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Group PLC

2006 / Interim Report



formation™

Group PLC

INTERIM | RESULTS

for the six months ended 28 February 2006

Formation Group plc provides a range of specialist services to brands and professional athletes in the sports sector, including wealth management, sports marketing, legal & professional services and representation.

KEY POINTS

- Turnover increased by 23% to £8.5 million (2005: £6.9 million)
- Profit from operations rose by 25% to £510,000 (2005: £408,000)*
- Profit before tax grew by 14% to £468,000 (2005: £410,000)*
- Basic earnings per share increased 17% to 0.28 pence (2005: 0.24 pence)*
- Strategy of building diversified business base of complementary divisions bearing fruit
 - all four divisions performing in line or ahead of management expectations
 - particularly strong performances from Wealth Management and Sports Marketing divisions
- Investment in divisions will bring further benefits
 - £1m investment by Sport Marketing division in the UK's first portable LED system
 - Resources increased within Wealth Management division
- Board remains confident of Group's prospects for the remainder of the year

* restated in accordance with IFRS



John E. Lawrence, Non-Executive Chairman

Neil Rodford, CEO

CHAIRMAN'S | STATEMENT

"I am delighted with the progress made by the Group.
As our results demonstrate, our strategy of diversifying the business base into related, complementary areas is delivering tangible results."

It gives me great pleasure to present the Group's results for the six months ended 28 February 2006.

I am delighted with the progress made by the Group, with all divisions trading in line or ahead of our expectations during the period.

As our results demonstrate, our strategy of diversifying the business base into related, complementary areas is delivering tangible results. Going forward, we intend to add scale to our divisions. I am also pleased to highlight the growth of committed future income. The increasing earnings visibility this provides allows us to plan for the future with added confidence.

As well as pursuing organic growth, we believe there are interesting acquisition opportunities which will help to accelerate our expansion and we are actively considering suitable targets. We remain committed to developing the organisation into a leading European sports marketing and management business, and feel confident that the Group will continue to make very good progress over the remainder of the year.

John Lawrence
Non-Executive Chairman
2 May 2006

The interim financial results for the six months ended 28 February 2006 are reported upon under the International Financial Reporting Standards (IFRS) for the first time. The comparative results for the year ended 31 August 2005 and six months ended 28 February 2005 have been restated in accordance with IFRS principles. Turnover for the period increased by 23% to £8.5 million (2005: £6.9 million) and profit from operations increased by 25% to £510,000 (2005: £408,000). The profit before taxation is 14% ahead at £468,000 (2005: £410,000). Basic earnings per share for the period were 0.28 pence (2005: 0.24 pence), an increase of 17% on last year.

As at 28 February 2006, the Group had committed future gross profit of £4.6 million (2005: £4.0 million), of which £2.0 million (2005: £1.8 million) will be recognised in the current financial year ending 31 August 2006.

At 28 February 2006, the Group has paid all anticipated significant consideration in respect of its acquisitions, and has provided for deferred and contingent consideration of £499,000 for the Sponsomatic A/S, RC&A Sports Management, Capital Sports Solutions, Wroe Sports Management and George Urquhart Associates acquisitions. The amount provided is to be paid in cash and, therefore, there is no dilutive effect on the Group's shareholders. Group borrowing as at 28 February stood at £393,000 (2005: £966,000).

In line with the Group's current dividend policy, a dividend will not be paid at the interim stage, however, the Directors expect to recommend the payment of a final dividend.

Trading

Formation Group comprises four operating divisions, which trade as individual profit centres. The divisions are:

- **Sports Marketing** - trading as Fox Advertising, Active Sports Marketing Limited, RC&A Sports Management Limited and Sponsomatic A/S;
- **Wealth Management** - trading as Kingsbridge Asset Management Limited;
- **Legal & Professional Services** - trading as Capital Sports Solutions Limited; and
- **Representation** - trading as Proactive Sports Management Limited, Proactive Scandinavia A/S and Proactive USA.

We are satisfied with the trading performance and contribution of each of the divisions. All companies traded in line with or ahead of our expectations for the half-year and we remain positive about the trading performance of each business over the remainder of the year. We continue to benefit from the growth of the sports sector where brands and professional athletes recognise the need for expert advice in their selected arenas.

Sports Marketing

Turnover for the period increased by 39% to £4.79 million (2005: £3.45 million) and the contribution for the Division was £687,000 (2005: £616,000), an increase of 12% on last year. It is pleasing to see an increasing amount of visibility coming from underlying contracts.

We have been focusing on broadening the scope of our offering to established brands and now offer a range of services, from consultancy and media buying through to short-term focused project work. As a result, a number of our clients now buy across the range of our offering. We hope to add further scale via a combination of organic growth and acquisition in the coming twelve months. At the end of April, we acquired the first bespoke portable LED perimeter advertising system in the UK, which will provide on-screen advertising capacity for televised sporting

events. The system offers 240 metres of LED, sufficient to stretch around the full arc of a football stadium. We have invested over £1 million in the system, and will be using it at a variety of sporting venues. This capital commitment will be underpinned by long-term rights holders' contracts.

Wealth Management

Turnover for the period was £2.00 million (2005: £1.73 million) and the contribution for the Division was £489,000 (2005: £269,000), an increase of 82% year on year. The Division is performing ahead of our expectations, with recent legislative changes having a materially positive impact.

The pension legislative changes which came into force on 6 April 2006 have benefited this operation with a large number of clients choosing to establish their own pension schemes. The annual fees for managing these funds will increase the level of the trail income within the company and provide a solid foundation for future growth.

We have made significant investment in personnel and in IT infrastructure and are feeling the benefits of this. We are also actively looking at enhancing our own product range in order to meet the needs of our customers and to enhance our business.

Legal & Professional Services

Turnover for the period was £74,000 (2005: £Nil) and the contribution for the Division was £8,000 (2005: £Nil).

During the period we started to develop the financial brokerage model and feel confident that this Division has strong potential for future growth. We completed one transaction in the period and are optimistic about the outlook for the remainder of the year. We are actively seeking opportunities to add scale to this operation.

The government is expected to amend the rules on the ownership of legal practices in the near future and after these legislative changes pass through parliament, we will actively seek acquisition opportunities.

Representation

The Division currently acts for 193 players throughout the world, 121 of whom have represented their country at international level. Of the players we act for, 92 are based in the UK, 73 in Europe and 28 in the rest of the world.

The performance of the Division is significantly weighted towards the second half of the year. Results for the first half were in line with our expectations, with turnover of £1.68 million (2005: 1.76 million) and a loss of £114,000 (2005: profit of £135,000). We completed 38 transfers or contract renewals in the period. We have 13 licensed agents based out of five locations, with the UK generating the major part of our income. Looking forward, we expect to grow the business organically whilst looking to drive through more efficiency in the existing operation.

Employees

The Board would like to extend its thanks and appreciation to all the Group's employees for their commitment and contribution to the Group's success during the period.

Outlook

Our business model of providing a range of specialist services in the sports arena to brands and professional athletes is well established and we have sound foundations in place to grow the business, both organically and by acquisition.

All divisions are trading in line or ahead of our expectations and in the second half of the financial year, the World Cup will also ensure that all our subsidiaries have an opportunity to add value and demonstrate their clear point of difference, as FIFA stages the World's largest football event.

We remain optimistic about the prospects for the Group for the remainder of the year and beyond.



Neil Rodford
Chief Executive
2 May 2006

Consolidated income statement - unaudited

For the six months ended 28 February 2006

	Note	6 months ended 28 Feb 2006 (Unaudited) £'000	6 months ended 28 Feb 2005* (Unaudited) £'000	Year ended 31 Aug 2005* (Audited) £'000
Revenue - continuing operations	5	8,547	6,936	14,903
Cost of sales		(3,363)	(2,492)	(4,876)
Gross profit		5,184	4,444	10,027
Administrative expenses		(4,674)	(4,036)	(8,445)
Profit from operations	5	510	408	1,582
Investment income		5	12	12
Finance charge		(47)	(10)	(56)
Profit before taxation		468	410	1,538
Taxation	6	(145)	(129)	(469)
Profit for the financial period attributable to equity holders of parent		323	281	1,069
Dividends	7	(109)	(98)	(98)
Retained profit		214	183	971
Earnings per share - continuing operations				
Basic	8	0.28p	0.24p	0.93p
Diluted	8	0.28p	0.24p	0.93p

Consolidated statement of recognised income and expenses

For the six months ended 28 February 2006

		6 months ended 28 Feb. 2006 (Unaudited) £'000	6 months ended 28 Feb. 2005* (Unaudited) £'000	Year ended 31 Aug. 2005* (Audited) £'000
Exchange (loss)/gain on foreign currency translation recognised directly in equity		(1)	9	8
Profit for the financial period attributable to equity holders of parent		323	281	1,069
Total recognised income and expenses for the period attributable to equity holders of the parent		322	290	1,077

* Restated in accordance with IFRS

Consolidated balance sheet - unaudited

As at 28 February 2006

	28 Feb. 2006 (Unaudited) £'000	28 Feb. 2005* (Unaudited) £'000	31 Aug. 2005* (Audited) £'000
Non-current assets			
Goodwill	17,305	16,147	17,275
Other intangible assets	46	57	51
Property, plant and equipment	414	463	425
Deferred tax asset	94	60	27
	17,859	16,727	17,778
Current assets			
Trade and other receivables	5,434	4,563	9,446
Cash and cash equivalents	554	96	1,674
	5,988	4,659	11,120
Total assets	23,847	21,386	28,898
Current liabilities			
Trade and other payables	(6,477)	(5,289)	(11,407)
Tax liabilities	(809)	(544)	(726)
Obligations under finance leases	(12)	(12)	(12)
Bank overdrafts and loans	(100)	(335)	(400)
	(7,398)	(6,180)	(12,545)
Net current liabilities	(1,410)	(1,521)	(1,425)
Non-current liabilities			
Trade and other payables	(539)	(605)	(820)
Tax liabilities	(150)	-	-
Obligations under finance leases	(35)	(48)	(42)
Bank overdrafts and loans	(800)	(667)	(800)
	(1,524)	(1,320)	(1,662)
Total liabilities	(8,922)	(7,500)	(14,207)
Net assets	14,925	13,886	14,691
Equity			
Share capital	1,149	1,149	1,149
Share premium account	18	18	18
Capital redemption reserve	61	61	61
Currency and other reserves	3,829	3,792	3,809
Profit and loss account	9,868	8,866	9,654
Total equity	14,925	13,886	14,691

* Restated in accordance with IFRS

Reconciliation of changes in equity

For the six months ended 28 February 2006

	6 months ended 28 Feb. 2006 (Unaudited) £'000	6 months ended 28 Feb. 2005* (Unaudited) £'000	Year ended 31 Aug. 2005* (Audited) £'000
Opening equity	14,691	13,676	13,676
Dividends paid	(109)	(98)	(98)
Net profit for the period attributable to equity holders of the parent	323	281	1,069
Other reserves movement due to share options charge	21	18	36
Exchange (loss)/gain on foreign currency translation recognised directly in equity	(1)	9	8
Closing equity	14,925	13,886	14,691

Consolidated cash flow statement

For the six months ended 28 February 2006

Note	6 months ended 28 Feb. 2006 (Unaudited) £'000	6 months ended 28 Feb. 2005* (Unaudited) £'000	Year ended 31 Aug. 2005* (Audited) £'000
Cash (used in)/generated by operations	9 (338)	484	2,210
Income taxes received/(paid)	23	26	(129)
Interest paid	(47)	(10)	(56)
Net cash (outflow)/inflow from operating activities	(362)	500	2,025
Investing activities			
Interest received	5	12	12
Proceeds on disposal of property, plant and equipment	-	33	62
Purchases of property, plant and equipment	(73)	(121)	(196)
Purchases of trademarks and rights	-	(2)	(2)
Deferred consideration paid	(231)	(3,031)	(3,031)
Cash acquired with subsidiary	-	-	342
Acquisition of subsidiaries	(42)	(25)	(468)
Net cash used in investing activities	(341)	(3,134)	(3,281)
Financing activities			
Dividends paid	(109)	(98)	(98)
Repayments of borrowings	(300)	-	-
Repayments of obligations under finance leases	(7)	(6)	(12)
New bank loans raised	-	1,000	1,200
Net (cash used)/generated by financing activities	(416)	896	1,090
Net decrease in cash and cash equivalents	(1,119)	(1,738)	(166)
Cash and cash equivalents at the beginning of the period	1,674	1,829	1,829
Effect of foreign exchange rate changes	(1)	5	11
Cash and cash equivalents at end of the period	554	96	1,674

* Restated in accordance with IFRS

Notes to the Interim Information

For the six months ended 28 February 2006

1. Basis of preparation

The Group's interim results for the six months ended 28 February 2006 have been prepared in accordance with International Financial Reporting Standards (IFRS) for the first time and on a historical basis. As a consequence, a number of the accounting policies adopted in the preparation of these statements are different to those adopted in preparing the financial statements for the year ended 31 August 2005, which were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP).

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

Statutory financial statements for the year ended 31 August 2005 have been filed with the Registrar of Companies for England and Wales and have been reported on by the Group's auditors. The report of the auditors was not qualified and did not contain a statement under section 273(2) or (3) of the Companies Act 1985.

2. Transitional arrangements

The Group has adopted IFRS from 1 September 2004, the date of transition. The Group is required to define its accounting policies under IFRS and then apply these policies retrospectively in determining the opening balance sheet under IFRS at the date of transition.

In accordance with IFRS 1, First Time Adoption of International Financial Reporting Standards, the Group can adopt certain optional exemptions from full restatement. The Group have adopted the following exemptions:

- The Group has elected not to account for any business combinations made before 1 September 2004 under IFRS 3. As a result the carrying value of goodwill is frozen at 1 September 2004.
- The Group has elected to retain the UK GAAP valuation of property, plant and equipment at the date of transition.
- The Group will only apply the provisions of IFRS 2, Share Based Payments, to all options issued after 7 November 2002 which had not vested at 1 January 2005.

Reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group's net income and equity are included in note 4 of these statements.

3. Accounting policies

The next annual financial statements of the Group will be prepared in accordance with IFRS as adopted for use in the EU. IFRS is subject to amendment and interpretation by the International Accounting Standards Board and there is an on-going process of review and endorsement by the European Commission. The Group has prepared this financial information based on the IFRS that the Directors expect will be applicable at 31 August 2006. The accounting policies used in preparing this financial information may need to be updated for any subsequent amendment to IFRS for first time adoption.

The accounting policies used in the preparation of this financial information are:

Basis of consolidation

The Group's financial statements consolidate the financial statements of Formation Group PLC and its subsidiary undertakings drawn up to the period end. The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Acquisitions are accounted for under the acquisition method.

Intangible assets – Goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is recognised as an asset. Goodwill is reviewed for impairment at least annually and any impairment will be recognised in the income statement and is not subsequently reversed. As such it is stated at cost less provision for impairment in value.

Notes to the Interim Information (continued)

3. Accounting policies (continued)

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.

Other rights are image rights which are included at cost and written off in equal instalments over their useful economic life. Provision is made for any impairment.

Plant, property and equipment

Plant, property and equipment are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided on all plant, property and equipment at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Freehold land and buildings	20 years
Short leasehold improvements	Term of lease
Fixtures and fittings	5 years
Office equipment	Between 3 and 5 years
Plant & equipment	Between 3 and 10 years
Motor vehicles	4 years

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

Taxation

The tax expense 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 period. 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.

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.

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 enacted by the balance sheet date.

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

Revenue and profit for football management services is recognised in accordance with the terms and conditions of the contract.

Revenue derived from image rights held by the Group are recognised on a straight line basis over the terms of the contract.

Revenue for sports marketing services represents the commission earned when the service is provided.

Revenue and profit for corporate hospitality events is recognised when the event takes place.

Notes to the Interim Information (continued)

3. Accounting policies (continued)

Revenue is net of VAT and other sales related taxes.

Invoices raised by the Group but not yet recognised as revenue, in line with the profit recognition policy above, are credited to accruals and deferred income. Similarly invoices received by the Group but not yet recognised as costs, in line with the profit recognition policy above, are debited to prepayments and accrued income.

Employee benefits - retirement benefit costs

The Group operates a defined contribution scheme. The amount charged to the income statement in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date.

The results of overseas operations and their balance sheets are translated at the average of the month end rates during that financial period. Exchange differences arising on translation of the opening net assets and on foreign currency borrowings, to the extent that they hedge the Group's investment in such operations, are reported in the statement of recognised income and expenses and recognised in equity. All other exchange differences are included in the income statement.

Leases

Assets held under finance leases and other similar contracts, which confer rights and obligations similar to those attached to owned assets, are capitalised in the balance sheet and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the income statement over the period of the leases to produce a constant rate of charge on the balance of capital repayments outstanding. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives.

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.

Finance costs

Finance costs of debt are recognised in the income statement over the term of such instruments at a constant rate on the carrying amount.

Debt

Debt is initially stated at the amount of the net proceeds after deduction of issue costs. The carrying amount is increased by the finance cost in respect of the accounting period and reduced by payments made in the period.

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.

Financial instruments

Financial assets and financial liabilities are recognised on the Group's balance sheet when the Group becomes a party to the contractual provisions of the instrument. Profits and losses on financial instruments are recognised in the income statement as they arise.

Notes to the Interim Information (continued)

4. Explanation of transition to IFRS

This note sets out the changes in accounting policies which have arisen from the adoption of IFRS. The restated balance sheets as at 31 August 2004, 28 February 2005 and 31 August 2005 have been included, together with the restated income statements for the 26 weeks ended 28 February 2005 and the year ended 31 August 2005.

Differences between IFRS and UK GAAP

Share option charge - IFRS 2, Share-based payments

This charge to the income statement is for share-based payments in accordance with IFRS 2. The charge is based on the fair value of the option at the date of grant recognised over the vesting period of the option. The fair value has been measured using the Black-Scholes method.

Employee benefits - IAS 19, Employee benefits

The cost of holidays accrued to staff but not taken has been included in the income statement.

Dividend recognition - IAS 10, Events after the balance sheet date

Under IFRS dividends are not recognised as liabilities until approved and so proposed dividends under UK GAAP have been removed from the accounts.

Goodwill amortisation - IFRS 3, Business combinations

In accordance with IFRS goodwill is no longer amortised but is subject to regular impairment reviews. An adjustment has been made to remove the goodwill amortisation charge under UK GAAP.

Cumulative translation differences - IAS 21, The effects of changes in foreign exchange rates

Under IFRS, exchange rate differences arising on consolidation from the translation of overseas subsidiary companies are required to be recognised in a separate equity reserve.

Reclassification of finance lease receivable - IAS 17, Leases

The Group has a financial asset that under IFRS is recognisable as a finance lease receivable.

Derecognition of financial liabilities - IAS 39, Financial instruments: recognition and measurement

A financial liability is derecognised under IFRS when, and only when, it is extinguished. This liability has not been legally discharged and therefore has been restated.

Notes to the Interim Information (continued)

4. Explanation of transition to IFRS (continued)

a Reconciliation of consolidated balance sheet and equity at 1 September 2004

	Accounting policy changes under IFRS					
UK GAAP £'000	Share option charge £'000	Employee benefits £'000	Dividend recognition £'000	Cumulative translation differences £'000		IFRS £'000
Non-current assets						
Goodwill	16,336					16,336
Other intangible assets	60					60
Property, plant and equipment	504					504
Deferred tax asset	18	7	17			42
	<u>16,918</u>	<u>7</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>16,942</u>
Current assets						
Trade and other receivables	6,240					6,240
Cash and cash equivalents	1,829					1,829
	<u>8,069</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,069</u>
Total assets	<u>24,987</u>	<u>7</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>25,011</u>
Current liabilities						
Trade and other payables	(8,735)	(57)	98			(8,694)
Tax liabilities	(404)					(404)
Obligations under finance leases	(12)					(12)
	<u>(9,151)</u>	<u>-</u>	<u>(57)</u>	<u>98</u>	<u>-</u>	<u>(9,110)</u>
Net current liabilities	<u>(1,082)</u>	<u>-</u>	<u>(57)</u>	<u>98</u>	<u>-</u>	<u>(1,041)</u>
Non-current liabilities						
Trade and other payables	(2,171)					(2,171)
Obligations under finance leases	(54)					(54)
	<u>(2,225)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,225)</u>
Total liabilities	<u>(11,376)</u>	<u>-</u>	<u>(57)</u>	<u>98</u>	<u>-</u>	<u>(11,335)</u>
Net assets	<u>13,611</u>	<u>7</u>	<u>(40)</u>	<u>98</u>	<u>-</u>	<u>13,676</u>
Equity						
Called-up share capital	1,149					1,149
Share premium account	18					18
Capital redemption reserve	61					61
Currency and other reserves	3,689	24		52		3,765
Profit and loss account	8,694	(17)	(40)	(52)		8,683
	<u>13,611</u>	<u>7</u>	<u>(40)</u>	<u>98</u>	<u>-</u>	<u>13,676</u>

Notes to the Interim Information (continued)

4. Explanation of transition to IFRS (continued)

b Reconciliation of consolidated balance sheet and equity at 28 February 2005

	Accounting policy changes under IFRS						IFRS £'000
	UK GAAP £'000	Share option charge £'000	Employee benefits £'000	Goodwill amortisation £'000	Cumulative translation differences £'000	Reclass. of finance lease receivable £'000	
Non-current assets							
Goodwill	15,692			455			16,147
Other intangible assets	57						57
Property, plant and equipment	502					(39)	463
Deferred tax asset	35	12	13				60
	<u>16,286</u>	<u>12</u>	<u>13</u>	<u>455</u>	<u>-</u>	<u>(39)</u>	<u>16,727</u>
Current assets							
Trade and other receivables	4,524					39	4,563
Cash and cash equivalents	96						96
	<u>4,620</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>4,659</u>
Total assets	<u>20,906</u>	<u>12</u>	<u>13</u>	<u>455</u>	<u>-</u>	<u>-</u>	<u>21,386</u>
Current liabilities							
Trade and other payables	(5,246)		(43)				(5,289)
Tax liabilities	(544)						(544)
Obligations under finance leases	(12)						(12)
Bank overdrafts and loans	(335)						(335)
	<u>(6,137)</u>	<u>-</u>	<u>(43)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,180)</u>
Net current liabilities	<u>(1,517)</u>	<u>-</u>	<u>(43)</u>	<u>-</u>	<u>-</u>	<u>39</u>	<u>(1,521)</u>
Non-current liabilities							
Trade and other payables	(605)						(605)
Obligations under finance leases	(48)						(48)
Bank overdrafts and loans	(667)						(667)
	<u>(1,320)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,320)</u>
Total liabilities	<u>(7,457)</u>	<u>-</u>	<u>(43)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,500)</u>
Net assets	<u>13,449</u>	<u>12</u>	<u>(30)</u>	<u>455</u>	<u>-</u>	<u>-</u>	<u>13,886</u>
Equity							
Called-up share capital	1,149						1,149
Share premium account	18						18
Capital redemption reserve	61						61
Currency and other reserves	3,689	42			61		3,792
Profit and loss account	8,532	(30)	(30)	455	(61)		8,866
	<u>13,449</u>	<u>12</u>	<u>(30)</u>	<u>455</u>	<u>-</u>	<u>-</u>	<u>13,886</u>

Notes to the Interim Information (continued)

4. Explanation of transition to IFRS (continued)

c Reconciliation of Group income for six months ended 28 February 2005

	Accounting policy changes under IFRS					IFRS £'000
	UK GAAP £'000	Share option charge £'000	Employee benefits £'000	Goodwill amortisation £'000	Dividend recognition £'000	
Revenue - continuing operations	6,936					6,936
Cost of sales	(2,492)					(2,492)
Gross profit	<u>4,444</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,444</u>
Administrative expenses	(4,487)	(18)	14	455		(4,036)
(Loss)/profit from operations	<u>(43)</u>	<u>(18)</u>	<u>14</u>	<u>455</u>	<u>-</u>	<u>408</u>
Finance income	2					2
(Loss)/profit before taxation	<u>(41)</u>	<u>(18)</u>	<u>14</u>	<u>455</u>	<u>-</u>	<u>410</u>
Taxation	(130)	5	(4)			(129)
(Loss)/profit for the period attributable to equity holders of the parent	<u>(171)</u>	<u>(13)</u>	<u>10</u>	<u>455</u>	<u>-</u>	<u>281</u>
Dividends	-				(98)	(98)
Retained (loss)/profit	<u>(171)</u>	<u>(13)</u>	<u>10</u>	<u>455</u>	<u>(98)</u>	<u>183</u>
(Loss)/earnings per share						
Basic	(0.15)p					0.24p
Diluted	(0.15)p					0.24p

Notes to the Interim Information (continued)

4. Explanation of transition to IFRS (continued)

d Reconciliation of consolidated balance sheet and equity at 31 August 2005

	Accounting policy changes under IFRS								
	UK	Share	Employee	Goodwill	Dividend	Cumulative	Reclass of	Restatement	IFRS
	GAAP	option	benefits	amortisation	recognition	translation	finance lease	of financial	
£'000	charge	£'000	£'000	£'000	£'000	receivable	liability	£'000	
Non-current assets									
Goodwill	16,350			925					17,275
Other intangible assets	51								51
Property, plant & equipment	459						(34)		425
Deferred tax asset	(36)	17	21					25	27
	<u>16,824</u>	<u>17</u>	<u>21</u>	<u>925</u>	<u>-</u>	<u>-</u>	<u>(34)</u>	<u>25</u>	<u>17,778</u>
Current assets									
Trade and other receivables	9,412						34		9,446
Cash and cash equivalents	1,674								1,674
	<u>11,086</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>-</u>	<u>11,120</u>
Total assets	<u>27,910</u>	<u>17</u>	<u>21</u>	<u>925</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25</u>	<u>28,898</u>
Current liabilities									
Trade and other payables	(11,365)		(69)		109			(82)	(11,407)
Tax liabilities	(726)								(726)
Obligations under finance leases	(12)								(12)
Bank overdrafts and loans	(400)								(400)
	<u>(12,503)</u>	<u>-</u>	<u>(69)</u>	<u>-</u>	<u>109</u>	<u>-</u>	<u>-</u>	<u>(82)</u>	<u>(12,545)</u>
Net current liabilities	<u>(1,417)</u>	<u>-</u>	<u>(69)</u>	<u>-</u>	<u>109</u>	<u>-</u>	<u>34</u>	<u>(82)</u>	<u>(1,425)</u>
Non-current liabilities									
Trade and other payables	(820)								(820)
Obligations under finance leases	(42)								(42)
Bank overdrafts and loans	(800)								(800)
	<u>(1,662)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,662)</u>
Total liabilities	<u>(14,165)</u>	<u>-</u>	<u>(69)</u>	<u>-</u>	<u>109</u>	<u>-</u>	<u>-</u>	<u>(82)</u>	<u>(14,207)</u>
Net assets	<u>13,745</u>	<u>17</u>	<u>(48)</u>	<u>925</u>	<u>109</u>	<u>-</u>	<u>-</u>	<u>(57)</u>	<u>14,691</u>
Equity									
Called-up share capital	1,149								1,149
Share premium account	18								18
Capital redemption reserve	61								61
Currency and other reserves	3,689	60				60			3,809
Profit and loss account	8,828	(43)	(48)	925	109	(60)		(57)	9,654
Total equity	<u>13,745</u>	<u>17</u>	<u>(48)</u>	<u>925</u>	<u>109</u>	<u>-</u>	<u>-</u>	<u>(57)</u>	<u>14,691</u>

Notes to the Interim Information (continued)

4. Explanation of transition to IFRS (continued)

e Reconciliation of Group income for the year ended 31 August 2005

	Accounting policy changes under IFRS						
	UK	Share	Employee	Goodwill	Dividend	Restatement	IFRS
	GAAP	option	benefits	amortisation	recognition	of financial	
£'000	charge	£'000	£'000	£'000	£'000	liability	£'000
Revenue - continuing operations	14,903						14,903
Cost of sales	(4,794)					(82)	(4,876)
Gross profit	<u>10,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(82)</u>	<u>10,027</u>
Administrative expenses	(9,322)	(36)	(12)	925			(8,445)
Profit from operations	<u>787</u>	<u>(36)</u>	<u>(12)</u>	<u>925</u>	<u>-</u>	<u>(82)</u>	<u>1,582</u>
Finance charge	(44)						(44)
Profit before taxation	<u>743</u>	<u>(36)</u>	<u>(12)</u>	<u>925</u>	<u>-</u>	<u>(82)</u>	<u>1,538</u>
Taxation	(508)	10	4			25	(469)
Profit for the period attributable to equity holders of the parent	<u>235</u>	<u>(26)</u>	<u>(8)</u>	<u>925</u>	<u>-</u>	<u>(57)</u>	<u>1,069</u>
Dividends	(109)				11		(98)
Retained profit	<u>126</u>	<u>(26)</u>	<u>(8)</u>	<u>925</u>	<u>11</u>	<u>(57)</u>	<u>971</u>
Earnings per share							
Basic	0.20p						0.93p
Diluted	0.20p						0.93p

Notes to the Interim Information (continued)

5. Segment information

	6 months ended 28 Feb. 2006 (Unaudited)		6 months ended 28 Feb. 2005* (Unaudited)		Year ended 31 Aug. 2005* (Audited)	
	Revenue £'000	Profit/(loss) from operations £'000	Revenue £'000	Profit from operations £'000	Revenue £'000	Profit from operations £'000
By class of business:						
Sports marketing	4,787	687	3,449	616	6,734	1,295
Wealth management	2,002	489	1,732	269	3,153	485
Representation	1,684	(114)	1,755	135	4,910	1,256
Legal & professional	74	8	-	-	106	41
	<u>8,547</u>	<u>1,070</u>	<u>6,936</u>	<u>1,020</u>	<u>14,903</u>	<u>3,077</u>
Common costs		(560)		(612)		(1,495)
Profit from operations		<u>510</u>		<u>408</u>		<u>1,582</u>

6. Taxation

The taxation charge at 31.0% of profit before taxation, is based on the estimated effective rate of tax on earnings for the full year ending 31 August 2006.

7. Dividends

	6 months ended 28 Feb. 2006 (Unaudited) £'000	6 months ended 28 Feb. 2005* (Unaudited) £'000	Year ended 31 Aug. 2005* (Audited) £'000
Dividend paid per share in the period of 0.095 pence (2005 - 0.085 pence)	<u>109</u>	<u>98</u>	<u>98</u>

* Restated in accordance with IFRS

Notes to the Interim Information (continued)

8. Earnings per share

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

	6 months ended 28 Feb. 2006 (Unaudited) £'000	6 months ended 28 Feb. 2005* (Unaudited) £'000	Year ended 31 Aug. 2005* (Audited) £'000
Profit for the period:			
Basic and diluted	<u>323</u>	<u>281</u>	<u>1,069</u>
	Number of shares '000	Number of shares '000	Number of shares '000
Weighted average number of shares:			
Basic and diluted	<u>114,874</u>	<u>114,874</u>	<u>114,874</u>

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

	6 months ended 28 Feb. 2006 (Unaudited) £'000	6 months ended 28 Feb. 2005* (Unaudited) £'000	Year ended 31 Aug. 2005* (Audited) £'000
Profit from operations	510	408	1,582
Depreciation of property, plant and equipment	85	77	178
Amortisation of intangible assets	5	5	10
Share option charge	21	18	36
Profit on sale of fixed assets	-	(13)	(17)
Operating cash flows before movements in working capital	<u>621</u>	<u>495</u>	<u>1,789</u>
Decrease/(increase) in receivables	4,009	1,707	(1,994)
(Decrease)/increase in payables	(4,968)	(1,718)	2,415
Cash (used in)/generated by operations	<u>(338)</u>	<u>484</u>	<u>2,210</u>

* Restated in accordance with IFRS

Notes to the Interim Information (continued)

Independent review report to Formation Group PLC

Introduction

We have been instructed by the company to review the financial information for the six months ended 28 February 2006 which comprises the consolidated income statement, the consolidated statement of recognised income and expenses, the consolidated balance sheet, the reconciliation of changes in equity, the consolidated cash flow statement and related notes 1 to 9. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

This report is made solely to the company, in accordance with Bulletin 1999/4 issued by the Auditing Practices Board. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Directors' responsibilities

The interim report, including the financial information contained therein, is the responsibility of, and has been approved by, the directors. The directors are also responsible for ensuring that the accounting policies and presentation applied to the interim figures are consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

International Financial Reporting Standards

As disclosed in note 3, the next annual financial statements of the Group will be prepared in accordance with International Financial Reporting Standards as adopted for use in the EU. Accordingly, the interim report has been prepared in accordance with the recognition and measurement criteria of IFRS and the disclosure requirements of the Listing Rules. The accounting policies are consistent with those that the directors intend to use in the annual financial statements.

Review work performed

We conducted our review in accordance with the guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with International Standards on Auditing (UK and Ireland) and therefore provides a lower level of assurance than an audit. Accordingly, we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 28 February 2006.

Deloitte & Touche LLP

Chartered Accountants
Manchester

2 May 2006



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