

Interim Report 2016



formation
GROUP PLC



Interim Results for the Six Months ended 29 February 2016

The Group is pleased to announce its interim results for the six months ended 29 February 2016. 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 £10.178 million (2015: £10.78 million).

Operating loss from continuing operations of £0.084 million (2015: Profit £0.266 million).

Profit for the financial period of £2.379 million (2015: profit £0.257 million).

Cash position as at 29 February 2016 of £0.603 million (31 August 2015 £1.633 million).

Overall profit to be realised from the investment in Norwich House profit share circa £3.918 million.

Near completion of the 159-161 Iverson Road development with profits forecast within the 2nd half of the current financial year.

The disposal of the investment properties held in FG (Bradford) Limited and FG (Bristol) Limited on the 2 October, 2015 with a positive write back of £1.076 million relating to the loans secured on these properties by Dunbar Assets Plc.

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.

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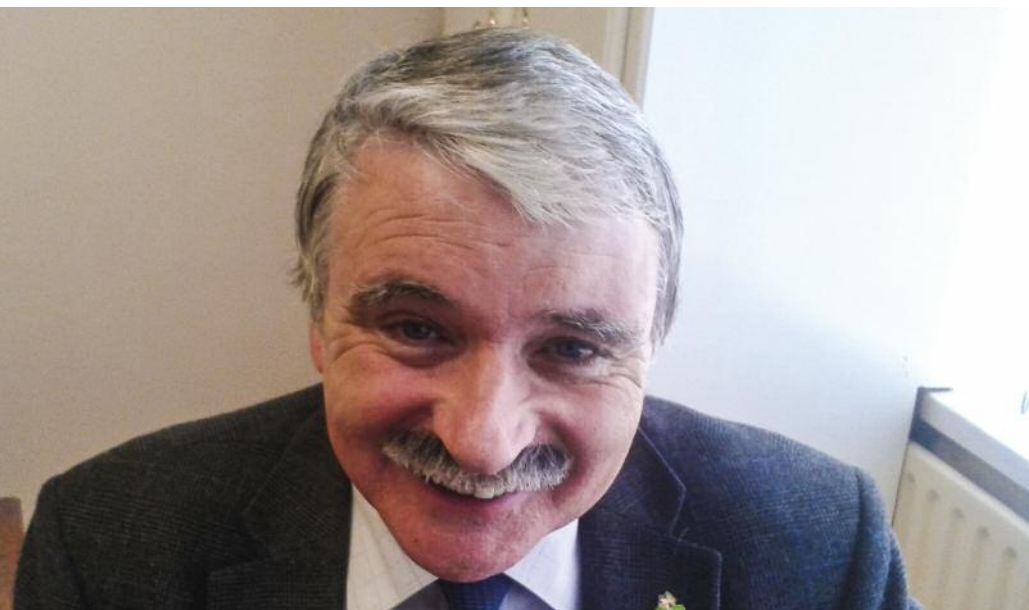
Chairman's Statement

I am pleased to report the Group's results for the six months ended 29 February 2016.

The Group continues to maintain its recent impressive trend of turnover and profitability and is confident that the current year budgeted profit is achievable. This confidence is enhanced by the achievement of the projected profits on the Norwich House profit share and the increasing order book on project management contracts. Furthermore, with the expected successful completion of the 159-161 Iverson Road development the Group is confident that it can continue to source lucrative development opportunities.



William O'Dea
Non-Executive Chairman
19th May 2016



Chief Executive Officer's Report

Overview

Revenue for the period was £10.178 million from continuing operations (2015 £10.780 million) and operating loss from continuing operations was £0.084 million (2015 £0.266 million profit).

Revenue for the period is underpinned by an order book with some larger project management contracts in place.

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 2016.

Project Management Division

Formation Design & Build Limited

The company is now working on two larger sized contracts after a short period of inactivity and will seek to source further 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 eight projects.

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 Group's resources. The scheme comprises 19 residential units and 1 commercial unit. The Group is pleased to announce that this development is near successful completion with profits forecast within the 2nd half of the financial year.



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. The properties held in these companies were disposed of on the 2 October 2015 with a positive write back of £1.076 million relating to the loans secured on these properties.

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 Property Share investing activities such as the lucrative Norwich House profit share agreement. The Group expects that profits from the property development division and property investing activities will form a substantial part of its profitability in the future.



Outlook

Formation Group is now placing primary focus on property development and property investing activities in addition to its project management business in order to materially boost shareholder value. This can be evidenced in the improved trading position over the last year and the confidence in this continued trend in the short and medium term future.

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

David Kennedy
Chief Executive Officer
19 May 2016

The interim accounts will be published on the company's website www.formationgroupplc.com

Consolidated Income Statement

For the six months ended 29 February 2016

	Note	6 months ended 29 Feb. 2016 (Unaudited) £'000	6 months ended 28 Feb. 2015 (Unaudited) £'000	Year ended 31 Aug. 2015 (Audited) £'000
Continuing operations				
Revenue	2	10,178	10,780	23,764
Cost of sales		(9,145)	(9,736)	(22,266)
Gross profit		1,033	1,044	1,498
Administrative expenses		(1,117)	(778)	(1,716)
Operating (loss)/profit from continuing operations	2	(84)	266	(218)
Finance income		1,438	-	2,421
Finance costs		-	-	-
Profit before taxation		1,354	266	2,203
Taxation	4	-	-	(170)
Profit for the financial period from continuing operations		1,354	266	2,033
Discontinued operations				
Profit/(loss) for the financial period from discontinued operations	3	1,025	(9)	(219)
Profit for the financial period		2,379	257	1,814
Attributable to:				
Owners of parent		2,379	257	1,814
		2,379	257	1,814
Earnings per share				
From continuing operations				
Basic	5	0.61p	0.12p	0.9p
Diluted	5	0.61p	0.12p	0.9p
From discontinued operations				
Basic	5	0.46p	-	(0.1p)
Diluted	5	0.46p	-	(0.1p)
From continuing and discontinued operations				
Basic	5	1.08p	0.12p	0.8p
Diluted	5	1.07p	0.12p	0.8p

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 29 February 2016



	Note	29 Feb. 2016 (Unaudited) £'000	28 Feb. 2015 (Unaudited) £'000	31 Aug. 2015 (Audited) £'000
Non-current assets				
Property, plant and equipment		25	299	26
Investments accounted for using the equity method		-	1,268	-
Investment property		275	-	275
		300	1,567	301
Current assets				
Inventories	8	11,039	6,905	10,387
Trade and other receivables		9,063	3,167	5,820
Cash and cash equivalents		603	1,707	1,633
		20,705	11,779	17,840
Assets included in disposal group classified as held-for-sale	3	-	3,505	3,311
Total assets		21,005	16,851	21,452
Current liabilities				
Trade and other payables		(2,522)	(2,168)	(3,893)
Bank overdrafts and loan	9	(8,508)	(4,331)	(9,963)
		(11,030)	(6,499)	(13,856)
Net current assets		9,675	8,785	7,295
Long term liabilities				
Bank Overdraft and loan	9	-	(4,312)	-
Total liabilities		(11,030)	(10,811)	(13,856)
Net assets		9,975	6,040	7,596
Equity				
Share capital		2,205	2,205	2,205
Share premium account		2,106	2,106	2,106
Capital redemption reserve		61	61	61
Share option reserve		22	22	22
Retained earnings		5,581	1,646	3,202
Total equity attributable to the owners of the parent		9,975	6,040	7,596

Consolidated statement of changes in equity

For the six months ended 29 February 2016

	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 2014	2,205	2,106	-	61	22	1,388	5,782
Profit and total comprehensive income for the financial period	-	-	-	-	-	258	258
Balance at 28 February 2015	2,205	2,106	-	61	22	1,646	6,040
Profit and total comprehensive income for the financial period	-	-	-	-	-	1,556	1,556
Balance at 31 August 2015	2,205	2,106	-	61	22	3,202	7,596
Profit for the financial period	-	-	-	-	-	2,379	2,379
Balance at 29 February 2016	2,205	2,106	-	61	22	5,581	9,975

Consolidated statement of cashflows

For the six months ended 29 February 2016



	Note	6 months ended 29 Feb. 2016 (Unaudited) £'000	6 months ended 28 Feb. 2015 (Unaudited) £'000	Year ended 31 Aug. 2015 (Audited) £'000
Operating activities				
Net cash (used)/generated by operations	6	(2,857)	(6,310)	(6,752)
Interest paid		(24)	-	(154)
Net cash outflow from operating activities		(2,881)	(6,310)	(6,906)
Investing activities				
Cash flow from Norwich House profit share		-	-	400
Cash outflow in respect of Norwich House profit share		-	-	(2,444)
Purchases of property, plant and equipment		(6)	(14)	(25)
Repayments of investment accounted for using the equity method		-	3,380	4,638
Disposal of Property held for resale		3,312	-	-
Net cash (used in) generated by investing activities		3,306	3,366	2,569
Financing activities				
New/(reduction) loans		(1,455)	4,322	5,642
Net cash (used)/generated by financing activities		(1,455)	4,322	5,642
Net (decrease)/increase in cash and cash equivalents		(1,030)	1,379	1,305
Cash and cash equivalents at the beginning of the period		1,633	328	328
Cash and cash equivalents at end of the period		603	1,707	1,633

Notes to the Interim Information

For the six months ended 29 February 2016

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 2015, 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 2015. 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 29 Feb. 2016 (Unaudited) Profit from continuing operations £'000		6 months ended 28 Feb. 2015 (Unaudited) Profit from continuing operations £'000		Year ended 31 Aug. 2015 (Audited) Profit from continuing operations £'000
By class of business:	Revenue £'000		Revenue £'000		Revenue £'000
Project Management	10,178	1,033	10,780	1,044	23,764
	<u>10,178</u>		<u>10,780</u>		<u>23,764</u>
					1,498
Unallocated corporate expenses		(1,117)		(778)	(1,716)
Operating profit/(loss) loss from continuing operations		(84)		266	(218)

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

Notes to the Interim Information

For the six months ended 29 February 2016



3. Discontinued operations

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

	6 months ended 29 Feb. 2016 (Unaudited) £'000	6 months ended 28 Feb. 2015 (Unaudited) £'000	Year ended 31 Aug. 2015 (Audited) £'000
Profit/(Loss) discontinued operations	1,025	(9)	(219)
Attributable tax expense	-	-	-
Profit/(Loss) from discontinued operations	1,025	(9)	(219)

The investment properties were secured by Dunbar Assets Plc under non-recourse financing and were disposed of on the 2nd October, 2015 with a positive write back of £1.076 million on the loans secured against these properties.

Discontinued operation relates to the ongoing treatment of results for the investment properties FG Bradford Limited & FG Bristol Limited 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:

	6 months ended 29 Feb. 2016 (Unaudited) £'000	6 months ended 28 Feb. 2015 (Unaudited) £'000	Year ended 31 Aug. 2015 (Audited) £'000
Profit/(loss) for the period:			
Basic and diluted earnings – continuing operations	1,354	266	2,033
Basic and diluted earnings – discontinued operations	1,025	(9)	(219)
Basic and diluted earnings/(losses) – continuing and discontinued operations	2,379	(257)	1,814
	Number of shares '000	Number of shares '000	Number of shares '000
Weighted average number of shares:			
Basic	220,515	220,515	220,515
Diluted	220,515	220,515	223,727

Notes to the Interim Information

For the six months ended 29 February 2016

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

	6 months ended 29 Feb. 2016 (Unaudited) £'000	6 months ended 28 Feb. 2015 (Unaudited) £'000	Year ended 31 Aug. 2015 (Audited) £'000
Operating (loss)/profit for the year from continuing operations	(84)	266	(218)
Operating profit/(loss) from discontinued operations	1,049	(9)	(64)
Impairment of investment	-	-	10
Depreciation of property, plant and equipment	7	5	15
Impairment of assets classified as held for sale	-	-	193
	<hr/> 972	<hr/> 262	<hr/> (64)
Operating cash flows before movements in working capital			
(Increase)/decrease in inventories	(1,419)	(6,198)	(8,091)
(Increase)/decrease in receivables	(1,048)	(952)	(719)
(Decrease)/increase in payables	(1,362)	578	2,122
	<hr/> (2,857)	<hr/> (6,310)	<hr/> (6,752)
Cash used in by operations			

Notes to the Interim Information

For the six months ended 29 February 2016



7. Investments accounted for using the equity method

	6 months ended 29 Feb. 2016 (Unaudited) £'000	6 months ended 28 Feb. 2015 (Unaudited) £'000	Year ended 31 Aug. 2015 (Audited) £'000
Investment in JV Finance Ventures Limited			
Brought Forward	-	4,648	4,648
Impairment	-	-	(10)
Received	-	(3,380)	(4,638)
Carried Forward	-	1,268	-

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 £6.7 million. 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 the investment funds have been fully received.

8. Inventories

	6 months ended 29 Feb. 2016 (Unaudited) £'000	6 months ended 28 Feb. 2015 (Unaudited) £'000	Year ended 31 Aug. 2015 (Audited) £'000
Work in Progress	11,039	6,905	10,387
	11,039	6,905	10,387

The inventory is held at the lower of cost and net realisable value, net of payments received on account. Net realisable value is based on the estimated selling prices less any further costs expected to be incurred. 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

For the six months ended 29 February 2016

9. Bank overdrafts and loans

	6 months ended 29 Feb. 2016 (Unaudited) £'000	6 months ended 28 Feb. 2015 (Unaudited) £'000	Year ended 31 Aug. 2015 (Audited) £'000
Bank loan - term loan facility	(8,507)	(8,643)	(9,963)
	(8,507)	(8,643)	(9,963)

	6 months ended 29 Feb. 2016 (Unaudited) £'000	6 months ended 28 Feb. 2015 (Unaudited) £'000	Year ended 31 Aug. 2015 (Audited) £'000
On demand or within one year	(8,507)	-	(9,963)
Due more than one year	-	(8,643)	-

The weighted average interest rates paid were as follows:

	6 months ended 29 Feb. 2016 (Unaudited) %	6 months ended 28 Feb. 2015 (Unaudited) %	Year ended 31 Aug. 2015 (Audited) %
Bank loan	9	6	7

Formation Homes (London) Limited bank loan of £8,507 million, 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%. The Board is confident that this loan will be repaid from a combination of proceeds from the property sales at Iverson Road and if needed funds from its Norwich House profit share agreement.

Formation Group PLC

Formation Group PLC Registered number: 04145632

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