



 **Park Group plc**



LOVE2SHOP



highstreet
vouchers 



PARK
Helping you plan your perfect Christmas



flexiCash

PARK GROUP PLC
Interim Report 2015

Park Group plc

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

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PARK

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A hand in a dark blue sweater sleeve is pointing upwards with the index finger. To the right of the hand is a small black tag icon with the text '.COM' in white.

Financial Highlights

- Billings rise 23.1 per cent to £92.8m (2014 - £75.4m)
- Revenue increases 23.2 per cent to £72.1m (2014 - £58.5m)
- Seasonal pre-tax loss reduces to £1.4m (2014 - loss £2.4m)
- Interest receipts improve 21.2 per cent to £0.8m (2014 - £0.6m)
- Dividend raised 6.3 per cent to 0.85p per share (2014 - 0.80p)
- Cash balances peak at £206m (2014 - £189m)

Operational Highlights

- Corporate billings up 12.8 per cent to £66.0m (2014 - £58.6m)
- Consumer billings increase 59.0 per cent to £26.8m (2014 - £16.8m)
- Online business continues to grow

Interim Statement

It is pleasing to report another strong performance from Park Group. In the six months to 30 September 2015 the company maintained the momentum of the previous financial year achieving considerable further success in booking orders for its corporate and consumer businesses.

Financial highlights

Park is a seasonal business, which is traditionally loss making in the first half of the year, however it remains a critically important time for the group, as the majority of orders are booked during this period. Order activity in the first half of the year was particularly encouraging and we completed the period with a strong order book for Christmas savings which, in the main, will be delivered in the run up to the festive season.

The first half of the year delivered further growth in billings in both the consumer and the corporate businesses. In the six months to 30 September 2015 total billings rose by 23.1 per cent compared to the equivalent period last year to £92.8m (H1 2014 - £75.4m) while revenue increased by 23.2 per cent to £72.1m (H1 2014 - £58.5m).

The operating loss improved further, to £2.2m (H1 2014 - loss £3.1m) while interest receipts grew by 21.2 per cent to £0.8m (H1 2014 - £0.6m) reflecting higher cash balances. The pre-tax loss reduced to £1.4m (H1 2014 - loss £2.4m). Cash balances held in trust at 30 September were £167.0m (H1 2014 - £152.1m). Total cash balances peaked at a record £206m (H1 2014 - £189m) at the beginning of November.

Dividend

The board has declared an interim dividend for the six months to 30 September 2015 of 0.85p per share (2014 - 0.80p). The dividend will be paid on 6 April 2016 to shareholders on the register on 4 March 2016.

Operations

The corporate business, supplying over 7,000 organisations in a UK voucher and gift card market, worth an estimated £5bn (source: UK Gift Card & Voucher Association), delivered another strong performance. The business incorporates a wide range of gift cards, vouchers and e-codes in its tailor-made schemes which are designed for customer organisations to recognise, incentivise and reward staff for excellent performance. Corporate billings to third party customers rose by 12.8 per cent to £66.0m (H1 2014 - £58.6m). New products are performing well and made a significant contribution to the 15.0 per cent growth in billings to the incentive market and 45.0 per cent growth in billings to the employee benefits segment. Park's exposure to the consumer credit market reduced further, with billings 63.8 per cent



“Park looks forward with confidence and is well placed to deliver another strong performance.”

lower than the same period last year at £1.3m (H1 2014 - £3.7m). Excluding consumer credit, total corporate billings grew by 16.9 per cent in the six months compared with the same period last year.

Over the last few years we have been building our capabilities within the business to support the continuing growth in our customer base. This ongoing commitment to development has been recognised with our corporate business, Love2shop Business Services, being awarded the prestigious 'Company of the Year' award at the Institute of Promotional Marketing COGS awards, which recognise excellence and creativity within the industry.

In addition, Love2shop Holidays, our in-house travel business, which redeems Park's cards and vouchers, as well as accepting traditional payment methods for holidays, was awarded 'Independent Travel Agent of the Year' at the 2015 Brit Travel Awards.

Park's prepaid card, flexecash®, made further progress with billings in the period rising by 24.1 per cent to £22.0m (H1 2014 - £17.7m). The card, which is offered alongside Park's traditional paper voucher, is now accepted by 64 retail brands in the UK (H1 2014 - 63 brands) while the voucher is accepted by 148 brands in the UK (H1 2014 - 144 brands) and 51 brands in Ireland (H1 2014 - 44 brands).

Our online business continues to expand, with e-commerce billings through our websites highstreetvouchers.com, Love2shop.co.uk and Love2reward.co.uk achieving a 14.0 per cent year on year growth to £9.8m (H1 2014 - £8.6m). Customers appreciate the freedom and choice offered by these internet sites which allow users to interact with Park in a manner and at a time which suits the lifestyle of the individual client.

The consumer business, offering an extensive range of vouchers, prepaid cards, hampers and other gift products, had an excellent first half with billings rising by 59.0 per cent to £26.8m (H1 2014 - £16.8m). This increase reflects strong customer demand and the early release of some orders. The months leading up to the festive season are critical for the business as orders booked earlier in the year are delivered. It is pleasing to report that the order book for the year is around 7.0 per cent ahead of the same period last year.

The consumer business also carries out storage and contract packing for third parties and this operation generated billings of £1.0m (H1 2014 - £0.6m) in the period under review.

The marketing campaign for the 2016 festive season, which commenced in September and usually runs for five months, has started well and the early order indications are very encouraging.

Outlook

The second half of the financial year has started well as we enter the key delivery period, with orders for Christmas 2015 well ahead of the same period last year. Park looks forward with confidence and is well placed to deliver another strong performance.

Peter Johnson

Non-executive chairman

1 December 2015

Unaudited Consolidated Income Statement for the half year to 30 September 2015

	Notes	Half year to 30.09.15 £'000	Half year to 30.09.14 £'000	Year to 31.03.15 £'000
Billings		92,795	75,394	372,887
Revenue		72,083	58,501	293,329
Cost of sales		(66,972)	(54,896)	(265,966)
Gross profit		5,111	3,605	27,363
Distribution costs		(485)	(384)	(2,761)
Administrative expenses		(6,796)	(6,274)	(14,914)
Operating (loss)/profit		(2,170)	(3,053)	9,688
Finance income		766	632	1,246
Finance costs		-	(1)	(1)
(Loss)/profit before taxation		(1,404)	(2,422)	10,933
Taxation	2	281	509	(2,434)
(Loss)/profit for the period attributable to equity holders of the parent		(1,123)	(1,913)	8,499
(Loss)/earnings per share	3			
- basic (p)		(0.62)	(1.05)	4.66
- diluted (p)		(0.62)	(1.05)	4.60

All activities derive from continuing operations.

Unaudited Consolidated Statement of Comprehensive Income for the half year to 30 September 2015

	Half year to 30.09.15 £'000	Half year to 30.09.14 £'000	Year to 31.03.15 £'000
(Loss)/profit for the period	(1,123)	(1,913)	8,499
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	-	-	(731)
Deferred tax on defined benefit pension schemes	-	-	146
	-	-	(585)
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences	(18)	44	17
Other comprehensive income for the period net of tax	(18)	44	(568)
Total comprehensive income for the period attributable to equity holders of the parent	(1,141)	(1,869)	7,931

Unaudited Consolidated Statement of Financial Position as at 30 September 2015

	30.09.15 £'000	30.09.14 £'000	31.03.15 £'000
Assets			
Non-current assets			
Goodwill	1,320	1,320	1,320
Other intangible assets	2,928	3,500	3,168
Investments	–	8	8
Investment property	–	190	–
Property, plant and equipment	8,108	8,404	8,143
Retirement benefit asset	1,297	–	1,293
	13,653	13,422	13,932
Current assets			
Inventories	11,888	13,815	3,186
Trade and other receivables	9,614	10,530	11,212
Tax receivable	–	311	–
Other financial assets	–	–	500
Monies held in trust	167,035	152,062	65,728
Cash and cash equivalents	11,865	5,477	26,333
Assets held for sale	–	–	39
	200,402	182,195	106,998
Total assets	214,055	195,617	120,930
Liabilities			
Current liabilities			
Trade and other payables	(163,698)	(158,883)	(73,569)
Tax payable	(394)	–	(1,435)
Provisions	(52,703)	(45,635)	(43,186)
	(216,795)	(204,518)	(118,190)
Non-current liabilities			
Deferred tax liability	(273)	(294)	(273)
Retirement benefit obligation	(2,339)	(912)	(2,634)
	(2,612)	(1,206)	(2,907)
Total liabilities	(219,407)	(205,724)	(121,097)
Net liabilities	(5,352)	(10,107)	(167)
Equity attributable to equity holders of the parent			
Share capital	3,674	3,650	3,650
Share premium	6,132	6,132	6,132
Retained earnings	(14,847)	(19,578)	(9,638)
Other reserves	(311)	(311)	(311)
Total equity	(5,352)	(10,107)	(167)

Unaudited Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total parent equity £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 April 2015	3,650	6,132	(311)	(9,638)	(167)	–	(167)
Total comprehensive income for the period							
Loss	–	–	–	(1,123)	(1,123)	–	(1,123)
Other comprehensive income							
Foreign exchange translation adjustments	–	–	–	(18)	(18)	–	(18)
Total other comprehensive income	–	–	–	(18)	(18)	–	(18)
Total comprehensive income for the period	–	–	–	(1,141)	(1,141)	–	(1,141)
Transactions with owners, recorded directly in equity							
Equity settled share-based payment transactions	–	–	–	336	336	–	336
LTIP shares awarded	24	–	–	(24)	–	–	–
Dividends	–	–	–	(4,380)	(4,380)	–	(4,380)
Total contributions by and distribution to owners	24	–	–	(4,068)	(4,044)	–	(4,044)
Balance at 30 September 2015	3,674	6,132	(311)	(14,847)	(5,352)	–	(5,352)
Balance at 1 April 2014	3,650	6,132	–	(13,606)	(3,824)	(311)	(4,135)
Total comprehensive income for the period							
Loss	–	–	–	(1,913)	(1,913)	–	(1,913)
Other comprehensive income							
Foreign exchange translation adjustments	–	–	–	44	44	–	44
Total other comprehensive income	–	–	–	44	44	–	44
Total comprehensive income for the period	–	–	–	(1,869)	(1,869)	–	(1,869)
Transactions with owners, recorded directly in equity							
Equity settled share-based payment transactions	–	–	–	95	95	–	95
Purchase of non-controlling interest	–	–	(311)	–	(311)	311	–
Dividends	–	–	–	(4,198)	(4,198)	–	(4,198)
Total contributions by and distribution to owners	–	–	(311)	(4,103)	(4,414)	311	(4,103)
Balance at 30 September 2014	3,650	6,132	(311)	(19,578)	(10,107)	–	(10,107)

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total parent equity £'000	Non-controlling interest £'000	Total equity £'000
Balance at 1 April 2014	3,650	6,132	–	(13,606)	(3,824)	(311)	(4,135)
Total comprehensive income for the year							
Profit	–	–	–	8,499	8,499	–	8,499
Other comprehensive income							
Remeasurement of defined benefit pension schemes	–	–	–	(731)	(731)	–	(731)
Tax on defined benefit pension schemes	–	–	–	146	146	–	146
Foreign exchange translation adjustments	–	–	–	17	17	–	17
Total other comprehensive income	–	–	–	(568)	(568)	–	(568)
Total comprehensive income for the year	–	–	–	7,931	7,931	–	7,931
Transactions with owners, recorded directly in equity							
Equity settled share-based payment transactions	–	–	–	235	235	–	235
Purchase of non-controlling interest	–	–	(311)	–	(311)	311	–
Dividends	–	–	–	(4,198)	(4,198)	–	(4,198)
Total contributions by and distribution to owners	–	–	(311)	(3,963)	(4,274)	311	(3,963)
Balance at 31 March 2015	3,650	6,132	(311)	(9,638)	(167)	–	(167)

Unaudited Consolidated Statement of Cash Flows

for the half year to 30 September 2015

	Notes	Half year to 30.09.15 £'000	Half year to 30.09.14 £'000	Year to 31.03.15 £'000
Cash flows from operating activities				
Cash (used in)/generated from operations	4	(6,879)	(4,285)	14,106
Interest received		516	602	1,177
Interest paid		-	(1)	(1)
Tax paid		(760)	(1,061)	(2,132)
Net cash (used in)/generated from operating activities		(7,123)	(4,745)	13,150
Cash flows from investing activities				
Sale of investment property		-	-	41
Proceeds from sale of assets previously held for sale		42	-	-
Proceeds from sale of investments		9	-	-
Purchase of intangible assets		(127)	(117)	(212)
Purchase of property, plant and equipment		(289)	(305)	(385)
Net cash used in investing activities		(365)	(422)	(556)
Cash flows from financing activities				
Dividends paid to shareholders		(3,885)	(4,198)	(4,198)
Net cash used in financing activities		(3,885)	(4,198)	(4,198)
Net (decrease)/increase in cash and cash equivalents		(11,373)	(9,365)	8,396
Cash and cash equivalents at beginning of period		23,238	14,842	14,842
Cash and cash equivalents at end of period		11,865	5,477	23,238
Cash and cash equivalents comprise:				
Cash		11,865	5,477	26,333
Bank overdrafts		-	-	(3,095)
		11,865	5,477	23,238

Unaudited Segmental Reporting

for the half year to 30 September 2015

	Half year to 30.09.15 £'000	Half year to 30.09.14 £'000	Year to 31.03.15 £'000
Billings			
Consumer	26,753	16,822	196,796
Corporate	66,042	58,572	176,091
External billings	92,795	75,394	372,887
Consumer	–	–	–
Corporate	18,501	12,039	135,667
Elimination	(18,501)	(12,039)	(135,667)
Inter-segment billings	–	–	–
Consumer	26,753	16,822	196,796
Corporate	84,543	70,611	311,758
Elimination	(18,501)	(12,039)	(135,667)
Total billings	92,795	75,394	372,887
Revenue			
Consumer	22,379	14,096	164,682
Corporate	49,704	44,405	128,647
External revenue	72,083	58,501	293,329
Consumer	–	–	–
Corporate	18,501	12,039	135,667
Elimination	(18,501)	(12,039)	(135,667)
Inter-segment revenue	–	–	–
Consumer	22,379	14,096	164,682
Corporate	68,205	56,444	264,314
Elimination	(18,501)	(12,039)	(135,667)
Total revenue	72,083	58,501	293,329
Results			
Consumer	(1,894)	(2,454)	5,933
Corporate	1,156	669	6,465
All other segments	(1,432)	(1,268)	(2,710)
(Loss)/profit before interest	(2,170)	(3,053)	9,688

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 2015. These accounting policies have been based on the current standards and interpretations expected to be effective at 31 March 2016. 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 not yet been endorsed by the EU. The group is still considering the impact of this standard on its financial statements.

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 2015 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 2015, 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 2015 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 2014 – 21.0 per cent).

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 30.09.15 £'000	Half year to 30.09.14 £'000	Year to 31.03.15 £'000
Earnings			
Total (loss)/earnings for period	(1,123)	(1,913)	8,499
	Half year to 30.09.15	Half year to 30.09.14	Year to 31.03.15
Weighted average number of shares			
Basic eps – weighted average number of shares	182,567,069	182,501,219	182,501,219
Diluting effect of employee share options	–	–	2,202,818
Diluted eps – weighted average number of shares	182,567,069	182,501,219	184,704,037

3. Earnings per share *continued*

	Half year to 30.09.15	Half year to 30.09.14	Year to 31.03.15
Basic eps			
Weighted average number of ordinary shares in issue	182,567,069	182,501,219	182,501,219
Eps (p)	(0.62)	(1.05)	4.66
	Half Year to 30.09.15	Half Year to 30.09.14	Year to 31.03.15
Diluted eps			
Weighted average number of ordinary shares	182,567,069	182,501,219	184,704,037
Eps (p)	(0.62)	(1.05)	4.60

4. Reconciliation of net (loss)/profit to net cash (outflow)/inflow from operating activities

	Half year to 30.09.15 £'000	Half year to 30.09.14 £'000	Year to 31.03.15 £'000
Net (loss)/profit	(1,123)	(1,913)	8,499
Adjustments for:			
Tax	(281)	(509)	2,434
Interest income	(766)	(632)	(1,246)
Interest expense	–	1	1
Depreciation and amortisation	693	742	1,497
Impairment of investment property	–	–	95
Impairment of other intangibles	–	–	16
Impairment of assets held for sale	–	–	14
Profit on sale of assets held for sale	(3)	–	–
Profit on sale of other investment	(2)	–	–
Decrease in other financial assets	500	500	–
Increase in inventories	(8,702)	(12,258)	(1,629)
Decrease/(increase) in trade and other receivables	1,847	(427)	(1,072)
Increase in trade and other payables	92,729	96,528	8,118
Increase in provisions	9,517	8,401	5,952
Increase in monies held in trust	(101,307)	(94,548)	(8,214)
Decrease in retirement benefit obligation	(299)	(309)	(611)
Translation adjustment	(18)	44	17
Share-based payments	336	95	235
Net cash (outflow)/inflow from operating activities	(6,879)	(4,285)	14,106

5. Approval

This statement was approved by the board on 1 December 2015.

Notes



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