

Formation Group PLC

**Preliminary Results
for the year ended 31 August 2008**

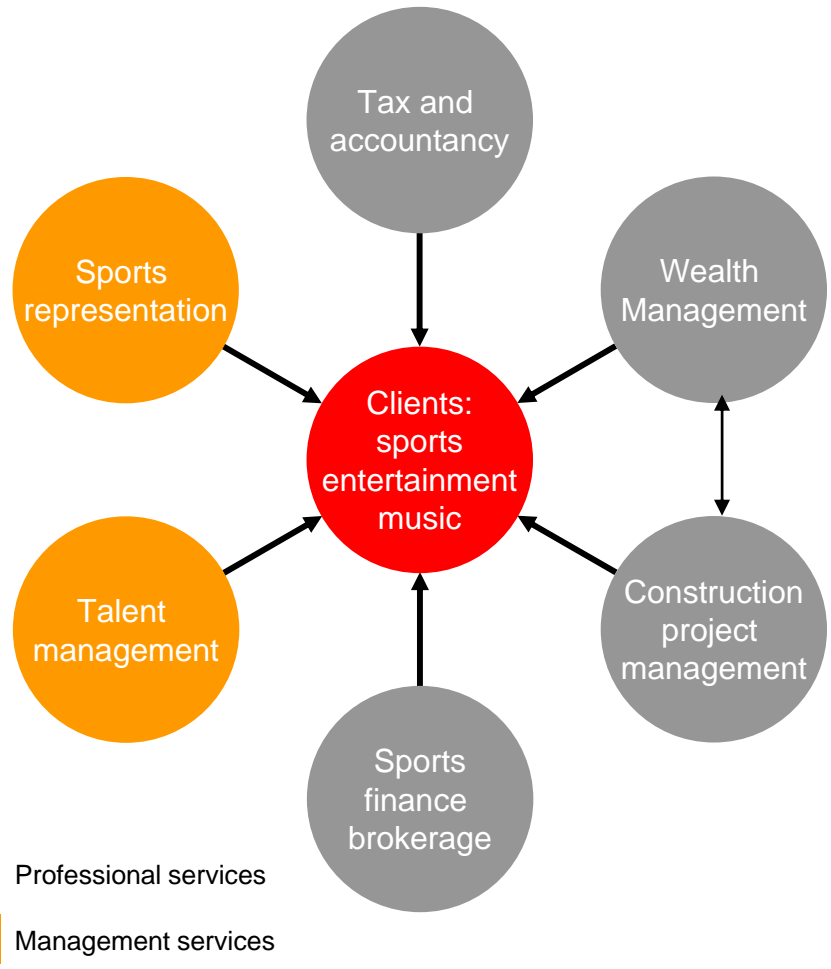
The Group at a glance



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

- Business segmented into two divisions:
 - Professional Services: wealth management, accountancy, tax advice, construction project management, sports corporate finance
 - Management Services: talent management, sports representation
- Strategy of acquiring businesses with complementary services and clients (sports, music and entertainment), integrating them and cross selling Group products and services

Business model



Examples of clients



Total staff of 130 across 6 locations including East and West London, North West and USA

Financials snapshot



From continuing operations (£'000)	2008	2007
Revenue	34,941	11,138
- Professional Services	28,952	7,791
- Management Services	5,989	3,347
Gross profit	15,879	7,441
Operating profit	3,480	1,148
- Professional Services	3,245	1,077
- Management Services	1,664	869
- Unallocated corporate expenses	(1,429)	(798)
Basic earnings per share	1.00 p	0.66 p
Dividend per share	n/a	0.12 p
Net cash/(borrowings)	(1,815)	3,605
Net cash (outflow)/inflow from operating activities	1,898	1,562
Committed gross profit	14,500	12,900

Source : Final accounts

Illustrative Case Study



	Formation service offering	Current service offering			Potential future services	
		Sports representation	Wealth management	Tax & accountancy	Legal services	PR & promotion
Client's career progression	Footballer client signed by Group at 18 years of age	Yes	No	No	Yes	No
	Client breaks into Premier League club 1st team	Yes	Yes	Yes	Yes	No
	Client signs long term Premier League contract and international call up	Yes	Yes	Yes	Yes	Yes
	Client maximises peak earning profile	Yes	Yes	Yes	Yes	Yes
	Client prepares for retirement	Yes	Yes	Yes	Yes	Yes
	Client retires	No	Yes	Yes	Yes	Yes

Our **Professional Services** businesses provide a range of financial and consultative services to a client base within the sports, music and entertainment sectors as well as other high net worth individuals and trusts

Typically these services include:

- Accountancy
- Tax planning
- Wealth management
- Investment advice
- Sports finance brokerage
- Construction project management

The construction project management services has produced investment opportunities in an asset class that appeals to our high net worth clients in a tax efficient manner (e.g. SIPPs)

Remuneration Model

Whilst we have a number of business disciplines within this division, the business model is increasingly deployed to generate recurring visible future income (rather than short term commissions).

In summary:

Accountancy & tax

- Hourly rates geared to seniority and expertise

Wealth management

- typical charge of 1% of funds under influence/management

Sports finance brokerage

- typical charge of 1% of capital raised

Construction Management

- Pre-agreed monthly management charges contracted for the duration of the development

Professional Services

Our Professional Services people

- qualified IFA Consultants within the Wealth Management businesses
- qualified accountants within our accountancy and tax planning practice
- qualified professionals within our construction project management businesses
- Across all businesses we employ 75 people to manage our clients, approximately 1/3 of which are relationship managers

A selection of our Professional Services clients



Rio Ferdinand



Bryan Adams



Michael Vaughan



Oasis



Bjork

Management Services



Our **Management Services** businesses provide career management advice and representation services including concierge services to athletes and entertainers in the sports and entertainment industries.

Typically these services include;

- Core contract negotiation (e.g. football club or broadcast network)
- Image rights exploitation (e.g. brands)
- Concierge services

The remuneration model

- Commission based (5% - 20% of contract value depending upon the nature of the contract and industry)

Our Management Services People

- licensed football agents
- talent managers within James Grant Media
- Across all three businesses we employ 42 people to manage our clients, approximately 1/3 of which are relationship managers

A selection of our Management Services clients



Ant & Dec



Richard Dunne



Simon Cowell



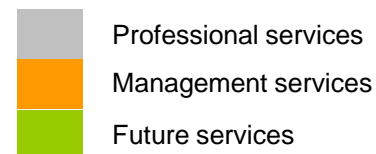
Lesley Vainikolo



Phillip Schofield

The Group's strategy is to....

1. **Organically grow scale of existing businesses** - selectively grow client rosters and widen service offering to existing clients
2. **Cross-sell services** - e.g. James Grant (talent managers) to OJ Kilkenny (accountants)
3. **Focused acquisitions** - to build out product and service offering and grow client base



Summary



- Formation Group PLC provides **professional** and **management services** to its clients within the sports, music and entertainment sectors as well as other high net worth individuals and trusts
- Strategy to broaden and deepen product and service offering to the Group's niche client base
- Strong and experienced management team
- Captive client base that competitors struggle to access
- Cradle to grave product and service offering

Potential Property Liabilities

Post year-end, Heritable Bank PLC (“Heritable”), a subsidiary of Landsbanki, was put into Administration which has cast uncertainty over a property development at Aldgate East underground station, London to whom the Group acts as project manager and part-underwriter. This uncertainty surrounds the part underwriting which was discussed in previous accounts and whilst this position is currently unclear, we are seeking to secure a positive outcome, exploring a range of options to achieve this. We provide full details of how the Administration of Heritable might impact the Group within our Prelims RNS announcement

- I. Financial information
- II. History of the Group
- III. The board and Corporate Governance
- IV. Principal Subsidiaries
- V. Group Clients
- VI. Services

I. Financials – Income Statement



	2008 £'000	2007 £'000
Continuing operations		
Revenue	34,941	11,138
Cost of sales	(19,062)	(3,697)
Gross profit	<u>15,879</u>	<u>7,441</u>
Administrative expenses	(12,399)	(6,293)
Operating profit from continuing operations	<u>3,480</u>	<u>1,148</u>
Investment income	195	261
Finance costs	(321)	(40)
Profit before taxation	<u>3,354</u>	<u>1,369</u>
Taxation	(1,223)	(434)
Profit for the financial period from continuing operations	<u>2,131</u>	<u>935</u>
Discontinued operations		
Profit for the financial period from discontinued operations	621	4,748
Profit for the financial period	<u>2,752</u>	<u>5,683</u>
Attributable to:		
Equity holders of parent	2,703	5,683
Minority interests	49	-
	<u>2,752</u>	<u>5,683</u>
Earnings per share		
From continuing operations		
Basic	1.00 p	0.66 p
Diluted	<u>0.97 p</u>	<u>0.65 p</u>

I. Financials – Balance Sheet



	2008 £'000	2007 £'000
Non-current assets		
Goodwill	47,409	31,685
Other intangible assets	18	26
Property, plant and equipment	330	314
Non-current financial assets	4,862	4,862
Deferred tax asset	135	20
	<u>52,754</u>	<u>36,907</u>
Current assets		
Inventories	2,222	2,291
Trade and other receivables	6,978	7,281
Cash and cash equivalents	4,028	3,605
	<u>13,228</u>	<u>13,177</u>
Total assets	<u>65,982</u>	<u>50,084</u>
Current liabilities		
Trade and other payables	(11,562)	(9,938)
Tax liabilities	(1,503)	(711)
Obligations under finance leases	(9)	(37)
Bank overdrafts and loans	(1,833)	-
	<u>(14,907)</u>	<u>(10,686)</u>
Net current (liabilities) / assets	<u>(1,679)</u>	<u>2,491</u>
Non-current liabilities		
Trade and other payables	(3,605)	(1,560)
Tax liabilities	-	-
Obligations under finance leases	(8)	(15)
Loans	(4,010)	-
	<u>(7,623)</u>	<u>(1,575)</u>
Total liabilities	<u>(22,530)</u>	<u>(12,261)</u>
Net assets	<u>43,452</u>	<u>37,823</u>

I. Financials – Cash Flow



	2008 £'000	2007 £'000
Cash generated by operations	3,153	1,703
Income taxes paid	(1,036)	(101)
Interest paid	(219)	(40)
Net cash inflow from operating activities	1,898	1,562
Investing activities		
Interest received	194	262
Proceeds on disposal of property, plant and equipment	-	8
Purchases of property, plant and equipment	(113)	(1,075)
Purchases of trademarks and rights	-	(1)
Deferred consideration paid	(1,190)	(385)
Acquisition of subsidiaries	(9,418)	(1,600)
Cash acquired with subsidiary	2,688	425
Acquisition expenses	(878)	(141)
Purchase of long term financial assets	-	(4,862)
Net proceeds on disposal of subsidiary companies	1,007	8,662
Cash disposed of with subsidiary companies	-	(1,986)
Net cash used by investing activities	(7,710)	(693)
Financing activities		
Dividends paid	(235)	(131)
Proceeds on issue of shares	-	1,500
Purchase of own shares	(207)	(751)
New loans	828	-
New obligations under finance leases	6,000	-
Loan repayments	(157)	-
Repayments of obligations under finance leases	(34)	(12)
Net cash generated by financing activities	6,195	606
Net increase in cash and cash equivalents	383	1,475
Cash and cash equivalents at the beginning of the year	3,605	2,143
Effect of foreign exchange rate changes	40	(13)
Cash and cash equivalents at end of the year	4,028	3,605

II. History of the Group



2008

- On 29th February 2008, Formation acquires 100% of James Grant Media Group Ltd ("JGMG") a specialist media talent management business based in West London

2007

- In August 2007, Formation acquires 90% of the total issued share capital of OJ Kilkenny & Co Ltd ("OJK"), a London based accountancy practice specialising in advising clients in the music and sporting industries
- Formation acquire Columbia Design & Build Ltd (since renamed Formation Design & Build Ltd) from the David Kennedy Family Trust

2006

- Formation completes disposal of the Sports Marketing division to Sportfive GmbH & Co KG

2005

- Formation acquires Capital Sports Solutions (since renamed Formation Sports Capital Ltd) a new financial brokerage

2004

- Proactive Sports Group PLC is renamed Formation Group PLC to position itself for future growth and more accurately reflect the company's market position and direction

2003

- Neil Rodford is appointed as Chief Executive
- Group forms a Wealth Management Division through the acquisition of Kingsbridge Asset Management Ltd

2001

- Neil Rodford is appointed as Chief Operating Officer, to oversee the transformation of the Group into a broader and fully integrated sports management business
- Company floated on AIM May 2001

1994

- Proactive Sports Management incorporated

III. Corporate Governance



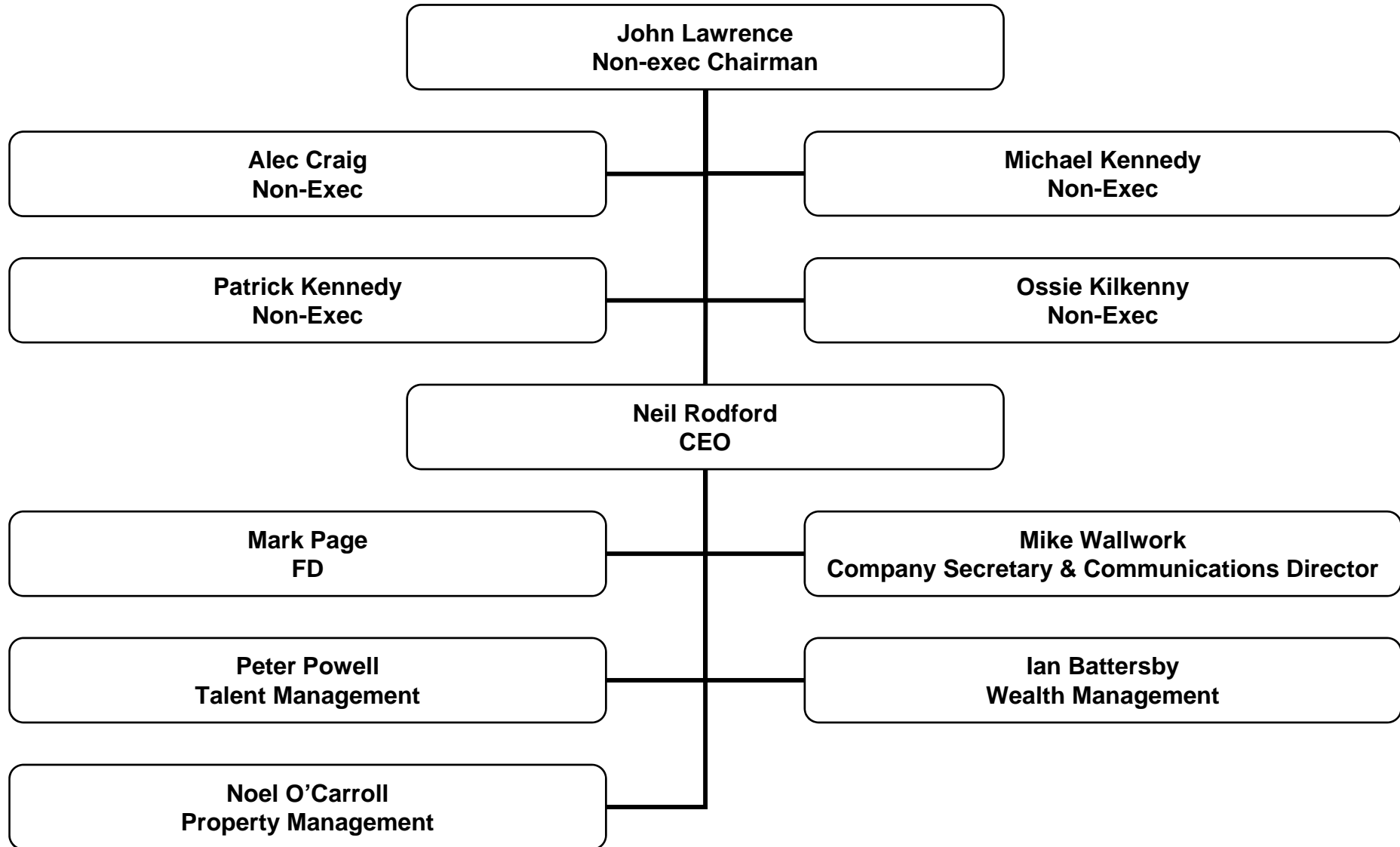
The board takes its corporate governance responsibilities very seriously and operates best practice, appointing committees chaired by non-executive directors which preside over;

- Audit
- Remuneration
- Nominations

Here are just some of the additional steps the board takes to ensure it protects shareholder's interests

- Monthly management accounts are produced as part of the PLC board packs and are presented in detail by the Group FD.
- Our full year and interim audits are carried out by Grant Thornton
- Our Nominated Adviser (Investec) have a rolling invite to attend all PLC board meetings
- All our PLC 'centre' functions; Finance, IR, Communications, IT and HR are managed by professionals with the relevant PLC experience

III. PLC Board



IV. Principal Subsidiaries



- Formation Design & Build Ltd and Formation Architectural Design Ltd
- Formation Sports Capital Ltd
- Formation Wealth Solutions Ltd
- James Grant Media Ltd
- Kingsbridge Asset Management Ltd
- O J Kilkenny Ltd
- Proactive Sports Management Ltd
- Proactive Sports Management USA Inc

V. Group Clients

The Group provides Management and Professional Services to our clients. Here is a selection.



Ant & Dec



Bryan Adams



Richard Dunne



Fearne Cotton



David O'Leary



Leslie Vainikolo



Phillip Schofield



Piers Morgan



Richard & Judy



Rio Ferdinand



Simon Cowell



Carlos Salcido

VI. Services summarised



Formation's services are;

accountancy, tax advice, wealth management, talent management, sports representation, construction management and sports corporate finance.

... delivered through two distinct divisions;

- Management Services
- Professional Services

... delivered to high net worth clients who include;

- Professional athletes
- Sporting clubs and institutions
- Entertainers
- Musicians
- Property developers