

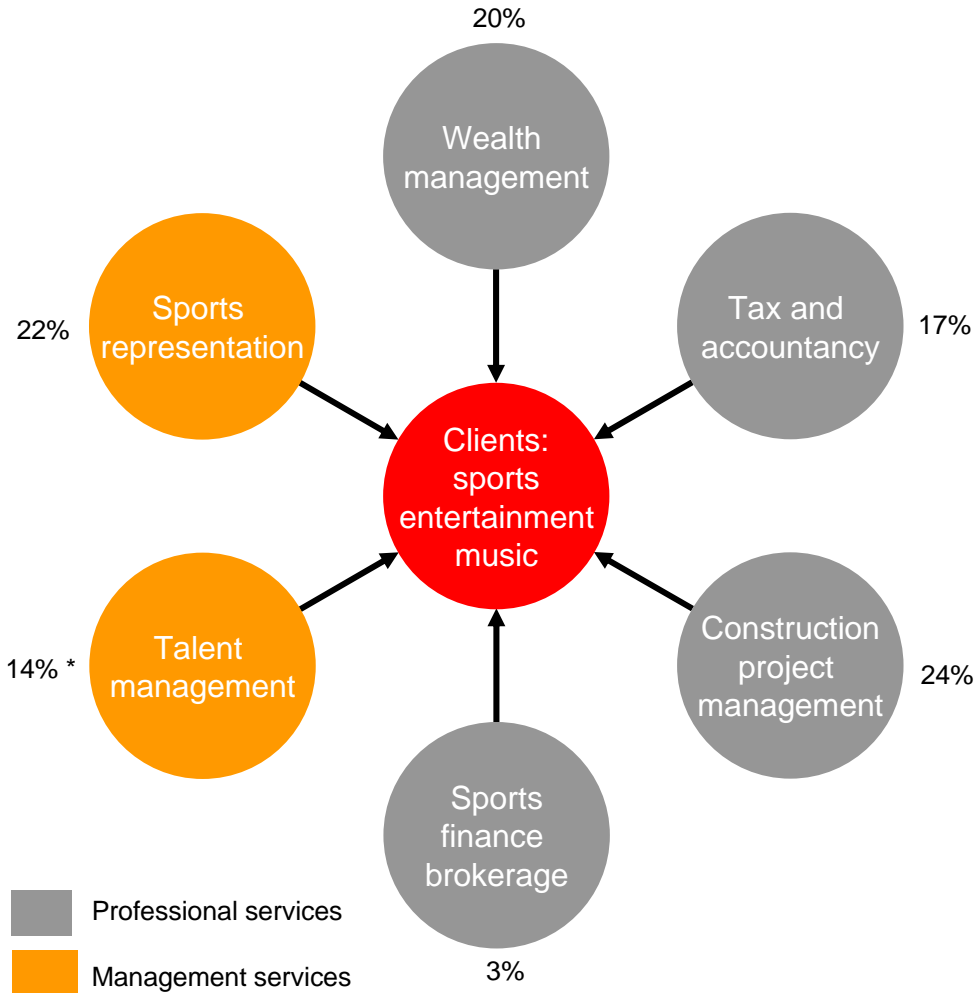
# **Formation Group PLC**

**Interim Results  
for the six months ended 29 February 2008**

**May 2008**

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

- Admitted to trading on AIM
- Market cap c.£50m
- Business segmented into two divisions:
  - Professional Services: wealth management, accountancy, tax advice, construction management, sports finance broking
  - 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



% of gross profit as forecasted by Investec for YE 31 Aug 08

\* Acquired by the Group on 29 Feb 2008

## Examples of clients



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

# 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			Yes	
	Client breaks into Premier League club 1st team	Yes	Yes	Yes	Yes	
	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		Yes	Yes	Yes	Yes

From continuing operations (£'000)	6 months ended 29 Feb. 2008 (Unaudited)	6 months ended 28 Feb. 2007 (Unaudited)	Year ended 31 Aug. 2007 (Audited)
Revenue	12,761	3,027	11,138
- Professional Services	11,256	1,841	7,791
- Management Services	1,505	1,186	3,347
Gross profit	6,594	2,825	7,441
Operating profit	1,662	238	1,148
- Professional Services	1,801	416	1,077
- Management Services	482	187	869
- Central Costs	(621)	(365)	(798)
Basic earnings per share	0.59 p	0.18 p	0.66 p
Dividend per share	n/a	n/a	0.12 p
Net cash/(borrowings)	(3,809)	7,538	3,605
Net cash (outflow)/inflow from operating activities	(173)	(164)	1,562
Committed gross profit	19,400	5,500	12,900

Source : Interim accounts

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 produce 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

## Our Professional Services people

- We employ 8 qualified IFA Consultants within the Wealth Management businesses
- We employ 9 qualified accountants within our accountancy and tax planning practice
- We utilise 7 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

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

- We employ 8 licensed football agents
- We employ 8 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



Wayne Rooney



Simon Cowell



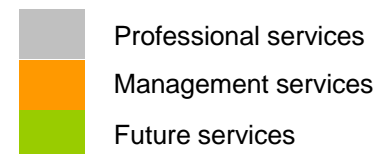
Lesley Vainikolo



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



## Integration Committee

Formed in February 2008 with the aim of utilising the existing skill sets that the Group currently has at its disposal to effect positive change in:

- Improved operational efficiency
- Cross-selling across the combined group

Current key issues:

- Single London office (3 London locations currently)
- Group communication
- Areas of efficiency

- 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

- 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

	6 months ended 29 Feb. 2008 (Unaudited) £'000	6 months ended 28 Feb. 2007 (Unaudited) £'000	Year ended 31 Aug. 2007 (Audited) £'000
<b>Continuing operations</b>			
Revenue	12,761	3,027	11,138
Cost of sales	(6,167)	(202)	(3,697)
<b>Gross profit</b>	<b>6,594</b>	<b>2,825</b>	<b>7,441</b>
Administrative expenses	(4,932)	(2,587)	(6,293)
<b>Operating profit from continuing operations</b>	<b>1,662</b>	<b>238</b>	<b>1,148</b>
Investment income	104	120	261
Finance costs	(3)	(29)	(40)
<b>Profit before taxation</b>	<b>1,763</b>	<b>329</b>	<b>1,369</b>
Taxation	(530)	(99)	(434)
<b>Profit for the financial period from continuing operations</b>	<b>1,233</b>	<b>230</b>	<b>935</b>
<b>Discontinued operations</b>			
Profit for the financial period from discontinued operations	621	4,372	4,748
<b>Profit for the financial period</b>	<b>1,854</b>	<b>4,602</b>	<b>5,683</b>
Attributable to:			
Equity holders of parent	1,826	4,602	5,683
Minority interests	28	-	-
	<b>1,854</b>	<b>4,602</b>	<b>5,683</b>
<b>Earnings per share</b>			
From continuing operations			
Basic	0.59 p	0.18 p	0.66 p
Diluted	0.58 p	0.18 p	0.65 p

# I. Financials – Balance Sheet

	29 Feb. 2008 (Unaudited) £'000	28 Feb. 2007 (Unaudited) £'000	31 Aug. 2007 (Audited) £'000
<b>Non-current assets</b>			
Goodwill	47,434	12,773	31,685
Other intangible assets	22	31	26
Property, plant and equipment	320	221	314
Long term financial assets	4,862	-	4,862
Deferred tax asset	21	115	20
	<u>52,659</u>	<u>13,140</u>	<u>36,907</u>
<b>Current assets</b>			
Inventories	2,770	-	2,291
Trade and other receivables	5,740	2,568	7,281
Cash and cash equivalents	2,191	7,538	3,605
	<u>10,701</u>	<u>10,106</u>	<u>13,177</u>
<b>Total assets</b>	<u>63,360</u>	<u>23,246</u>	<u>50,084</u>
<b>Current liabilities</b>			
Trade and other payables	(8,711)	(2,994)	(9,938)
Tax liabilities	(1,519)	(44)	(711)
Obligations under finance leases	(34)	(13)	(37)
	<u>(10,264)</u>	<u>(3,051)</u>	<u>(10,686)</u>
<b>Net current assets</b>	<u>437</u>	<u>7,055</u>	<u>2,491</u>
<b>Non-current liabilities</b>			
Trade and other payables	(5,336)	(83)	(1,560)
Tax liabilities	-	(99)	-
Obligations under finance leases	(11)	(45)	(15)
Loans	(6,000)	-	-
	<u>(11,347)</u>	<u>(227)</u>	<u>(1,575)</u>
<b>Total liabilities</b>	<u>(21,611)</u>	<u>(3,278)</u>	<u>(12,261)</u>
<b>Net assets</b>	<u>41,749</u>	<u>19,968</u>	<u>37,823</u>

# I. Financials – Cash Flow

	6 months ended 29 Feb. 2008 (Unaudited) £'000	6 months ended 28 Feb. 2007 (Unaudited) £'000	Year ended 31 Aug. 2007 (Audited) £'000
Cash generated by/(used in) operations	24	(8)	1,703
Income taxes paid	(194)	(127)	(101)
Interest paid	(3)	(29)	(40)
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(173)</b>	<b>(164)</b>	<b>1,562</b>
<b>Investing activities</b>			
Interest received	104	121	262
Proceeds on disposal of property, plant and equipment	-	8	8
Purchases of property, plant and equipment	(40)	(999)	(1,075)
Purchases of trademarks and rights	-	-	(1)
Deferred consideration paid	(678)	(335)	(385)
Acquisition of subsidiaries	(9,403)	-	(1,600)
Cash acquired with subsidiary	2,688	-	425
Acquisition expenses	(595)	(29)	(141)
Purchase of long term financial assets	-	-	(4,862)
Net proceeds on disposal of subsidiary companies	1,015	9,208	8,662
Cash disposed of with subsidiary companies	-	(1,987)	(1,986)
<b>Net cash (used in)/generated by investing activities</b>	<b>(6,909)</b>	<b>5,987</b>	<b>(693)</b>
<b>Financing activities</b>			
Dividends paid	(234)	(131)	(131)
Proceeds on issue of shares	-	-	1,500
Purchase of own shares	(105)	(295)	(751)
New loans	6,000	-	-
New obligations under finance leases	-	29	-
Repayments of obligations under finance leases	(8)	(5)	(12)
<b>Net cash generated by/(used by) financing activities</b>	<b>5,653</b>	<b>(402)</b>	<b>606</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(1,429)</b>	<b>5,421</b>	<b>1,475</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>3,605</b>	<b>2,143</b>	<b>2,143</b>
Effect of foreign exchange rate changes	15	(26)	(13)
<b>Cash and cash equivalents at end of the period</b>	<b>2,191</b>	<b>7,538</b>	<b>3,605</b>

## 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 entertainment 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 financial brokerage specialising in the sports industry

### 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

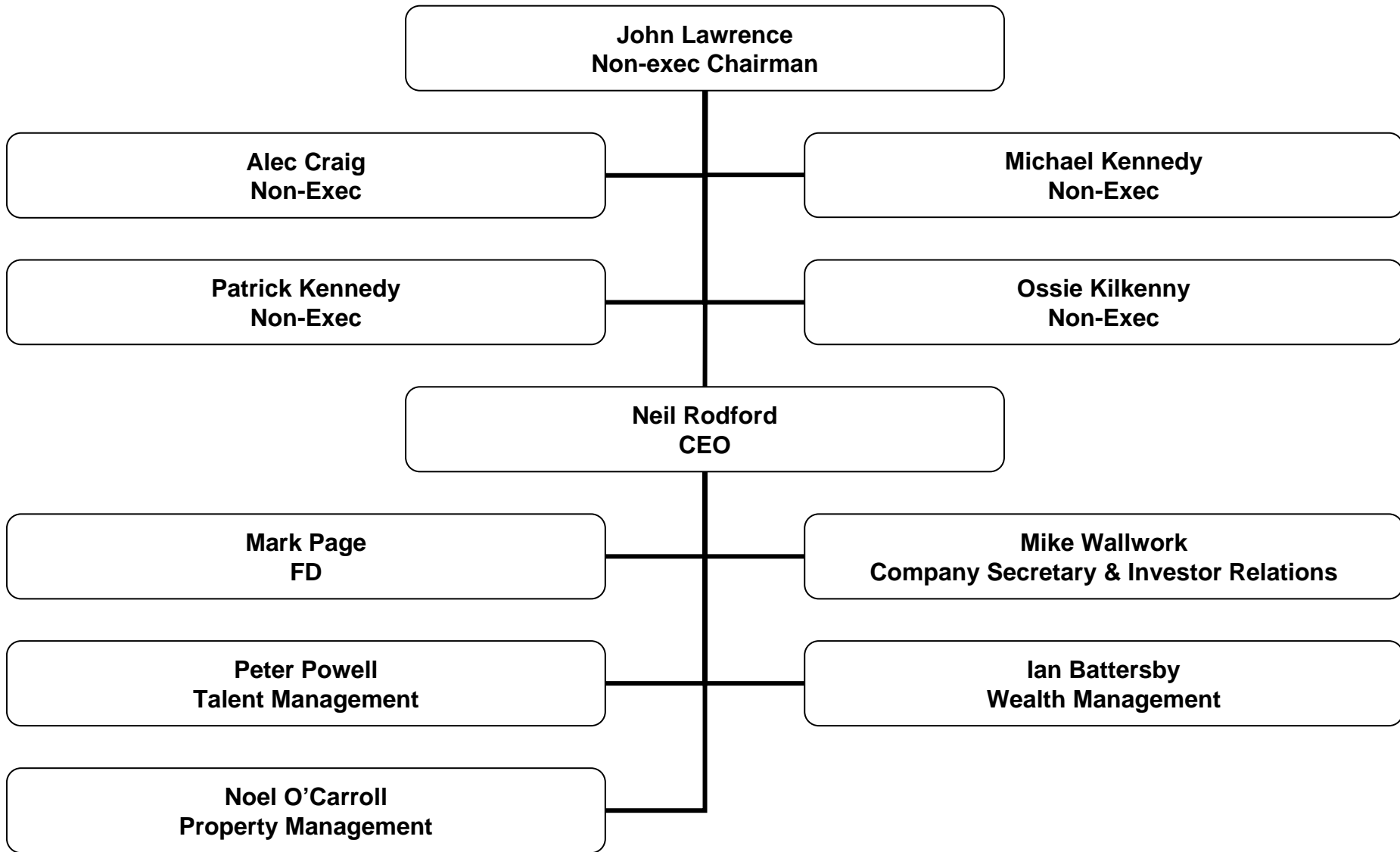
### 2001

- 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 by former football internationals Kevin Moran and Jesper Olsen, and founding Director Paul Stretford

# III. PLC Board



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

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

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



**Ant & Dec**



**Bryan Adams**



**Coleen Mcloughlin**



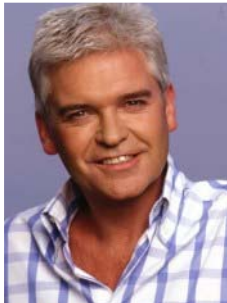
**Fearne Cotton**



**Joe Calzaghe**



**Lesley Vainikolo**



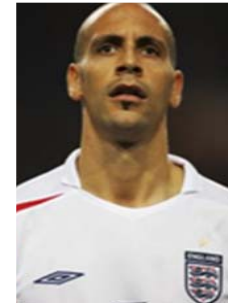
**Phillip Schofield**



**Piers Morgan**



**Richard & Judy**



**Rio Ferdinand**



**Simon Cowell**



**Wayne Rooney**

### **Formation's services are:**

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

### **... 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