

Interim Report 2017



formation
GROUP PLC



Interim Results for the Six Months ended 28 February 2017

The Group is pleased to announce its interim results for the six months ended 28 February 2017. Formation Group is focused solely on property development and project management providing professional services to its clients within this sector.

Highlights

Revenue from continuing operations of £20.184 million (2016: £10.178 million).

Operating profit from continuing operations of £0.048 million (2016: Operating loss £0.084 million).

Profit for the financial period of £0.015 million (2016: profit £2.379 million).

Cash position as at 28 February 2017 of £1.579 million (31 August 2016 £0.33 million).

Final distribution of funds received from the investment in Norwich House profit share agreement.

Further completion of the units in the 159-161 Iverson Road development with some revenues realised within the financial period reported and expectations that the remaining units will complete in the current financial year.

New profit share agreement entered into on the 28 February 2017 with London (North) Properties Limited ("London North") and Pinnacle Developments Limited ("Pinnacle") in relation to a development property at 34 Wembley Hill Road, Wembley.

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.

NEX Corporate Advisor, Peterhouse Corporate Finance Limited, Fungai Ngoro and Mark Anwyl - 0207 469 0930.

Chairman's Statement

I am pleased to report the Group's results for the six months ended 28 February 2017.

The Group continues to grow its revenue, whilst maintaining profitability, over the period. This has mainly been achieved through increased instructions for our project management services. Furthermore, the Company is confident that the units at the 159-161 Iverson Road development will be sold and contribute to the revenue of the second half of the year. The Group is confident that it can continue to source value enhancing development opportunities.



William O'Dea
Non-Executive Chairman
19 May 2017



Chief Executive Officer's Report

Overview

Revenue for the period was £20.184 million from continuing operations (2016 £10.178 million) and operating profit from continuing operations was £0.048 million (2016 £0.084 million loss).

Revenue for the period is underpinned by an order book with large 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 final results for the year ending 31 August 2017.

Project Management Division

Formation Design & Build Limited

The company is now working on four projects namely two large and two medium sized contracts having completed one project in the period.

Formation Construction Limited

This company was formed in early 2012, to project manage construction work and at present the company is working on two large contracts having completed three projects in the period.

During the period, the on-going health and safety executive investigation into Formation Construction Limited following an accident on one its construction sites was still in progress. The directors have no further updates at this stage.

Property Development Division

Formation Homes (London) Ltd

As previously announced, Formation Homes acquired the development site known as '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 the majority of the units have been sold with the expectations that the remaining units will happen within the current financial year.



Chief Executive Officer's Report *continued*

Discontinued Operations

FG Bradford & FG Bristol Ltd

In the prior period Dunbar Assets plc took management of the properties at FG (Bristol) Limited and FG (Bradford) Limited and were actively marketing these with a view to sell. 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. These companies were non trading within the financial period.

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.

Chief Executive Officer's Report *continued*



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 'David Kennedy', enclosed within a faint, light-colored rectangular border.

David Kennedy
Chief Executive Officer
19 May 2017

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

Consolidated Income Statement

For the six months ended 28 February 2017

	Note	6 months ended 28 Feb. 2017 (Unaudited) £'000	6 months ended 29 Feb. 2016 (Unaudited) £'000	Year ended 31 Aug. 2016 (Audited) £'000
Continuing operations				
Revenue	2	20,184	10,178	29,410
Cost of sales		(18,969)	(9,145)	(26,488)
Gross profit		1,215	1,033	2,922
Administrative expenses		(1,167)	(1,117)	(2,189)
Operating profit/(loss) from continuing operations	2	48	(84)	733
Finance (Expense)/income		(33)	1,438	1,424
Finance costs		-	-	-
Profit before taxation		15	1,354	2,157
Taxation	4	-	-	(394)
Profit for the financial period from continuing operations		15	1,354	1,763
Discontinued operations				
Profit for the financial period from discontinued operations	3	-	1,025	1,022
Profit for the financial period		15	2,379	2,785
Attributable to:				
Owners of parent		15	2,379	2,785
		15	2,379	2,785
Earnings per share				
From continuing operations				
Basic	5	0.0003p	0.61p	0.79p
Diluted	5	0.0003p	0.61p	0.79p
From discontinued operations				
Basic	5	0.0p	0.46p	0.46p
Diluted	5	0.0p	0.46p	0.46p
From continuing and discontinued operations				
Basic	5	0.0003p	1.08p	1.24p
Diluted	5	0.0003p	1.07p	1.24p

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 2017



	Note	28 Feb. 2017 (Unaudited) £'000	29 Feb. 2016 (Unaudited) £'000	31 Aug. 2016 (Audited) £'000
Non-current assets				
Property, plant and equipment		25	25	22
Investments accounted for using the equity method		-	-	-
Investment property		275	275	275
		300	300	297
Current assets				
Inventories	7	2,495	11,039	7,245
Trade and other receivables		9,789	9,063	9,888
Cash and cash equivalents		1,579	603	330
		13,863	20,705	17,463
Assets included in disposal group classified as held-for-sale	3	-	-	-
Total assets		14,163	21,005	17,760
Current liabilities				
Trade and other payables		(3,767)	(2,522)	(4,065)
Bank overdrafts and loan	8	-	(8,508)	(3,314)
		(3,767)	(11,030)	(7,379)
Net current assets		10,095	9,675	10,084
Long term liabilities				
Bank Overdraft and loan	8	-	-	-
Total liabilities		(3,767)	(11,030)	(7,379)
Net assets		10,396	9,975	10,381
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		6,002	5,581	5,987
Total equity attributable to the owners of the parent		10,396	9,975	10,381

Consolidated statement of changes in equity

For the six months ended 28 February 2017

	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 2015	2,205	2,106	-	61	22	3,202	7,596
Profit and total comprehensive income for the financial period	-	-	-	-	-	2,379	2,379
Balance at 29 February 2016	2,205	2,106	-	61	22	5,581	9,975
Profit and total comprehensive income for the financial period	-	-	-	-	-	406	406
Balance at 31 August 2016	2,205	2,106	-	61	22	5,987	10,381
Profit for the financial period	-	-	-	-	-	15	15
Balance at 28 February 2017	2,205	2,106	-	61	22	6,002	10,396

Consolidated statement of cash flows

For the six months ended 28 February 2017



	Note	6 months ended 28 Feb. 2017 (Unaudited) £'000	6 months ended 29 Feb. 2016 (Unaudited) £'000	Year ended 31 Aug. 2016 (Audited) £'000
Operating activities				
Net cash generated/(used) by operations	6	4,790	(2,857)	5,354
Interest paid		-	(24)	-
Net cash inflow/(outflow) from operating activities		4,790	(2,881)	5,354
Investing activities				
Cash invested in Wembley House profit share		(5,000)	-	-
Cash inflow in respect of Norwich House profit share		4,787	-	-
Purchases of property, plant and equipment		(14)	(6)	(11)
Repayments of investment accounted for using the equity method		-	-	-
Disposal of Property held for resale		-	3,312	-
Net cash (used)/generate by investing activities		(227)	3,306	(11)
Financing activities				
Reduction in loans		(3,314)	(1,455)	(6,646)
Net cash (used) by financing activities		(3,314)	(1,455)	(6,646)
Net increase/(decrease) in cash and cash equivalents		1,249	(1,030)	(1,303)
Cash and cash equivalents at the beginning of the period		330	1,633	1,633
Cash and cash equivalents at end of the period		1,579	603	330

Notes to the Interim Information

For the six months ended 28 February 2017

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 2016, 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 2016. 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. 2017 (Unaudited) Profit from continuing operations £'000	Revenue £'000	6 months ended 29 Feb. 2016 (Unaudited) Profit from continuing operations £'000	Revenue £'000	Year ended 31 Aug. 2016 (Audited) Profit from continuing operations £'000
By class of business:					
Project Management	14,839		10,178		23,356
Development	5,345		-	-	6,054
	<u>20,184</u>	<u>1,215</u>	<u>10,178</u>	<u>1,033</u>	<u>29,410</u>
Unallocated corporate expenses		<u>(1,167)</u>		<u>(1,117)</u>	<u>(2,189)</u>
Operating profit/(loss) loss from continuing operations		<u>48</u>		<u>(84)</u>	<u>733</u>

Notes to the Interim Information

For the six months ended 28 February 2017



3. Discontinued operations

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

	6 months ended 28 Feb. 2017 (Unaudited) £'000	6 months ended 29 Feb. 2016 (Unaudited) £'000	Year ended 31 Aug. 2016 (Audited) £'000
Profit from discontinued operations	-	1,025	1,022
Attributable tax expense	-	-	-
Profit from discontinued operations	-	1,025	1,022

Following the sale of the properties with FG (Bradford) Ltd and FG (Bristol) Limited, the companies were non trading entities during the period.

For notes on Formation Wealth Solutions Ltd, please refer to the note 9.

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 28 Feb. 2017 (Unaudited) £'000	6 months ended 29 Feb. 2016 (Unaudited) £'000	Year ended 31 Aug. 2016 (Audited) £'000
Profit/(loss) for the period:			
Basic and diluted earnings – continuing operations	15	1,354	1,763
Basic and diluted earnings – discontinued operations	-	1,025	1,022
Basic and diluted earnings – continuing and discontinued operations	15	2,379	2,785
	Number of shares '000	Number of shares '000	Number of shares '000
Weighted average number of shares:			
Basic	44,103	220,515	220,515
Diluted	45,660	224,355	224,355

Notes to the Interim Information

For the six months ended 28 February 2017

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

	6 months ended 28 Feb. 2017 (Unaudited) £'000	6 months ended 29 Feb. 2016 (Unaudited) £'000	Year ended 31 Aug. 2016 (Audited) £'000
Operating profit/(loss) for the year from continuing operations	15	(84)	733
Operating profit from discontinued operations	-	1,049	1,022
Impairment of investment	-	-	-
Depreciation of property, plant and equipment	11	7	15
Disposal of asset classed as held for sale	-	-	3,311
	<hr/>	<hr/>	<hr/>
Operating cash flows before movements in working capital	26	972	5,081
Decrease/(increase) in inventories	4,750	(1,419)	2,743
Decrease/(increase) in receivables	572	(1,048)	(1,869)
Decrease in payables	(558)	(1,362)	(601)
	<hr/>	<hr/>	<hr/>
Cash generated/(used) in by operations	4,790	(2,857)	5,354

Notes to the Interim Information

For the six months ended 28 February 2017



7. Inventories

	6 months ended 28 Feb. 2017 (Unaudited) £'000	6 months ended 29 Feb. 2016 (Unaudited) £'000	Year ended 31 Aug. 2016 (Audited) £'000
Work In Progress	2,495	11,039	7,245
	2,495	11,039	7,245

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.

8. Bank overdrafts and loans

	6 months ended 28 Feb. 2017 (Unaudited) £'000	6 months ended 29 Feb. 2016 (Unaudited) £'000	Year ended 31 Aug. 2016 (Audited) £'000
Bank loan - term loan facility	-	(8,507)	(3,314)
	-	(8,507)	(3,314)

	6 months ended 28 Feb. 2017 (Unaudited) £'000	6 months ended 29 Feb. 2016 (Unaudited) £'000	Year ended 31 Aug. 2016 (Audited) £'000
On demand or within one year	-	(8,507)	(3,314)
Due more than one year	-	-	-

The weighted average interest rates paid were as follows:

	6 months ended 28 Feb. 2017 (Unaudited) %	6 months ended 29 Feb. 2016 (Unaudited) %	Year ended 31 Aug. 2016 (Audited) %
Bank loan	9	9	7

Formation Homes (London) Limited had bank loan of £8,507 million, which was repayable within eighteen months of the date taken out. This was subsequently repaid in full on 7 October 2016. This facility was secured by Titlestone Real Estate on the completed 159-161 Iverson Road development. The interest rate payable on this loan was a fixed term rate of 9%.

Notes to the Interim Information *continued*

For the six months ended 28 February 2017

9. On 16 February 2017 a formal resolution was passed by the board to begin the liquidation of Formation Wealth Solutions Ltd, a process which is still ongoing. The company had been non-trading for a number of years and as a result the directors believed it best to close the company.

Formation Group PLC

Formation Group PLC Registered number: 04145632

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