

# Interim Report 2015



**formation**  
GROUP PLC



## Interim Results for the Six Months ended 28 February 2015

The Group is pleased to announce its interim results for the six months ended 28 February 2015. Formation Group is now predominately a property development and project management company providing professional services to its clients within this sector.

### Highlights

Revenue from continuing operations of £10.78 million (2014: £3.23m).

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Operating profit from continuing operations of £0.266 million (2014: £0.145m loss).

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Cash position as at 28 February 2015 of £1.707 million (31 August 2014 £0.328m).

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Completed on acquisition site for development 159-161 Iverson Road, London utilising £2.408 million of funds from repayment of its investment in J V Finance Ltd.

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Received £1.551 million further cash repayment from its investment in J V Finance Ltd.

### Post Period End Events

Balance of £1.268 million, of the £6.229 million due was received from J V Finance Ventures Limited.

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Addition of two further experienced directors to the board.

### Outlook

The Group is trading in line with management's expectations and the board remains confident about the Group's prospects for the remainder of the year.

Enquiries: Formation Group Plc: David Kennedy; Chief Executive Officer – 020 7920 7590.  
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## Chairman's Statement

I am pleased to report the Group's results for the six months ended 28 February 2015.

Since the period end the balance of £1.268m due to Formation from J V Finance Limited has been received. The group turnover has grown materially due to its increasing order book on Project Management contracts. Additionally, Formation has now completed on the purchase of the Iverson Road development as previously announced. The board believes that the future prospects of the group will be materially enhanced by property development on its own or via joint venture agreements as such potential opportunities are actively sourced.



**William O'Dea**  
Non-Executive Chairman  
29 May 2015



# Chief Executive Officer's Report

## Overview

Revenue for the period was £10.78 million from continuing operations (2014 £3.23 million) and operating profit from continuing operations was £0.266 million (2014 £0.145 million loss).

The increased revenue for the period is due mainly to the increasing order book which includes some larger project management contracts in Finchley, Harrow and South London. At the end of February 2015, Formation had in excess of nine on-going contracts and expects to have an additional two new contracts starting soon after.

The increase in gross profit margin in the period is largely due to the increased stream of project management income deriving from the additional contracts.

In line with the Group's current dividend policy, no interim dividend is being declared. However the Directors will review the position at the time of the Preliminary results for the year ending 31 August 2015.

## Project Management Division

### Formation Design & Build Limited

The company is now working on two larger size contracts after a short period of inactivity and will continue to source contracts to boost profitability.

### Formation Construction Limited

This company was formed in early 2012, to project manage construction work and has substantially increased its revenue. At present the company is managing in excess of six projects and will be starting a further two projects post period end with the aim of increasing profitability.

## Property Development Division

### Formation Homes (London) Ltd

As previously announced, Formation Homes has acquired the development site in Iverson Road using a mixture of development funding and cash from the Groups resources. The scheme comprises 19 residential units and 1 commercial unit building works has now commenced and this development is expected to complete in April 2016.



# Chief Executive Officer's Report *continued*

## Discontinued Operations

### FG Bradford & FG Bristol Ltd

As previously announced, Dunbar Assets plc have taken management of the properties at FG (Bristol) Limited and FG (Bradford) Limited and are actively marketing these properties with a view to sell. The properties have been funded on a non-recourse basis and any subsequent disposal will be cash neutral for Formation. Further details are set out in notes 3 and 9 to the interim accounts.

## Risks and Uncertainties

It is important to the board that we continue to provide all our shareholders with a balanced view of the business including its risks and uncertainties.

The Group's core activity is now Project Management & Property Development and in doing so has utilised a large part of the return of its J V investment funds to purchase and develop properties. The Group expects that profits from property development division will form a substantial part of its profitability in the future.

# Chief Executive Officer's Report *continued*



## Outlook

Formation Group has now added property development activity to its project management business and believes that this will enhance shareholder value in the medium term. The Group will continue to source additional development opportunities and the board views the current year with confidence.

A handwritten signature in black ink, appearing to read 'David Kennedy', located below the Outlook section.

**David Kennedy**  
Chief Executive Officer  
29 May 2015

The interim accounts will be published on the company's website [www.formationgroupplc.com](http://www.formationgroupplc.com)

# Consolidated Income Statement

## For the six months ended 28 February 2015

	Note	6 months ended 28 Feb. 2015 (Unaudited) £'000	6 months ended 28 Feb. 2014 (Unaudited) £'000	Year ended 31 Aug. 2014 (Audited) £'000
<b>Continuing operations</b>				
Revenue	2	10,780	3,228	7,941
Cost of sales		(9,736)	(2,987)	(7,149)
<b>Gross profit</b>		<b>1,044</b>	241	792
Administrative expenses		(778)	(386)	(861)
<b>Operating profit/(loss) from continuing operations</b>	2	<b>266</b>	(145)	(69)
Finance costs		-	(28)	(30)
<b>Profit/(loss) before taxation</b>		<b>266</b>	(173)	(99)
Taxation	4	-	-	-
<b>Profit/(loss) for the financial period from continuing operations</b>		<b>266</b>	(173)	(99)
<b>Discontinued operations</b>				
Loss for the financial period from discontinued operations	3	(9)	(2)	(421)
<b>Profit/(loss) for the financial period</b>		<b>257</b>	(175)	(520)
Attributable to: Owners of parent		<b>257</b>	(175)	(520)
		<b>257</b>	(175)	(520)
<b>Earnings per share</b>				
From continuing operations				
Basic	5	0.12p	(0.04p)	0.05p
Diluted	5	0.12p	(0.04p)	0.05p
From discontinued operations				
Basic	5	-	(0.01p)	(0.20p)
Diluted	5	-	(0.01p)	(0.20p)
From continuing and discontinued operations				
Basic	5	0.12p	(0.085p)	(0.25p)
Diluted	5	0.12p	(0.085p)	(0.25p)

A separate consolidated statement of comprehensive income for Formation Group PLC has not been presented as there are no items to be recognised within it.

# Consolidated Statement of Financial Position

As at 28 February 2015



	Note	28 Feb. 2015 (Unaudited) £'000	28 Feb. 2014 (Unaudited) £'000	31 Aug. 2014 (Audited) £'000
<b>Non-current assets</b>				
Property, plant and equipment		299	286	290
Investments accounted for using the equity method		1,268	6,238	4,648
		<b>1,567</b>	6,524	4,938
<b>Current assets</b>				
Inventories	8	6,905	-	707
Trade and other receivables		3,167	687	2,215
Cash and cash equivalents		1,707	78	328
		<b>11,779</b>	765	3,250
Assets included in disposal group classified as held-for-sale	3	3,505	3,915	3,505
<b>Total assets</b>		<b>16,851</b>	11,204	11,693
<b>Current liabilities</b>				
Trade and other payables		(2,168)	(1,087)	(1,590)
Bank overdrafts and loan	9	(4,331)	(4,302)	(4,321)
		<b>(6,499)</b>	(5,389)	(5,911)
<b>Net current assets/(liabilities)</b>		<b>8,785</b>	(709)	844
<b>Long term liabilities</b>				
Bank Overdraft and loan	9	(4,312)	-	-
<b>Total liabilities</b>		<b>(10,811)</b>	(5,389)	(5,911)
<b>Net assets</b>		<b>6,040</b>	5,815	5,782
<b>Equity</b>				
Share capital		2,205	2,205	2,205
Share premium account		2,106	2,106	2,106
Treasury shares		-	(602)	-
Capital redemption reserve		61	61	61
Share option reserve		22	22	22
Retained earnings		1,646	2,023	1,388
Total equity attributable to the owners of the parent		<b>6,040</b>	5,815	5,782



# Consolidated Statement of Changes in Equity

For the six months ended 28 February 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
<b>Balance at 1 September 2013</b>	<b>2,205</b>	<b>2,106</b>	<b>(602)</b>	<b>61</b>	<b>22</b>	<b>2,198</b>	<b>5,990</b>
Loss and total comprehensive income for the financial period	-	-	-	-	-	(175)	(175)
<b>Balance at 28 February 2014</b>	<b>2,205</b>	<b>2,106</b>	<b>(602)</b>	<b>61</b>	<b>22</b>	<b>2,023</b>	<b>5,815</b>
Transactions with owners- Sales of Treasury shares	-	-	602	-	-	(290)	312
Loss for the financial period and total comprehensive income	-	-	-	-	-	(345)	(345)
<b>Balance at 31 August 2014</b>	<b>2,205</b>	<b>2,106</b>	<b>-</b>	<b>61</b>	<b>22</b>	<b>1,388</b>	<b>5,782</b>
Profit for the financial period	-	-	-	-	-	257	257
<b>Balance at 28 February 2015</b>	<b>2,205</b>	<b>2,106</b>	<b>-</b>	<b>61</b>	<b>22</b>	<b>1,646</b>	<b>6,040</b>

# Consolidated Statement of Cashflows

## For the six months ended 28 February 2015



	Note	6 months ended 28 Feb. 2015 (Unaudited) £'000	6 months ended 28 Feb. 2014 (Unaudited) £'000	Year ended 31 Aug. 2014 (Audited) £'000
<b>Operating activities</b>				
Net cash (used)/ generated by operations	6	(6,310)	134	(1,798)
Interest paid		-	(28)	(30)
<b>Net cash outflow from operating activities</b>		<b>(6,310)</b>	<b>106</b>	<b>(1,828)</b>
<b>Investing activities</b>				
Interest received		-	-	-
Purchases of property, plant and equipment		(14)	(279)	(16)
Repayments of investment accounted for using the equity method		3,380	-	1,591
<b>Net cash (used in) generated by investing activities</b>		<b>3,366</b>	<b>(279)</b>	<b>1,575</b>
<b>Financing activities</b>				
New loans		4,322	10	30
Proceeds on sale of Treasury Shares		-	-	311
<b>Net cash generated by financing activities</b>		<b>4,322</b>	<b>10</b>	<b>341</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>1,379</b>	<b>(162)</b>	<b>88</b>
<b>Cash and cash equivalents at the beginning of the period</b>		<b>328</b>	<b>240</b>	<b>240</b>
<b>Cash and cash equivalents at end of the period</b>		<b>1,707</b>	<b>78</b>	<b>328</b>

# Notes to the Interim Information

## For the six months ended 28 February 2015

### 1. Basis of preparation

The financial information set out in this interim report does not constitute statutory accounts as defined in Section 434 of the Companies Act 2006. The group's statutory financial statements for the year ended 31 August 2014, prepared under IFRS, have been filed with the Registrar of Companies. The auditor's report on those financial statements was unqualified and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The interim financial information has been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards (IFRS) and on the same basis and using the same accounting policies as used in the financial statements for the year ended 31 August 2014. The interim financial statements have not been audited or reviewed in accordance with the International Standard on Review Engagement 2410 issued by the Auditing Practices Board.

### 2. Segment information

Discontinued operations in the period primarily relate to the winding down of FG Bradford Limited and FG Bristol Limited

	6 months ended 28 Feb. 2015 (Unaudited) Profit from continuing operations £'000	6 months ended 28 Feb. 2014 (Unaudited) Profit from continuing operations £'000	Revenue £'000	Revenue £'000	Year ended 31 Aug. 2014 (Audited) Profit from continuing operations £'000
By class of business:					
Project Management	10,780	<b>1,044</b>	3,228	241	7,941
	<hr/> 10,780		<hr/> 3,228	241	<hr/> 7,941
					792
Unallocated corporate expenses	<hr/> <b>(778)</b>		<hr/>	<hr/> (386)	<hr/> (861)
Operating profit/(loss) loss from continuing operations	<hr/> <b>266</b>		<hr/>	<hr/> (145)	<hr/> (69)

• No income have been incurred in respect of the Property development division.

# Notes to the Interim Information *continued*

## For the six months ended 28 February 2015



### 3. Discontinued operations

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

	<b>6 months ended 28 Feb. 2015 (Unaudited) £'000</b>	6 months ended 28 Feb. 2014 (Unaudited) £'000	Year ended 31 Aug. 2014 (Audited) £'000
<b>Loss discontinued operations</b>	<b>(9)</b>	(2)	(421)
Attributable tax expense	—	-	-
<b>Loss from discontinued operations</b>	<b>(9)</b>	(2)	(421)

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

In the year ended 31 August 2014 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.

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

### 4. Taxation

A deferred tax asset has not been recognised as the reversal of tax losses is uncertain.

### 5. Earnings per share

Earnings /(loss) per share are based on the following profits and numbers of shares:

	<b>6 months ended 28 Feb. 2015 (Unaudited) £'000</b>	6 months ended 28 Feb. 2014 (Unaudited) £'000	Year ended 31 Aug. 2014 (Audited) £'000
Profit/(loss) for the period:			
Basic and diluted earnings – continuing operations	<b>266</b>	(173)	(99)
Basic and diluted earnings – discontinued operations	<b>(9)</b>	(2)	(421)
Basic and diluted earnings/(losses) – continuing and discontinued operations	<b>(257)</b>	(175)	(520)
	<b>Number of shares '000</b>	Number of shares '000	Number of shares '000
Weighted average number of shares:			
Basic	<b>220,515</b>	204,018	220,515
Diluted	<b>220,515</b>	204,018	220,515

# Notes to the Interim Information *continued*

## For the six months ended 28 February 2015

### 6. Reconciliation of profit from operations to net cash from operations

	<b>6 months ended 28 Feb. 2015 (Unaudited) £'000</b>	6 months ended 28 Feb. 2014 (Unaudited) £'000	Year ended 31 Aug. 2014 (Audited) £'000
Operating profit/(loss) for the year from continuing operations	<b>266</b>	(145)	(69)
Operating (loss) from discontinued operations	<b>(9)</b>	(2)	(421)
Amortisation of intangible assets	-	-	1
Depreciation of property, plant and equipment	<b>5</b>	-	8
Impairment of assets classified as held for sale	-	-	403
	<hr/> <b>262</b>	<hr/> (147)	<hr/> (78)
Operating cash flows before movements in working capital			
(Increase)/decrease in inventories	<b>(6,198)</b>	4	(697)
(Increase)/decrease in receivables	<b>(952)</b>	1,264	(540)
Increase/(decrease) in payables	<b>578</b>	(986)	(483)
	<hr/> <b>(6,310)</b>	<hr/> 135	<hr/> (1,798)
Cash used in by operations			

# Notes to the Interim Information *continued*

## For the six months ended 28 February 2015



### 7. Investments accounted for using the equity method

	<b>6 months ended 28 Feb. 2015 (Unaudited) £'000</b>	6 months ended 28 Feb. 2014 (Unaudited) £'000	Year ended 31 Aug. 2014 (Audited) £'000
Investment in JV Finance Ventures Limited			
Brought Forward	4,648	6,238	6,238
Received	(3,380)	-	(1,590)
<b>Carried Forward</b>	<b>1,268</b>	<b>6,238</b>	<b>4,648</b>

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

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

Formation Group Plc is pleased to announce that post period the investment funds have been fully received.

### 8. Inventories

	<b>6 months ended 28 Feb. 2015 (Unaudited) £'000</b>	6 months ended 28 Feb. 2014 (Unaudited) £'000	Year ended 31 Aug. 2014 (Audited) £'000
Work in Progress	6,905	-	707
	<b>6,905</b>	-	<b>707</b>

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 period. The inventory relates to the development site at 161 Iverson Road.

# Notes to the Interim Information *continued*

## For the six months ended 28 February 2014

### 9. Bank overdrafts and loans

	<b>6 months ended 28 Feb. 2015 (Unaudited) £'000</b>	6 months ended 28 Feb. 2014 (Unaudited) £'000	Year ended 31 Aug. 2014 (Audited) £'000
Bank loan - term loan facility	<b>(8,643)</b>	(4,302)	(4,321)
	<b>(8,643)</b>	(4,302)	(4,321)

	<b>6 months ended 28 Feb. 2015 (Unaudited) £'000</b>	6 months ended 28 Feb. 2014 (Unaudited) £'000	Year ended 31 Aug. 2014 (Audited) £'000
On demand or within one year	-	(4,302)	(4,321)
Due more than one year	(8,643)	-	-

The weighted average interest rates paid were as follows:

	<b>6 months ended 28 Feb. 2015 (Unaudited) £'000</b>	6 months ended 28 Feb. 2014 (Unaudited) £'000	Year ended 31 Aug. 2014 (Audited) £'000
	<b>%</b>	%	%
Bank loan	<b>6.00</b>	4.00	3.25

The loans are secured on the developments in (i) FG (Bradford) Limited, FG (Bristol) Limited (ii) Formation Homes (London) Limited.

(i) FG (Bradford) Limited bank loan of £2.053m is repayable upon demand and interest payable is at the rate per annum which is the aggregate of 3% and the rate at which deposits in sterling are offered to the bank in the London Inter-Bank Market (subject to a minimum aggregate rate of 4% per annum).

FG (Bristol) Limited bank loan of £2.278m 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).

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.

It should be noted that this entire balance relates to discontinued operations.

(ii) Formation Homes (London) Limited bank loan of £4.312m, is repayable within eighteen months of the date taken out and is due to be repaid on the 18 June 2016. This facility is secured by Titlestone Real Estate on the 159-161 Iverson Road development. The interest rate payable on this loan is a fixed term rate of 9%.

# Formation Group PLC

Registered number: 04145632

## **Auditors**

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