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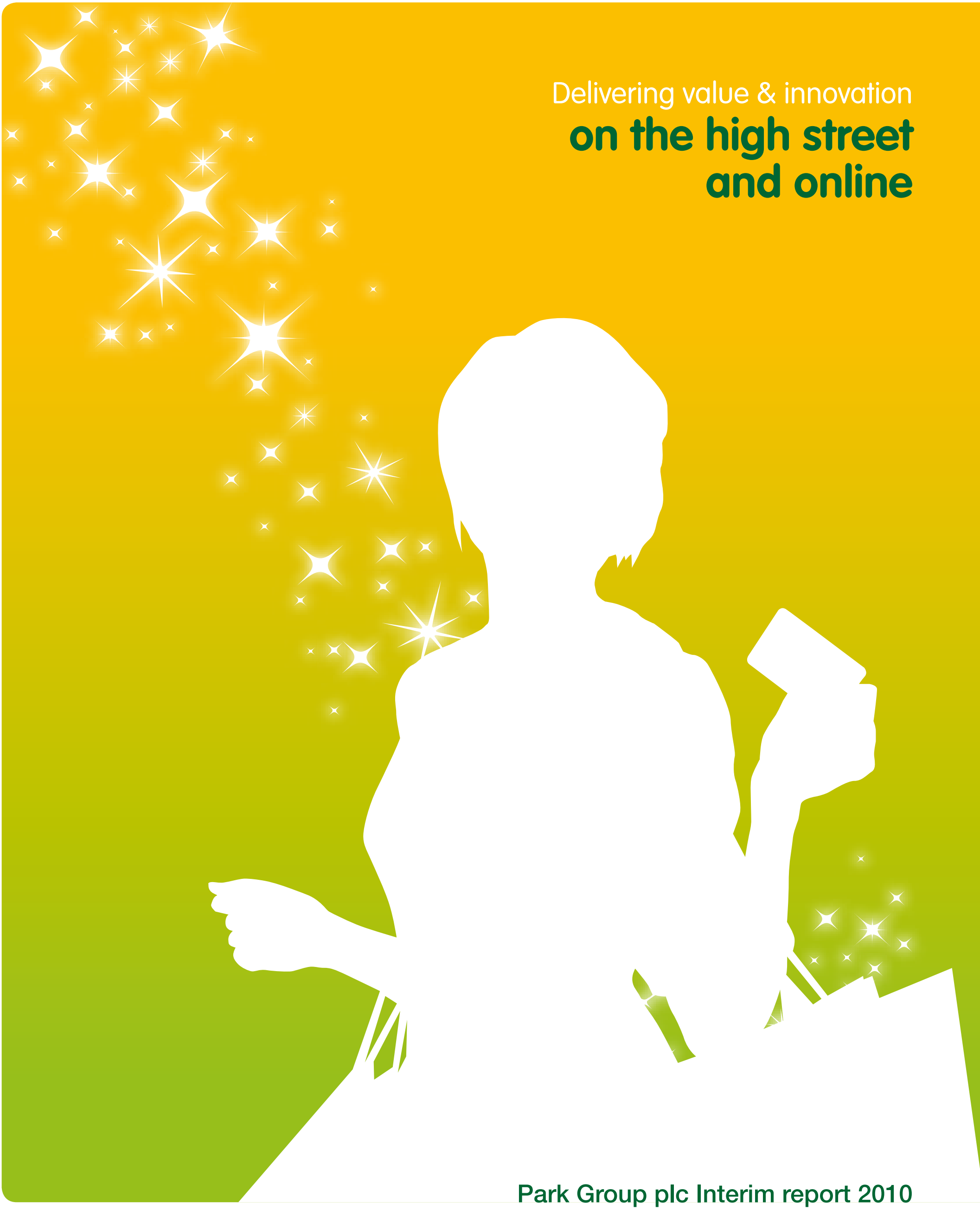
PARK GROUP PLC



Delivering value & innovation

on the high street and online

Park Group plc Interim report 2010

Park Group plc
is the UK's leading multi-redemption voucher and prepaid card business.

love to save
love to reward
love to shop

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Operational highlights

→ Corporate voucher sales advance 51 per cent in period

→ Long term customer contracts make significant contribution

→ flexecash® prepaid card launched in June and achieving rapid sales growth

→ Christmas savings 2010 agents increased to 110,000 (2009: 109,000)

→ Average Christmas savings order value well ahead of last year at £401 (2009: £375)

→ Online business continuing to grow strongly

Financial highlights

→ 49 per cent increase in revenue on continuing operations to £50.9 million (2009: £34.2 million)

→ Considerable improvement in operating loss (before finance income and taxation) to £0.1 million (2009: loss £4.7 million)

→ 33 per cent uplift in finance income to £0.65 million (2009: £0.49 million)

→ Pre-tax loss before VAT recovery reduced by 7 per cent to £3.9 million (2009: £4.2 million)

→ Interim dividend raised 13.6 per cent to 0.5 pence net per share (2009: 0.44 pence)

→ Total cash balances peaked at £140 million (2009: £120 million)

Chairman's Statement

Peter Johnson
Chairman

"The strong performance of the first period is being maintained with both the Christmas savings and corporate businesses trading ahead of last year. The company is well positioned to move ahead strongly benefiting from its innovative and attractive product ranges coupled with the exciting opportunities offered by flexecash®, the new prepaid card."

I am pleased to report that Park delivered an excellent result for the six months to 30 September 2010 with both revenue and profit ahead of the equivalent period last year. Our strategy of investing to expand marketing and product development is driving performance, backed by opportunistic acquisition which broadens not only our market penetration but also our product offering. Park's use of internet technology is a vital component of this success.

Trading results

Results for the continuing operations for the six months to 30 September 2010

- Revenue increased by 49 per cent to £50.9 million (2009: £34.2 million) reflecting strong performances from our Christmas savings and corporate businesses
- Operating loss before finance income and taxation reduced substantially to £0.1 million (2009: loss £4.7 million), although 80 per cent of sales are not dispatched and invoiced until the second half
- Finance income increased by 33 per cent to £0.65 million (2009: £0.49 million), despite low interest rates and our conservative cash management
- Cash balances peaked at 17 per cent higher than last year at £140 million (2009: £120 million) and Park was cash positive throughout the period
- Profit before taxation of £0.5 million (2009: loss £4.2 million) taking account of VAT rebate and one off costs in respect of the new flexecash® card system.

The board is pleased to declare an interim dividend of 0.5 pence per share (2009: 0.44 pence). It will be paid on 6 April 2011 to shareholders on the register on 4 March 2011. When added to the final dividend of 0.88 pence, declared last June, it represents a yield of approximately 5 per cent on a share price of 29 pence. This dividend yield on Park shares is also at what the board believes to be an attractive level for investors considering the growth opportunities that Park currently has through the new flexecash® card system.

Corporate activity

At the end of September we announced the sale of our Dock Road North site to a major house builder for a cash consideration of £1.815 million. After the period end we completed the acquisition of the brand names, customer and agent databases of Dublin based Celtic Hampers and Family Hampers for a cash consideration of up to €1 million, dependent on the businesses meeting certain performance criteria. The businesses do not currently offer vouchers, providing Park with an excellent platform from which to broaden its Christmas savings range by launching its market leading vouchers into the Republic of Ireland, as well as offering a springboard into the Eurozone. We do not expect the current turbulence in the Irish economy to affect the prospects of the acquired business.

Operational review

Our corporate business delivered strong performance with sales up 51 per cent to £45.1 million (2009: £29.9 million). This result accelerates the growth of previous years and is attributable to the strength and quality of our sales team who continue to provide innovative solutions to meet customer needs. We have introduced a range of new solutions for customers including reloadable cards for staff incentive schemes and cards tailored to a restricted range of retailers; sectors targeted include jewellery, toys, fashion and technology. In October last year we won a number of Love2shop gift voucher contracts. These long term contracts made a significant contribution to the results for the period under review. Corporate new business was up with an increase in the number of clients of over 5 per cent compared with the equivalent period last year.

The Christmas savings business achieved an impressive result with sales rising 37 per cent to £5.8 million. The number of agents trading increased to 110,000 from 109,000 last year and customer numbers increased to 410,000 from 400,000. Orders are substantially complete for Christmas 2010 and are currently 9 per cent above last year's amount; furthermore average customer order values increased to £401 from last year's average of £375.

Highstreetvouchers.com, our online gift voucher retailer, has continued to grow robustly during the period and has generated sales of £2.7 million in the half year, an increase of 75 per cent over the comparable period last year. This portal is also attractive to overseas customers who are placing orders for delivery to UK friends and family.

The campaign for Christmas 2011 is progressing well at this early stage, with improved conversion rates and raised efficiency in a turbulent media market.

In June we launched flexecash®, Park's prepaid card. It is being introduced progressively to all of our markets. In the period to the end of September cards were being supplied to 51 corporate customers with a total value of £0.5 million. Since this achievement, sales have accelerated. Currently £14 million of cards have been sold and that figure continues to build. The early indications are very encouraging and justify the substantial development cost, meticulous planning and preparation involved in delivering this innovative product.

Outlook

The first half's strong performance is being maintained with both the Christmas savings and corporate businesses trading ahead of last year. The company is well positioned to move forward, benefiting from its innovative and attractive product ranges coupled with the exciting opportunities offered by flexecash®, the new prepaid card. In addition the recent acquisition in Ireland, which brings the company into the Eurozone, should provide opportunities for building international sales.

Overall we look forward with confidence to delivering another period of sound performance.

Peter Johnson
Chairman
9 December 2010

Unaudited Consolidated Income Statement

for the half year to 30 September 2010

	Half Year to 30.09.10 £'000	Half Year to 30.09.09 £'000	Year to 31.03.10 £'000
Revenue	**50,911**	34,175	263,186
Cost of sales	**(50,749)**	(34,878)	(246,752)
Gross profit/(loss)	**162**	(703)	16,434
Other operating income	**4,418**	–	–
Distribution costs	**(188)**	(161)	(2,518)
Administrative expenses	**(4,499)**	(3,797)	(9,597)
Operating (loss)/profit	**(107)**	(4,661)	4,319
Finance income	**649**	489	960
Finance costs	**(1)**	–	(5)
Profit/(loss) before taxation	**541**	(4,172)	5,274
Taxation	**474**	1,210	(1,734)
Profit/(loss) for the period attributable to equity holders of the parent	**1,015**	(2,962)	3,540
Earnings/(loss) per share (see note 4)			
– basic – total	**0.61p**	(1.79)p	2.14p
– diluted – total	**0.61p**	(1.79)p	2.14p

Unaudited Consolidated Statement of Comprehensive Income

for the half year to 30 September 2010

	Half Year to 30.09.10 £'000	Half Year to 30.09.09 £'000	Year to 31.03.10 £'000
Profit/(loss) for the period	**1,015**	(2,962)	3,540
Other comprehensive income:			
Actuarial losses on defined benefit pension plans	**–**	–	(3,038)
Deferred tax on actuarial losses on defined benefit pension plans	**–**	–	851
Other comprehensive income for the period, net of tax	**–**	–	(2,187)
Total comprehensive income for the period	**1,015**	(2,962)	1,353

Unaudited Consolidated Statement of Financial Position

	As at 30.09.10 £'000	As at 30.09.09 £'000	As at 31.03.10 £'000
Assets			
Non–current assets			
Goodwill	**1,452**	1,513	1,452
Other intangible assets	**3,443**	2,902	3,467
Investments	**2**	2	2
Investment property	**265**	270	268
Property, plant and equipment	**3,855**	4,033	3,859
Deferred tax assets	**465**	221	483
	9,482	8,941	9,531
Current assets			
Inventories	**11,098**	8,597	878
Trade and other receivables	**10,846**	4,684	4,901
Tax receivable	**65**	1,194	–
Cash and cash equivalents	**11,258**	5,700	15,479
Monies held in trust	**102,191**	85,721	21,457
Assets held for sale	**725**	725	725
	136,183	106,621	43,440
Total assets	**145,665**	115,562	52,971
Liabilities			
Current liabilities			
Trade and other payables	**(136,580)**	(124,209)	(47,786)
Tax payable	**–**	–	(541)
Provisions	**(35,181)**	(23,365)	(30,193)
	(171,761)	(147,574)	(78,520)
Non–current liabilities			
Retirement benefit obligation	**(3,721)**	(996)	(3,849)
	(3,721)	(996)	(3,849)
Total liabilities	**(175,482)**	(148,570)	(82,369)
Net liabilities	**(29,817)**	(33,008)	(29,398)
Equity attributable to equity holders of the parent			
Share capital	**3,301**	3,301	3,301
Share premium account	**1,070**	1,070	1,070
Retained earnings	**(34,188)**	(37,379)	(33,769)
Total equity	**(29,817)**	(33,008)	(29,398)

Unaudited Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2010	3,301	1,070	(33,769)	(29,398)
Total comprehensive income for the period				
Profit	–	–	1,015	1,015
Total comprehensive income for the period	–	–	1,015	1,015
Transactions with owners, recorded directly in equity				
Equity settled share-based payment transactions	–	–	20	20
Dividends	–	–	(1,454)	(1,454)
Total contributions by and distribution to owners	–	–	(1,434)	(1,434)
Balance at 30 September 2010	**3,301**	**1,070**	**(34,188)**	**(29,817)**
Balance at 1 April 2009	3,301	1,070	(32,983)	(28,612)
Total comprehensive income for the period				
Loss	–	–	(2,962)	(2,962)
Total comprehensive income for the period	–	–	(2,962)	(2,962)
Transactions with owners, recorded directly in equity				
Equity settled share-based payment transactions	–	–	20	20
Dividends	–	–	(1,454)	(1,454)
Total contributions by and distribution to owners	–	–	(1,434)	(1,434)
Balance at 30 September 2009	3,301	1,070	(37,379)	(33,008)
Balance at 1 April 2009	3,301	1,070	(32,983)	(28,612)
Total comprehensive income for the period				
Profit	–	–	3,540	3,540
Other comprehensive income				
Actuarial losses on defined benefit pension plans	–	–	(3,038)	(3,038)
Tax on other comprehensive income	–	–	851	851
Total other comprehensive income	–	–	(2,187)	(2,187)
Total comprehensive income for the period	–	–	1,353	1,353
Transactions with owners, recorded directly in equity				
Equity settled share-based payment transactions	–	–	40	40
Dividends	–	–	(2,179)	(2,179)
Total contributions by and distribution to owners	–	–	(2,139)	(2,139)
Balance at 31 March 2010	3,301	1,070	(33,769)	(29,398)

Unaudited Consolidated Statement of Cash Flows

for the half year to 30 September 2010

	Half Year to 30.09.10 £'000	Half Year to 30.09.09 £'000	Year to 31.03.10 £'000
Cash flows from operating activities (note 6)			
Cash (used in)/generated from operations	**(2,979)**	(3,072)	8,782
Interest received	**240**	181	942
Interest paid	**(1)**	–	(5)
Tax paid	**(115)**	(573)	(1,193)
Net cash (used in)/generated from operating activities	**(2,855)**	(3,464)	8,526
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	**–**	–	2
Purchase of other intangible assets	**(210)**	(1,344)	(2,070)
Purchase of property, plant and equipment	**(235)**	(215)	(281)
Net cash used in investing activities	**(445)**	(1,559)	(2,349)
Cash flows from financing activities			
Dividends paid to shareholders	**(921)**	(1,484)	(2,905)
Net cash used in financing activities	**(921)**	(1,484)	(2,905)
Net (decrease)/increase in cash and cash equivalents	**(4,221)**	(6,507)	3,272
Cash and cash equivalents at beginning of period	**15,479**	12,207	12,207
Cash and cash equivalents at end of period	**11,258**	5,700	15,479
Cash and cash equivalents comprise:			
Cash	**11,258**	5,700	15,479

Unaudited Segmental Reporting

for the half year to 30 September 2010

	Half Year to 30.09.10 £'000	Half Year to 30.09.09 £'000	Year to 31.03.10 £'000
Revenue			
Christmas savings	**5,820**	4,257	155,983
Corporate vouchers	**45,091**	29,918	107,203
External revenue	**50,911**	34,175	263,186
Christmas savings	**–**	–	–
Corporate vouchers	**4,401**	3,184	124,362
Elimination	**(4,401)**	(3,184)	(124,362)
Inter–segment revenue	**–**	–	–
Christmas savings	**5,820**	4,257	155,983
Corporate vouchers	**49,492**	33,102	231,565
Elimination	**(4,401)**	(3,184)	(124,362)
Total revenue	**50,911**	34,175	263,186
Results			
Christmas savings	**(3,165)**	(3,488)	2,805
Christmas savings – other operating income	**4,490**	–	–
Corporate vouchers	**(519)**	(443)	3,198
Unallocated	**(913)**	(730)	(1,684)
(Loss)/profit before interest	**(107)**	(4,661)	4,319

Note: Elimination of revenue represents intra-group sales of vouchers, sold by the corporate voucher business to the Christmas savings business.

Notes to the Accounts

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 & accounts for the year ended 31 March 2010. These accounting policies have been based on the current standards and interpretations expected to be effective at 31 March 2011. 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.

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 IAS34 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 forseeable future.

The financial information included in this interim financial report for the six months ended 30 September 2010 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 2010, 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 Other operating income

As announced in August, Park Group plc received an amount of £1,891,000 from HM Revenue and Customs (HMRC) in settlement of a 'Fleming' claim in respect of an over declaration of output tax arising from the VAT accounting treatment of commissions paid to agents. The claim covered the period 1978 to 1996. Park also received a further net amount of £345,000 in respect of a VAT refund in respect of the years post 1996 net of clawed back input VAT previously repaid to us, in connection with flotation costs. Statutory interest of £2,547,000 was received in respect of both of these claims and professional fees of £365,000 were incurred.

For taxation purposes the amounts received in respect of the over declaration of output tax for prior years has not been treated as taxable income.

3 Taxation

The taxation credit for the six months to 30 September 2010 has been calculated using an overall effective tax rate of 29.0 per cent which has been applied to the taxable income (half year to 30 September 2009 – 29.0 per cent).

Notes to the Accounts continued

4 Earnings per share

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

For diluted earnings per share, 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 earnings per share is based on the following figures:

	Half year to 30.09.10 £'000	Half year to 30.09.09 £'000	Year to 31.03.10 £'000
Earnings			
Total earnings/(loss) for period	**1,015**	(2,962)	3,540

	Half year to 30.09.10	Half year to 30.09.09	Year to 31.03.10
Weighted average number of shares			
Basic eps – weighted average number of shares	**165,064,410**	165,064,410	165,064,410
Diluting effect of employee share options	**598,616**	579,705	590,942
Diluted eps – weighted average number of shares	**165,663,026**	165,644,115	165,655,352

	Half year to 30.09.10	Half year to 30.09.09	Year to 31.03.10
Basic earnings/(loss) per share			
Weighted average number of shares in issue	**165,064,410**	165,064,410	165,064,410
Total (pence)	**0.61**	(1.79)	2.14

	Half year to 30.09.10	Half year to 30.09.09	Year to 31.03.10
Diluted earnings/(loss) per share			
Weighted average number of shares in issue	**165,663,026**	165,644,115	165,655,352
Total (pence)	**0.61**	(1.79)	2.14

5 Assets held for sale

We announced on 30 September the unconditional sale of our Dock Road North site, which is held as 'Assets held for sale' with a value of £725,000 in these interim statements, for a cash consideration of £1,815,000. The sale was completed on 28 October 2010 and therefore the profit on sale will be reflected in the accounts for the full year to 31 March 2011.

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

	Half year to 30.09.10 £'000	Half year to 30.09.09 £'000	Year to 31.03.10 £'000
Net profit/(loss)	**1,015**	(2,962)	3,540
Adjustments for:			
Tax on continuing operations	**(474)**	(1,210)	1,734
Interest income	**(649)**	(489)	(960)
Interest expense	**1**	–	5
Depreciation and amortisation	**476**	381	784
Impairment of goodwill	**–**	–	61
Profit on sale of other intangibles and property, plant and equipment	**–**	–	(2)
Increase in inventories	**(10,220)**	(7,907)	(188)
Increase in trade and other receivables	**(5,536)**	(64)	(571)
Increase in trade and other payables	**88,262**	78,681	2,954
Increase/(decrease) in provisions	**4,988**	(238)	6,590
Increase in monies held in trust	**(80,734)**	(69,213)	(4,949)
Decrease in retirement benefit obligation	**(128)**	(71)	(256)
Share–based payments	**20**	20	40
Net cash (outflows)/inflows from operating activities	**(2,979)**	(3,072)	8,782

7 Approval

This statement was approved by the board on 8 December 2010.

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Our business segments

Corporate vouchers

In the corporate gift voucher market Park sells its own brand vouchers marketed under the Love2reward brand, as well as individual store vouchers to corporate customers who use them for incentive schemes for staff and customers and for sale to consumers.

Christmas savings

PARK FAMILY COUNTRY

The Park budget plan helps families prepare and budget for Christmas in a controlled and careful manner ensuring that they can enjoy the festive season free from financial worries. Customers purchase vouchers, hampers or other gift products on a 45 week prepaid installment plan from Park. Products are delivered in time for Christmas. Vouchers are also sold to customers via highstreetvouchers.com.

Our products

Love2shop voucher

– the UK's leading multi-retail gift voucher, accepted at over 85 major retailers with more than 20,000 stores UK wide.

Love2shop card

– the Love2shop gift card is the prepaid card version of our existing Love2shop paper gift voucher and can be spent in a great range of high street stores.

Love2choose card

– the gift card that provides total choice and flexibility. Customers can purchase online from an extensive range of gift vouchers and cards.

Love2travel card

– the Love2travel gift card provides access to Park's ATOL bonded travel agency for all your holiday and travel requirements.

Retailer vouchers

– in addition to our own vouchers and prepaid cards we offer a huge range of top brand third party gift vouchers, gift cards and gift certificates.

Hampers/gifts

– our catalogue offers a wide range of hampers and gifts.

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Telephone **+44 (0)121 262 3830 www.emperordesign.co.uk**

PARK GROUP PLC

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