income

	2015 £'000	2014 £'000
Norwich House profit share	**2,421**	-
	2,421	-

On 8 July, the Group entered into a profit share agreement with Sunbel Development Limited ('Sunbel') and Pinacle Developments Limited ('Pinacle') in relation to a development property at Cromer Court, 9-19 Streatham High Road, London which is being converted from office space to 98 residential units.

Under the terms of the agreement, Formation has advanced to Sunbel the sum of £2,443,671 to continue work on the development which commenced in June 2014. The loan attracts no coupon interest but instead Formation will be entitled to receive 40 per cent of the net profit arising on the development (i.e. the profit generated from sales of units after the repayment of debt utilised to purchase the site, the cost of development, taxation and repayment of the loan advanced by the Company).

The Norwich House profit share arrangement has been accounted for as a loan and receivable. After initial recognition, the loan and receivable is measured at amortised cost being the net present value of the expected future cash flows due to the Group under the profit share arrangement, discounted at the effective rate of interest. Any gain or loss arising from the movement in the loan and receivable is recognised in finance income or cost, less provision for impairment.

During the period, the Group received a cash payment of £400k and repayments in the form of completed development properties of £1,589k. At 31 August 2015, the amortised cost of the loan and receivable was calculated to be £2,885k, resulting in finance income of £2,430k being recognised in the year ended 31 August 2015. £9k of set up costs in relation to the profit share were recognised in the profit and loss account during the year, resulting in net income from the profit share of £2,421k.

David Kennedy and Patrick Kennedy, Chief Executive and Non-executive director of Formation respectively, are directors of both Sunbel and Pinacle and thus the agreement is considered to be a transaction with a related party under the AIM Rules for Companies. The directors of Formation, other than David Kennedy and Patrick Kennedy, having consulted the Company's nominated adviser Northland Capital Partners Limited, consider that the terms of the transaction are fair and reasonable insofar as shareholders are concerned.

9. Discontinued operations

Discontinued operations relate to the continued treatment of the investment properties of FG (Bradford) Limited and 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:

	2015 £'000	2014 £'000
Revenue	**234**	201
Cost of sales	**(104)**	(70)
Gross profit	**130**	131
Administrative expenses	**(2)**	(10)
Impairment of investment properties – adjustment to fair value less costs to sell	**(193)**	(403)
Operating (loss) from discontinued operations	**(65)**	(282)
Finance costs	**(154)**	(139)
Loss before taxation	**(219)**	(421)
Attributable tax expense	**-**	-
Loss for the year from discontinued operations	**(219)**	(421)

	2015 £'000	2014 £'000
Investment properties	**3,311**	3,505

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.

As previously announced the Investment properties held in Formation Group plc 100% owned subsidiaries FG (Bradford) Limited and FG (Bristol) Limited were handed back to Dunbar Assets plc in late 2013 with a view to dispose of the properties. Formation Group Plc is pleased to announce that the sale have now been completed on the 2 October 2015 with a positive write back of £1.076m on the loans secured against these properties by Dunbar Assets Plc. No further adjustment was required to the carrying value of the investment properties. The balance of this loan on the 31 August 2015 was £4.346m as per note 18.

10. Earnings/(loss) per share

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

	2015 £'000	2014 £'000
Basic and diluted earnings/(loss) – continuing operations	**2,033**	(99)
Basic and diluted earnings/(loss) – discontinued operations	**(219)**	(421)
Basic and diluted loss – continuing and discontinued operations	**1,814**	(520)

	2015 Number of shares '000	2014 Number of shares '000
Weighted average number of shares:		
Ordinary shares in issue	**220,515**	220,515
Treasury shares	**-**	(9,311)
Basic	**220,515**	211,204
Dilutive effect of share options	**3,212**	-
Diluted	**223,727**	211,204

Profit/(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.

11. Intangible assets

	Trademarks £'000	Total £'000
Cost		
At 1 September 2013, 31 August 2014 and **31 August 2015**	**7**	**7**
Amortisation		
At 1 September 2014	6	6
Charge for the year	1	1
At 1 September 2014	7	7
Charge for the year	-	-
At 31 August 2015	**7**	**7**
Net book value		
At 31 August 2015	**-**	**-**
At 31 August 2014	-	-

12. Property, plant and equipment

	Short leasehold improvements £'000	Fixtures, fittings and office equipment £'000	Total £'000
Cost			
At 1 September 2013	21	177	198
Additions	-	16	16
At 1 September 2014	21	193	214
Additions	-	25	25
At 31 August 2015	**21**	**218**	**239**
Accumulated depreciation			
At 1 September 2013	21	170	191
Charge for the year	-	8	8
At 1 September 2014	21	178	199
Charge for the year	-	14	14
At 31 August 2015	**21**	**192**	**213**
Net book value			
At 31 August 2015	**-**	**26**	**26**
At 31 August 2014	-	15	15

13. Investments

(i) Equity Method - Investment in JV Finance Ventures Limited	**2015 £'000**	2014 £'000
Brought forward	**4,648**	6,238
Monies received	**(4,638)**	(1,590)
Impairment	**(10)**	-
	-	4,648

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. Cash of £4,638k was received during the year from the joint venture.

(ii) Investment Property - Car parking spaces 52-58 Commercial Road	**2015 £'000**	2014 £'000
Brought forward	**275**	-
Additions	**-**	275
	275	275

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

14. Inventories

	2015 £'000	2014 £'000
Work in progress	**10,387**	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 of £8.798m (2014 £0.707m) and £1.589m relating to 5 completed development properties at Norwich House received by the Group in respect of the Norwich House profit share agreement detailed in note 8. The properties are in the process of being sold.

15. Trade and other receivables

	2015 £'000	2014 £'000
Trade receivables	**2,153**	1,957
Allowance for doubtful debts	**-**	-
	2,153	1,957
Loan receivable Norwich House Profit Share (i)	**2,886**	-
Other receivables and prepayments	**781**	258
	5,820	2,215

Please refer to note 8 for details of Norwich House the profit share agreement and accounting treatment.

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:	2015 £'000	2014 £'000
Current	**2,101**	1,089
Past due but not impaired:		
0-30 days	**-**	666
30-60 days	**-**	177
60-90 days	39	25
> 90 days	**-**	-
Past due and impaired:		
> 90 days	**13**	-
	2,153	1,957

Of the trade receivables 98% (2014: 56%) are neither past due or impaired and considered to be fully recoverable.

The movements in the allowance for doubtful debts are as follows:	2015 £'000	2014 £'000
Balance at the beginning of the year	-	268
Amount written off/collected	**-**	(268)
Balance at the end of the year	**-**	-

16. Cash and bank deposits

	2015 £'000	2014 £'000
Cash in hand and at bank	**1,633**	328

17. Trade and other payables

	2015 £'000	2014 £'000
Current:		
Trade payables	**2,881**	869
Other payables	**217**	86
Accruals	**625**	635
Corporation tax	**170**	-
	3,893	1,590

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 (2014: 44 days). The Directors consider that the carrying amount of trade payables approximates to their fair value. Other payables consist of vat £4k, social security of £104k, social housing of £80k and sundry creditors of £29k.

18. Bank Loans

	2015 £'000	2014 £'000
Current:		
Bank loans	**9,963**	4,321
	9,963	4,321

The borrowings are repayable as follows:

	2015 £'000	2014 £'000
On demand or within one year	**9,963**	4,321

The weighted average interest rates paid were as follows:

	2015 %	2014 %
Bank loan	**7**	3.25

(i) FG (Bradford) Limited & FG (Bristol) Limited loans of £4.346m are secured on the developments in FG (Bradford) Limited and FG (Bristol) Limited. These loans were repaid post year end as detailed in note 9.

The 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).

The 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.

(ii) The Formation Homes (London) Limited loan of £5.617m is secured on the development at 159-161 Iverson Road. The bank loan is repayable on the 15 June 2016 and interest is payable is at the rate per annum of 9%. There may be a risk of default on this loan if the capital is not repaid however in such an event the properties can be taken back and sold by Titlestone Real Estates Limited, however the Directors are confident that this will not happen due to the sales enquires and profit forecasts on this development.

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

	2015	2014
	£'000	£'000
Financial assets		
Loans and receivables – other	**5,053**	1,971
Loans and receivables – cash and cash equivalents	**1,633**	328
	6,686	2,299
Financial liabilities		
Amortised cost	**13,845**	5,911

(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 capital structure of the Group is presented in the statement of financial position and includes equity cash and borrowings. The statement of changes in equity provides details of equity and note 18 provides details of bank loans and overdrafts. Short term funding requirements are provided by a bank loan. The objectives when managing capital are to safeguard its ability to continue as a going concern and have access to adequate funding for business opportunities, so that it can provide returns for shareholders and benefits for other stakeholders. The Group manages its capital structure and makes adjustment in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure the Group may issue new shares or draw down debt.

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

19. Financial instruments *continued*

(d) Finance and interest rate risk

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

The weighted average interest rates paid were as follows:

	2015	2014
	%	%
Bank loans	**7**	3.25

At 31 August 2015, it is estimated that a general increase of 1% in interest rates would reduce the Group's profit and increase the Group's losses before tax and its equity by approximately £99,633 (2014: £42,926).

(e) Credit risk management

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

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

The maximum amount of exposure to credit risk at the year-end is £2,153k (2014: £1,957k).

19. Financial instruments *continued*

(f) Liquidity risk management

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

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

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

At 31 August 2015, the Group's non-derivative financial liabilities have contractual maturities (including interest payments where applicable) as summarised below:

31 August 2015

	Current			Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	£'000	£'000	£'000	£'000
Bank borrowings	4,384	6,019	-	-
Trade and other payables	2,881	-	-	-
	7,265	6,019	-	-

31 August 2014

	Current			Non-current
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	£'000	£'000	£'000	£'000
Bank borrowings	-	4,475	-	-
Trade and other payables	869	-	-	-
	869	4,475	-	-

20. Share capital

	2015 £'000	2014 £'000
Authorised		
300,000,000 ordinary shares of 1p each (2014: 300,000,000)	**3,000**	3,000
Allotted and called-up		
220,515,112 ordinary shares of 1p each (2014: 220,515,112)	**2,205**	2,205

	Number	£'000
At 1 September 2014 and 31 August 2015	**220,515,112**	**2,205**

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

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 2015	2014
Unapproved share option scheme	15-Nov-07	15-Nov-10 to 14-Nov-17	22.75p	**450,000**	450,000
				450,000	450,000

Movements in share options are summarised as follows:

	2015 Number of options	2015 Weighted average exercise price pence	2014 Number of options	2014 Weighted average exercise price pence
Outstanding at the beginning of the year	**450,000**	**22.75**	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**	450,000	22.75
Exercisable at the end of the year	**450,000**	**22.75**	450,000	22.75

The options outstanding at 31 August 2015 have a weighted average exercise price of 22.75 pence and a weighted average remaining contractual life of 2.13 years.

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

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

	2015 £'000	2014 £'000
Operating loss from continuing operations	(218)	(69)
Operating profit from discontinued operations (Note 9)	(64)	(421)
Depreciation of property, plant and equipment (Note 12)	15	8
Impairment of assets classified as held for sale (Note 9)	193	403
Amortisation of intangible assets (Note 11)	-	1
Impairment of investment (Note 13(i))	10	-
Operating cash flows before movements in working capital	(64)	(78)
(increase)/decrease in inventories	(8,091)	(697)
(Increase) in receivables	(719)	(540)
Increase/(decrease) in payables	2,122	(483)
Cash used in operations	(6,752)	(1,798)

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

	2015 £'000	2014 £'000
Minimum payments under operating leases recognised in expense in the year	44	29

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	
	2015 £'000	2014 £'000
Group		
Within one year	63	30
In the second to fifth years inclusive	163	60
	226	90

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.

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

Tulip Trust and Kennedy Private Trust Company Limited have an interest in 132,940,954 shares (2014:140,113,704 shares) in the Company. During the year:

- Formation Design and Build Limited and Formation Construction Limited project managed a number of property developments for companies controlled by the Impalip Private Trust Company Limited. Revenue from these contracts totalled £23,764,461 (2014: £7,893,670) in the year. At 31 August 2015, the Group had debtor balances due from these companies of £2,153,000 (2014: £1,941,676).

- Formation Design & Build Limited leased premises from Columbia House Properties (No. 6) Limited a company ultimately owned by Kennedy Private Trust Company Limited on a five year lease from 6 September 2012. The terms of the lease include a rental of £29,700 per annum. The charge for the year was £27,871 (2014: £29,286). Balance outstanding as at 31 August 2015 is £8,280 (2014:£0).

- Formation Group Plc leased premises from Columbia House Properties (No. 6) Limited a company ultimately owned by Kennedy Private Trust Company Limited on a seven year lease from 1 March 2015. The terms of the lease include a rental of £33,200 per annum. The charge for the year was £16,560 (2014: £nil).

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

Please refer to note 8 for details of the Norwich house profit share agreement.

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.

	2015 £'000	2014 £'000
Short-term employee benefits	**326**	300
	326	300

24. Post Balance Sheet Event

As previously announced the Investment properties held in Formation Group plc 100% owned subsidiaries FG (Bradford) Limited and FG (Bristol) Limited were handed back to Dunbar Assets plc in late 2013 with a view to dispose of the properties. Formation Group Plc is pleased to announce that the sale was completed on 2 October 2015 with a positive write back of £1.076m on the loans secured against these properties by Dunbar Assets Plc. No further adjustment was required to the carrying value of the investment properties.

Company Balance Sheet

31 August 2015

	Notes	2015 £'000	2014 £'000
Fixed assets			
Intangible assets	3	-	1
Investment property	4	275	275
Investments	5	10	4,658
		285	4,933
Current assets			
Debtors	6	7,710	1,498
Cash at bank and in hand		761	4
		8,471	1,502
Creditors: Amounts falling due within one year	7	(264)	(49)
Net current assets		8,207	1,453
Total assets less current liabilities		8,492	6,386
Net assets		8,492	6,386
Shareholders' funds			
Share capital	8	2,205	2,205
Share premium account	9	2,106	2,106
Capital redemption reserve	9	61	61
Other reserves	9	22	22
Profit and loss account	9	4,098	1,992
Total shareholders' funds	9	8,492	6,386

The financial statements were approved by the Board of Directors on 29 January 2016 and signed on its behalf by:

Desmond Khan FCCA
Director

Company number: 04145632

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 profit for the financial year of £2,106,000 (2014: loss of £487,000).

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 28 February 2017. The ability of the Group to continue trading as a going concern is dependent on the continuing income streams from existing, new contracts and property development.

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

1. Principal accounting policies

The principal applicable accounting policies applied under 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.

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

Investment properties
Investment properties are accounted for in accordance with Statement of Standard Accounting Practice No 19, with the effect that the valuation of investment properties is reviewed annually and any resultant surplus or deficit arising is transferred to a revaluation reserve. No depreciation or amortisation is provided in respect of freehold or leasehold investment properties. The directors consider that this accounting policy results in the financial statements giving a true and fair view.

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
Management have assessed the accounting treatment of the profit share and consider it to be a loan and receivable. Further details on the accounting treatment are provided in note 8 of the Group financial statements. Management have assessed the future cash flows due to the company under the profit share agreement, both at the date of inception and at the balance sheet date. Management have also assessed the recoverability of these cash flows. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

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

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

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

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

2. Employee costs

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

	2015 Number	2014 Number
Administration	**1**	1
	1	1

	2015 £'000	2014 £'000
Their aggregate remuneration comprised:		
Wages and salaries	**135**	135
Social security costs	**15**	15
	150	150

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

3. Intangible fixed assets

	Trademarks £'000
Cost	
At 1 September 2014 and 31 August 2015	**7**
Amortisation	
At 1 September 2014	7
Charge for the year	-
At 31 August 2015	**7**
Net book value	
At 31 August 2015	**-**
At 31 August 2014	-

4. Investment property

Car Parks 52-58 Commercial Road

	2015 £'000	2014 £'000
Brought forward	**275**	-
Additions	**-**	275
	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.

Please refer to note 13 (ii) for details of the charges in place over the parking spaces.

5. Investments

	2015 £'000	2014 £'000
Subsidiary undertakings	**10**	10
Investment in JV Finance Ventures Limited	**-**	4,648
	10	4,648

In the year ending 31 August 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. This sum due of £4.648m was settled in the year ended 31 August 2015.

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
Formation(Homes) London Ltd	England	Property development
Formation Homes (No 1) Ltd	England	Property development
Formation Homes (No 2) Ltd	England	Property development
Formation Homes (No 3) Ltd	England	Property development

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 2014	33,653	6,772	40,425
At 31 August 2015	**33,653**	**6,772**	**40,425**
Provision for impairment			
At 1 September 2014	33,643	2,124	35,767
Monies received/impairment	-	**4,648**	**4,648**
31 August 2015	**33,643**	**6,772**	**40,415**
Net book value			
At 31 August 2015	**10**	**-**	**10**
At 31 August 2014	10	4,648	4,658

6. Debtors

	2015 £'000	2014 £'000
Amount owed by group undertakings	**3,210**	1,485
Prepayments and accrued income	**27**	13
Loan Receivable Norwich House Profit Share (i)	**4,473**	-
	7,710	1,498

Please refer to note 8 of the Group financial statements for further details of the Norwich House profit share agreement.

7. Creditors: Amounts falling due within one year

	2015 £'000	2014 £'000
Trade creditors	**36**	-
Other taxation and social security	**10**	7
Accruals and deferred income	**58**	42
Corporation tax	**160**	-
	264	49

8. Share capital

	2015 £'000	2014 £'000
Authorised		
300,000,000 ordinary shares of 1p each (2014: 300,000,000)	**3,000**	3,000
Allotted and called-up		
220,515,112 ordinary shares of 1p each (2014: 220,515,112)	**2,205**	2,205
		£'000
At 1 September 2014 and 31 August 2015		**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	Share premium account £'000	Capital redemption reserve £'000	Other reserves £'000	Profit and loss account £'000	Total £'000
At 1 September 2014	2,205	2,106	61	22	1,992	**6,386**
Profit for the year					2,106	**2,106**
At 31 August 2015	2,205	2,106	61	22	4,098	**8,492**

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.

Investment in JV Finance Limited

	2015 £'000	2014 £'000
Brought forward	**4,648**	6,238
Deposit Iverson Road	**-**	(590)
Monies received	**(4,638)**	(1,000)
Impairment	**(10)**	-
	-	**4,648**

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. Cash of £4,638k was received during the year from the joint venture.

11. Post balance sheet event

As previously announced the Investment properties held in Formation Group plc 100% owned subsidiaries FG (Bradford) Limited and FG (Bristol) Limited were handed back to Dunbar Assets plc in late 2013 with a view to dispose of the properties. Formation Group Plc is pleased to announce that the sale was completed on 2 October 2015 with a positive write back of £1.076m on the loans secured against these properties by Dunbar Assets Plc. No further adjustment was required to the carrying value of the investment properties.

Formation Group PLC

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