Park Group plc

Interim Report **2016**

Something for everyone

Park Group plc is the UK's leading multi-retailer gift voucher and prepaid gift card business delivering innovative rewards and prepaid products to UK consumers and corporates.

Financial highlights

- Billings increased 5.9 per cent to £98.3m (2015 – £92.8m)
- Seasonal pre-tax loss reduced to £0.8m (2015 – loss £1.4m)
- Interest receipts rose by 7.7 per cent
- Dividend raised 11.8 per cent to 0.95p per share (2015 – 0.85p per share)
- Cash balances peaked at record £217m (2015 – £206m)

Operational highlights

- Further good growth across the group
- Corporate billings grew 4.0 per cent at £68.7m (2015 – £66.0m)
- Consumer billings increased 10.5 per cent to £29.6m (2015 – £26.8m)
- Order books running well ahead of comparable period last year
- New products making a significant impact
- Fisher Moy International Limited, acquired after period end, expected to be earnings enhancing in first full year of ownership

Contents

With record cash balances, a debt free balance sheet and order books again ahead of the comparable period last year, we are confident in our positive outlook for the business.

I am pleased to report that Park Group has delivered another solid performance, with the results for the six months to 30 September 2016 once again showing maintained momentum from previous financial periods.

Park's proactive strategy of investing to expand marketing and product development is driving this consistent performance, allowing us to deliver constantly updated, innovative products and services that resonate well with our corporate and consumer customers. Alongside our commitment to the highest standards in customer service, innovation is equally ingrained in our business and we will remain agile in these fields to enable us to continue to deliver the quality products and services that our diversifying customer base has come to expect from us.

Financial highlights

The seasonality of Park's business means that the first half of the year, although always extremely busy and important in terms of securing orders, is traditionally loss making. The period ended well, with order books across the group ahead of the same period last year. Over 85 per cent of sales to consumers are dispatched and invoiced in the October to December period, principally from orders taken in the first few months of the calendar year.

The financial performance in the first half of the year delivered further growth in billings and revenue in both the consumer and corporate sides of our business. In the six months to 30 September 2016 total billings grew 5.9 per cent to £98.3m (H1 2015 – £92.8m) while revenue increased 0.5 per cent to £72.4m (H1 2015 – £72.1m).

The operating loss for the first half reduced to £1.6m (H1 2015 – loss £2.2m) while interest receipts advanced 7.7 per cent to £0.83m (H1 2015 – £0.77m) reflecting higher cash balances. The pre-tax loss reduced to £0.8m (H1 2015 – loss £1.4m). Total cash balances including cash held in trust at 30 September were £198.7m (H1 2015 – £178.9m). This increase is due to the cash retention from prior year profits and improved working capital arising from increased levels of trading. Balances continued to rise after the period end, peaking at a record £217m (2015 – £206m) at the beginning of November.

The board has declared an increased interim dividend of 0.95p per share (H1 2015 – 0.85p per share). The dividend will be paid on 6 April 2017 to shareholders on the register on 3 March 2017.

Acquisition

In October, soon after the period end, Park completed the cash purchase of Fisher Moy International Limited (FMI), a specialist in corporate employee and customer engagement products and programmes. The acquisition is expected to be earnings enhancing in the first full year of ownership. FMI, a business we have worked with many times in the past and know well, will enhance further Park's position as a leading provider of reward and incentivisation programmes to the corporate market. In turn, its status as part of Park Group is also expected to assist FMI in targeting increasingly larger businesses.

The integration of the business into Park Group is progressing well and its performance is consistent with management expectations.

We continue to monitor our sectors closely for appropriate acquisition opportunities which can enhance our customer offering or technological capabilities.

Operations

The corporate business made further good progress supplying a wide range of gift cards, vouchers and digital reward products, as well as bespoke online systems enabling businesses to motivate and incentivise their employees and customers. Billings in the first half of the year were 4.0 per cent above the prior year at £68.7m (H1 2015 – £66.0m). Growth was achieved from new client wins, product innovation and the strength and breadth of the existing customer base. Our corporate business reached over 28,000 businesses last year in the circa £5bn voucher and gift card market (Source: UK Gift Card and Voucher Association).

A feature of the first half performance was the ongoing strong demand from the incentive sector, where Park's products continue to secure new business and increase market share. In previous years, our results have been negatively affected by exposure to the credit sector and we have sought to mitigate this effect by successfully building sales in other sectors. Due to this altered focus, sales to the credit sector now represent less than one per cent of our total business and no longer influence Park's overall performance.

In June, we launched 'Evolve', offering instant rewards through a branded online platform. This innovative and cost-effective digital product allows corporate users to create and control web and smart device based programmes for their customers and staff. Over 40 businesses have already used the system and a strong pipeline of activity gives good reason for optimism. 'Engage', our scheme management portal, launched last year, has also been well received. 'Engage' allows corporate users to create and control web or smart device based programmes for their customers or staff.

Park's relationship with MasterCard continues to develop well. Customers can now use the 'Anywhere' and 'Online' prepaid cards at outlets that accept MasterCard. These products are very attractive to Park's customers, as they broaden the choice of retailers for our customers, half of whom, our research shows, do not have a credit card.

The consumer business, offering a range of vouchers, prepaid gift products and hampers, has also performed well with orders for Christmas 2016 running c 4 per cent above the level of the comparable period last year. Billings in the first half of the year increased 10.5 per cent to £29.6m (H1 2015 – £26.8m). The success of the 'Combi' card was a feature of these first half results. 'Combi' gives customers two cards: one is our market leading Love2shop card and the other is for national retailers previously unavailable to them, including Asda, Morrisons, Primark and Sainsbury's, with Amazon and Tesco also joining the programme this year.

As part of our commitment to customer service enhancement, we have also improved our website functionality and developed a new mobile app to offer our customers increased flexibility and control over their accounts.

The marketing campaign in the consumer business for the 2017 festive season commenced in September and will run for five months. The campaign is performing well and the value of orders placed so far for next year is very encouraging.

Board

John Dembitz, our longest serving independent director, stepped down from the board in June as he was approaching the nine year limit for non-executive directors, set out in corporate governance guidelines. On behalf of the board, I would like to thank John for his valuable contribution to the development of the company and we wish him well in his future endeavours.

In September, we welcomed John Gittins to the board as a non-executive director and Chair of the Audit Committee. John brings a strong track record of relevant experience, spanning more than 20 years as a Chief Financial Officer across a number of sectors and territories. We look forward to working with John and are confident that we will benefit from his extensive experience and expertise.

We are also pleased to announce that Michael de Kare-Silver has accepted the role of Senior Independent Director and the appointment will take effect today.

Outlook

The second half has started well and trading is in line with expectations. With record cash balances, a debt free balance sheet and order books again ahead of the comparable period last year, we are confident in our positive outlook for the business.

Laura Carstensen
Chairman
29 November 2016

Consolidated Income Statement

for the half year to 30 September 2016

	Notes	**Unaudited Half Year to 30.09.16 £'000**	Unaudited Half Year to 30.09.15 £'000	Audited Year to 31.03.16 £'000
Billings		**98,273**	92,795	385,031
Revenue		**72,446**	72,083	302,545
Cost of sales		**(66,525)**	(66,972)	(274,060)
Gross profit		**5,921**	5,111	28,485
Distribution costs		**(599)**	(485)	(2,909)
Administrative expenses		**(6,907)**	(6,796)	(15,176)
Operating (loss)/profit		**(1,585)**	(2,170)	10,400
Finance income		**825**	766	1,523
Finance costs		**–**	–	(66)
(Loss)/profit before taxation		**(760)**	(1,404)	11,857
Taxation	2	**152**	281	(2,169)
(Loss)/profit for the period attributable to equity holders of the parent		**(608)**	(1,123)	9,688
(Loss)/earnings per share	3			
– basic (p)		**(0.33)**	(0.62)	5.28
– diluted (p)		**(0.33)**	(0.62)	5.18

All activities derive from continuing operations.

Consolidated Statement Of Comprehensive Income

for the half year to 30 September 2016

	Unaudited Half Year to 30.09.16 £'000	Unaudited Half Year to 30.09.15 £'000	Audited Year to 31.03.16 £'000
(Loss)/profit for the period	**(608)**	(1,123)	9,688
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	**–**	–	533
Deferred tax on defined benefit pension schemes	**–**	–	(96)
	–	–	437
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences	**(37)**	(18)	(21)
Other comprehensive income for the period net of tax	**(37)**	(18)	416
Total comprehensive income for the period attributable to equity holders of the parent	**(645)**	(1,141)	10,104

Consolidated Statement of Financial Position

as at 30 September 2016

	Unaudited 30.09.16 £'000	Restated Unaudited 30.09.15 £'000	Audited 31.03.16 £'000
Assets			
Non-current assets			
Goodwill	**1,320**	1,320	1,320
Other intangible assets	**2,916**	2,928	3,036
Property, plant and equipment	**7,961**	8,108	8,003
Retirement benefit asset	**1,367**	1,297	1,390
	13,564	13,653	13,749
Current assets			
Inventories	**14,447**	11,888	2,182
Trade and other receivables	**8,534**	9,614	8,729
Tax receivable	**252**	–	–
Other financial assets	**–**	–	500
Monies held in trust	**169,411**	167,035	75,219
Cash and cash equivalents	**32,560**	16,385	32,735
	225,204	204,922	119,365
Total assets	**238,768**	218,575	133,114
Liabilities			
Current liabilities			
Trade and other payables	**(179,829)**	(168,218)	(79,022)
Tax payable	**–**	(394)	(1,019)
Provisions	**(56,319)**	(52,703)	(44,767)
	(236,148)	(221,315)	(124,808)
Non-current liabilities			
Deferred tax liability	**(181)**	(273)	(181)
Retirement benefit obligation	**(1,378)**	(2,339)	(1,700)
	(1,559)	(2,612)	(1,881)
Total liabilities	**(237,707)**	(223,927)	(126,689)
Net assets/(liabilities)	**1,061**	(5,352)	6,425
Equity attributable to equity holders of the parent			
Share capital	**3,674**	3,674	3,674
Share premium	**6,132**	6,132	6,132
Retained earnings	**(8,434)**	(14,847)	(3,070)
Other reserves	**(311)**	(311)	(311)
Total equity	**1,061**	(5,352)	6,425

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Unaudited Total equity £'000
Balance at 1 April 2016	3,674	6,132	(311)	(3,070)	6,425
Total comprehensive income for the period					
Loss	–	–	–	(608)	(608)
Other comprehensive income					
Foreign exchange translation adjustments	–	–	–	(37)	(37)
Total other comprehensive income	–	–	–	(37)	(37)
Total comprehensive income for the period	–	–	–	(645)	(645)
Transactions with owners, recorded directly in equity					
Equity settled share-based payment transactions	–	–	–	333	333
Dividends	–	–	–	(5,052)	(5,052)
Total contributions by and distribution to owners	–	–	–	(4,719)	(4,719)
Balance at 30 September 2016	**3,674**	**6,132**	**(311)**	**(8,434)**	**1,061**
Balance at 1 April 2015	3,650	6,132	(311)	(9,638)	(167)
Total comprehensive income for the period					
Loss	–	–	–	(1,123)	(1,123)
Other comprehensive income					
Foreign exchange translation adjustments	–	–	–	(18)	(18)
Total other comprehensive income	–	–	–	(18)	(18)
Total comprehensive income for the period	–	–	–	(1,141)	(1,141)
Transactions with owners, recorded directly in equity					
Equity settled share-based payment transactions	–	–	–	336	336
LTIP shares awarded	24	–	–	(24)	–
Dividends	–	–	–	(4,380)	(4,380)
Total contributions by and distribution to owners	24	–	–	(4,068)	(4,044)
Balance at 30 September 2015	3,674	6,132	(311)	(14,847)	(5,352)

Consolidated Statement of Changes in Equity *continued*

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Unaudited Total equity £'000
Balance at 1 April 2015	3,650	6,132	(311)	(9,638)	(167)
Total comprehensive income for the year					
Profit	–	–	–	9,688	9,688
Other comprehensive income					
Remeasurement of defined benefit pension schemes	–	–	–	533	533
Tax on defined benefit pension schemes	–	–	–	(96)	(96)
Foreign exchange translation adjustments	–	–	–	(21)	(21)
Total other comprehensive income	–	–	–	416	416
Total comprehensive income for the year	–	–	–	10,104	10,104
Transactions with owners, recorded directly in equity					
Equity settled share-based payment transactions	–	–	–	868	868
LTIP shares awarded	24	–	–	(24)	–
Dividends	–	–	–	(4,380)	(4,380)
Total contributions by and distribution to owners	24	–	–	(3,536)	(3,512)
Balance at 31 March 2016	3,674	6,132	(311)	(3,070)	6,425

Consolidated Statement of Cash Flows
for the half year to 30 September 2016

	Notes	**Unaudited Half Year to 30.09.16 £'000**	Restated Unaudited Half Year to 30.09.15 £'000	Audited Year to 31.03.16 £'000
Cash flows from operating activities				
Cash generated from/(used in) operations	4	**5,605**	(6,879)	12,184
Interest received		**625**	516	1,405
Interest paid		**–**	–	(66)
Tax paid		**(1,119)**	(760)	(2,490)
Net cash generated from/(used in) operating activities		**5,111**	(7,123)	11,033
Cash flows from investing activities				
Sale of investment property and assets held for sale		**–**	42	43
Proceeds from sale of investments		**–**	9	9
Purchase of intangible assets		**(239)**	(127)	(599)
Purchase of property, plant and equipment		**(304)**	(289)	(527)
Net cash used in investing activities		**(543)**	(365)	(1,074)
Cash flows from financing activities				
Dividends paid to shareholders		**(4,123)**	(3,885)	(4,380)
Net cash used in financing activities		**(4,123)**	(3,885)	(4,380)
Net increase/(decrease) in cash and cash equivalents		**445**	(11,373)	5,579
Cash and cash equivalents at beginning of period		**28,817**	23,238	23,238
Cash and cash equivalents at end of period		**29,262**	11,865	28,817
Cash and cash equivalents comprise:				
Cash		**32,560**	16,385	32,735
Bank overdrafts		**(3,298)**	(4,520)	(3,918)
		29,262	11,865	28,817

Segmental Reporting
for the half year to 30 September 2016

	Unaudited Half Year to 30.09.16 £'000	Unaudited Half Year to 30.09.15 £'000	Audited Year to 31.03.16 £'000
Billings			
Consumer	**29,564**	26,753	211,522
Corporate	**68,709**	66,042	173,509
External billings	**98,273**	92,795	385,031
Consumer	**–**	–	–
Corporate	**21,123**	18,501	143,152
Elimination	**(21,123)**	(18,501)	(143,152)
Inter-segment billings	**–**	–	–
Consumer	**29,564**	26,753	211,522
Corporate	**89,832**	84,543	316,661
Elimination	**(21,123)**	(18,501)	(143,152)
Total billings	**98,273**	92,795	385,031
Revenue			
Consumer	**24,042**	22,379	173,045
Corporate	**48,404**	49,704	129,500
External revenue	**72,446**	72,083	302,545
Consumer	**–**	–	–
Corporate	**21,123**	18,501	143,152
Elimination	**(21,123)**	(18,501)	(143,152)
Inter-segment revenue	**–**	–	–
Consumer	**24,042**	22,379	173,045
Corporate	**69,527**	68,205	272,652
Elimination	**(21,123)**	(18,501)	(143,152)
Total revenue	**72,446**	72,083	302,545
Operating (loss)/profit			
Consumer	**(1,349)**	(1,894)	6,823
Corporate	**1,095**	1,156	6,013
All other segments	**(1,331)**	(1,432)	(2,436)
(Loss)/profit before interest	**(1,585)**	(2,170)	10,400

Notes to the Interim Results

1 Basis of preparation

The financial information in this interim report has been prepared in accordance with the International Financial Reporting Standards as adopted by the EU and the AIM rules of the London Stock Exchange and on the basis of the accounting policies described in Park Group plc's annual report and accounts for the year ended 31 March 2016. These accounting policies have been based on the current standards and interpretations expected to be effective at 31 March 2017. The group does not expect there to be a significant impact on the results from standards, amendments or interpretations which are available for early adoption but which have not yet been adopted.

IFRS 15 Revenue from Contracts with Customers, which was released on 28 May 2014, has recently been endorsed by the EU. The group is still considering the impact of this standard on its financial statements including the timing of revenue recognition, income in respect of vouchers and balances on cards which will never be spent and whether revenue should be presented on a gross or net basis in respect of certain revenue streams.

The financial statements have been prepared under the historical cost convention, as modified by the accounting for financial instruments at fair value. In addition this interim financial report does not comply with IAS 34 Interim Financial Reporting, which is not currently required to be applied under AIM rules.

The directors are of the opinion that the financial information should be prepared on a going concern basis, in the light of current trading and the forecast positive cash balances for the foreseeable future.

The financial information included in this interim financial report for the six months ended 30 September 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006 and is unaudited. A copy of the group's statutory accounts for the year ended 31 March 2016, on which the auditors gave an unqualified opinion and did not make a statement under section 498 of the Companies Act 2006, has been filed with the registrar of companies.

2 Taxation

The taxation credit for the six months to 30 September 2016 has been calculated using an overall effective tax rate of 20.0 per cent which has been applied to the taxable income (half year to 30 September 2015 – 20.0 per cent).

Notes to the Interim Results *continued*

3 Earnings per share

Basic earnings per share (eps) is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the period.

For diluted eps, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The calculation of basic and diluted eps is based on the following figures:

	Half Year to 30.09.16 £'000	Half Year to 30.09.15 £'000	Year to 31.03.16 £'000
Earnings			
Total (loss)/earnings for period	**(608)**	(1,124)	9,688

	Half Year to 30.09.16	Half Year to 30.09.15	Year to 31.03.16
Weighted average number of shares			
Basic eps – weighted average number of shares	**183,706,277**	182,567,069	183,658,227
Diluting effect of employee share options	**–**	–	3,544,265
Diluted eps – weighted average number of shares	**183,706,277**	182,567,069	187,202,492
Basic eps			
Weighted average number of ordinary shares in issue	**183,706,277**	182,567,069	183,658,227
Eps (p)	**(0.33)**	(0.62)	5.28
Diluted eps			
Weighted average number of ordinary shares	**183,706,277**	182,567,069	187,202,492
Eps (p)	**(0.33)**	(0.62)	5.18

4 Reconciliation of (loss)/profit for the period to cash generated from/(used in) operations

	Half Year to 30.09.16 £'000	Half Year to 30.09.15 £'000	Year to 31.03.16 £'000
(Loss)/profit for the period	**(608)**	(1,123)	9,688
Adjustments for:			
Tax	**(152)**	(281)	2,169
Interest income	**(825)**	(766)	(1,523)
Interest expense	**–**	–	66
Research and development tax credit	**–**	–	(46)
Depreciation and amortisation	**705**	693	1,382
Impairment of other intangibles	**–**	–	13
Profit on sale of assets held for sale	**–**	(3)	(4)
Profit on sale of other investment	**–**	(2)	(1)
Decrease in other financial assets	**500**	500	–
(Increase)/decrease in inventories	**(12,265)**	(8,702)	1,004
Decrease in trade and other receivables	**395**	1,847	2,599
Increase in trade and other payables	**100,498**	92,729	4,634
Increase in provisions	**11,552**	9,517	1,581
Increase in monies held in trust	**(94,192)**	(101,307)	(9,491)
Decrease in retirement benefit obligation	**(299)**	(299)	(497)
Translation adjustment	**(37)**	(18)	(21)
Share-based payments	**333**	336	631
Cash generated from/(used in) operations	**5,605**	(6,879)	12,184

5 Restatement of prior period figures

At 30 September 2015 whilst the group did not have a bank overdraft, it did have a cashbook overdraft due to the timing of unpresented cheques. This was incorrectly netted off cash and cash equivalents, rather than being shown as "Bank overdraft" within trade and other payables. Previously reported figures have been restated as follows:

	As reported at 30.09.15 £'000	Reclassification of cash book overdraft £'000	Balance as restated at 30.09.15 £'000
Cash and cash equivalents	11,865	4,520	16,385
Trade and other payables	(163,698)	(4,520)	(168,218)

6 Approval

This statement was approved by the board on 29 November 2016.

Designed and produced by Emperor
www.emperordesign.co.uk +44 (0)121 262 3830

Park Group plc
Valley Road, Birkenhead
Merseyside CH41 7ED
info@parkgroup.co.uk