



Parkwood Holdings plc *Interim Report 2008*

## Financial Highlights

	Interim 2008	Interim 2007	% Change
Revenue	£61.5m	£51.2m	20.1%
Adjusted operating profit*	£2.55m	£1.48m	72.3%
Operating profit	£2.33m	£1.37m	70.1 %
Profit before tax	£1.21m	£1.05m	15.2%
Earnings per share	4.7p	3.6p	30.6%
Dividends proposed per share	1.5p	1.3p	15.4%
Order Book	£531m	£429m	23.8%

\* Profit before interest, tax, amortisation and goodwill impairment

## Financial Calendar

Interim Dividend Paid	3 October 2008
Full Year Results Announced	March 2009
Annual General Meeting	May 2009

This statement is being sent to all shareholders. Copies are available from the Company's website on [www.parkwood-holdings.co.uk](http://www.parkwood-holdings.co.uk) or from the registered office:

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## Chairman's Statement

The six-month period to 30 June 2008 has seen continued growth in Parkwood's revenues and profits, particularly in its Leisure Division, where significant new contracts under design, build, operate and manage (DBOM) arrangements commenced in Portsmouth in January and with Cherwell District Council in North Oxfordshire in April. Glendale experienced difficult trading conditions especially in its golf management and horticultural businesses, whilst increases in fuel prices also impacted adversely on the costs of running the division's fleet of more than 500 vehicles. Significantly, Parkwood Healthcare's new medical service division was awarded their first new contracts with two London Boroughs for the provision of LINK hosting consultancy services. In July, Bristol City Council announced that Parkwood had gained preferred bidder status on a £24 million PFI project to design, finance, build and operate a new leisure centre in the south of the city, reaffirming the Group's leadership in this sector of the PFI market place.

### Group Results

Revenues increased by 20.1% to £61.5 million (2007: £51.2 million) whilst profit before tax rose to £1.21 million (2007: £1.05 million), an increase of 15%. Operating profit rose significantly to £2.33 million from £1.37 million in the previous year as a result of increased profits in Parkwood Leisure and Parkwood Project Management, reduced losses in Parkwood Healthcare, as a result of the release of part of the onerous contract provision, and the benefit of the acquisition of the parent company of Realm Services (DAC) in May 2007 and increased revenue in the SPC Group as a result of the completion of the construction of the Solihull and Sidcup leisure centres.

The Group's forward order book at the period end was £531 million (2007: £429 million), an increase of 24%.

The Board is pleased to announce an increase in the dividend for the period to 1.5p per share (2007: 1.3p per share) payable on 3 October 2008 to all shareholders on the register on 12 September 2008.

### Board and Management

Nick Temple-Heald, who has been the managing director of Glendale, the Group's green services division, for the last three years, was appointed to the Board as an executive director on 1 May 2008. Nick has been instrumental in diversifying the activities of Glendale and doubling the size of the business since he joined the Group in September 2004. The Board now consists of four executive and two independent non-executive directors.

### Leisure

Parkwood Leisure had a successful first half with revenue increasing by 28% to £26.1 million (2007: £20.4 million) and profit before tax by 24% to £1.25 million (2007: £1.1 million).

The beginning of the year saw the start of the Portsmouth (DBOM) contract where the division took over nine leisure centres and other sites with operating revenues of £3.6 million per annum. Portsmouth City Council also invited Parkwood Leisure to run the Pyramids Centre, a seafront venue which had been scheduled to close. The new Tudor Grange leisure centre and pool in Solihull, built by Leadbitter Construction Ltd under a PFI contract managed by Parkwood Project Management (PPM), was handed over to Parkwood Leisure to operate on 28 January 2008 and proved popular immediately. Similarly, in March, a new leisure centre in Sidcup built by Gleeson Construction, again under the management of PPM, was handed over to Parkwood Leisure as operator. Then, in April, yet another DBOM contract commenced operations in North Oxfordshire involving three leisure centres in Banbury, Bicester and Kidlington. In total, at the end of the period, the Leisure division operated 73 leisure centres.

New centres, as well as many of the older leisure centres, have health and fitness clubs within them which, along with the division's three private clubs, operate under the Expressions brand. Expressions' memberships at the period end totalled 41,600 providing £1.15 million of direct debit income per month with an average membership fee of £33.

## Chairman's Statement (continued)

### Glendale

Glendale revenues in the period grew to £30.6 million (2007: £26.8 million), an increase of 14%, but trading conditions have been difficult, with golf income below expectation and the Euro affecting the cost of imported plants in horticulture. Poor weather in the spring impacted on operations, whilst fuel price increases cost the division in excess of £0.25 million in the period. Profits before tax consequently fell to £0.17 million (2007: £0.65 million). Nevertheless the core businesses of Glendale Grounds Management and Glendale Countryside both performed well. Notably, Glendale further strengthened its position in the South West with the award of a five year contract for grounds management by North Devon District Council, worth in excess of £1 million per annum. Glendale also sponsored and co-hosted the national Green Flag Awards ceremony on 31 July, where Glendale was responsible for 55 of the parks and open spaces that won awards this year.

The division has outgrown its current structure and from 1 September 2008, Glendale will become a holding company allowing its subsidiaries, Glendale Grounds Management, Glendale Countryside, Glendale Golf, Glendale Horticulture and Glendale Recycling to trade with greater autonomy. Nick Temple-Heald becomes the new Divisional Chief Executive Officer and new boards of directors comprising both executive and non-executive directors are being established. Mark Hawkesworth, who was the Chairman of Parkwood Holdings plc from 1992 to 1997, becomes Glendale's new divisional Chairman and Professor John Moverley OBE, previously CEO of the Royal Agricultural Society of England and Myerscough College, also joins the Glendale holding company board.

### Parkwood Project Management

Parkwood Project Management increased revenue to £1.4 million (2007: £1.1 million) in the period, and profits increased to £0.33 million (2007: £0.18 million). The year started well with the commencement of construction work at the Mountbatton Leisure Centre for Portsmouth City Council and the completion of Tudor Grange leisure centre and pool for the Metropolitan Borough of Solihull. In March construction work was also completed on a new leisure centre in Sidcup. April saw the signing of a DBOM contract with Cherwell District Council allowing construction to commence on a new leisure centre in

Banbury along with refurbishment programmes on two other centres. A final bid submitted in June to Bristol City Council resulted in preferred bidder status being awarded to the Parkwood consortium to build a new leisure centre in the south of the city. On 31 July negotiations were completed with the Metropolitan Borough of Rotherham on behalf of Dignity, a bereavement services company, to refurbish a crematorium and manage cemeteries throughout the Borough. This contract also gives rise to a 25 year grounds management contract for Glendale.

PPM expanded on 1 July 2008 when the business of Glendale Environmental was incorporated into the practice; bringing with it landscape architect, ecology, environmental sustainability and arboricultural competencies. As a result the business has rebranded and now trades as 'Parkwood Consultancy Services'.

### Parkwood Healthcare

With the planned reduction in its patient transport business, Parkwood Healthcare's revenue fell to £2.3 million (2007: £3.1 million). Losses continue, and were reduced to £0.23 million (2007: £0.45 million).

Significant business development activity has taken place during the period to establish a new medical services business, with tenders being submitted for mental health programmes, clinical services, LINK hosting services and the Equitable Access Programme which will provide new GP-led health centres, known in the media as 'polyclinics'. Two LINK contracts have been won, the London Borough of Lewisham which commenced in April and the London Borough of Harrow in July. The purpose of the LINK programme is to give a voice to local people to enable them to comment and make representations on the way health and social care services are commissioned and delivered in their community. The company has been invited to tender for three GP-led health centres to date and awaits the results of several more applications. These new health centres will open 12 hours per day, 7 days per week and are to be in existence by the spring of 2009 in all of the 152 primary care trust areas in England. Parkwood Healthcare hopes to be a successful participant in the provision of community based healthcare services for the future.

## Funding and Cash Flow

The completion of the construction phases of the Tudor Grange and Sidcup leisure centres in the period has seen a significant reduction in capital expenditure compared to previous years. The new DBOM contracts at Portsmouth and Cherwell do not require capital funding by the Group.

Whilst total and recourse gearing have increased since December, in line with the Group's cashflow profile, they have both fallen when compared to the position at June 2007. Cashflow generated from operations before working capital movements increased by 65%, whilst the outflow of cash from working capital resulted from the timing of payments in respect of the PFI construction projects when compared to 2007.

The Group also exercised the powers granted by the 2007 and 2008 Annual General Meetings to purchase its own shares where the directors considered it was in the interest of shareholders. In total 500,000 ordinary shares were acquired at a total cost of £589,000 in the half year.

## Outlook

Parkwood is currently reviewing its strategy for the three-year period 2009-11, which will focus on consolidating its position in the markets it occupies and releasing value

to shareholders. The Group's blue chip order book and index-linked contracts account for in excess of 85% of revenue and provide a degree of certainty for the future in deteriorating economic conditions. The Group also holds investments in PFI/PPP related special purpose companies (SPC's), the value of which are not fully recognised in the balance sheet. The Board is reviewing options for realising this value for shareholders.

Despite the difficult trading conditions faced by some Glendale activities, the directors remain of the opinion that the Group's results for the full year will be in line with market expectations.

**A W HEWITT**  
**Executive Chairman**

28 August 2008

## Financial Review

In the first half of 2008 the Group has seen profit before tax increase by 15% on Revenue growth of 20%. Adjusted operating profit increased by almost 70%, whilst finance costs rose to £1.21 million (2007: £0.41 million) as a result of a full six month charge for the cost of the purchase of the majority shareholding in the parent company of Realm Services (DAC), which was acquired in May 2007, and initial expensing of the debt funding of the Rivendell (Solihull) and Boxwood (Sidcup) PFI building contracts which had previously been capitalised until completion of construction.

In addition the charge for impairment and goodwill amortisation increased to £0.224 million (2007: £0.107 million) as a result of the Realm Services (DAC) transaction.

The Group's total interest charges were covered 1.9 times (2007: 3.3 times). Recourse interest charges were covered 13 times (2007: 6 times) as interest costs declined to £0.118 million (2007: £0.223 million).

### Trading Performance

The following table continues the practice, commenced with the 2007 Report and Accounts, of separating the performance of the Trading Group from the non-recourse SPC Group.

	6 months to June 2008		6 months to June 2007		Year ended 31 December 2007	
	Revenue	Adjusted operating profit	Revenue	Adjusted operating profit	Revenue	Adjusted operating profit
	£000	£000	£000	£000	£000	£000
<b>Trading group</b>						
Glendale	30,637	518	26,755	854	54,274	1,931
Leisure	26,117	1,311	20,368	1,071	42,549	2,423
Healthcare	2,287	(198)	3,085	(306)	6,002	(600)
PPM	1,365	309	1,104	181	2,281	311
Central costs	-	(435)	-	(360)	-	(524)
Inter-segment elimination	(2,983)	-	(1,700)	-	(4,141)	-
<b>Total trading group</b>	<b>57,423</b>	<b>1,505</b>	<b>49,612</b>	<b>1,440</b>	<b>100,965</b>	<b>3,541</b>
<b>SPC group</b>						
Subsidiaries	4,067	1,070	1,594	114	4,843	885
Joint ventures and Associate	1,184	(23)	1,137	(73)	2,288	(202)
<b>Total SPC group</b>	<b>5,251</b>	<b>1,047</b>	<b>2,731</b>	<b>41</b>	<b>7,131</b>	<b>683</b>
<b>Total Group</b>	<b>62,674</b>	<b>2,552</b>	<b>52,343</b>	<b>1,481</b>	<b>108,096</b>	<b>4,224</b>

Note – Adjusted operating profit is profit before interest, tax, amortisation and goodwill impairment.

Whilst the revenue of the Trading Group increased by 15.7%, the adjusted operating profit increased by only 4.5% as a result of the underperformance of Glendale, which is referred to in the Chairman's statement. Other members of the Trading Group increased their adjusted operating profit by over £0.43 million.

The SPC Group benefited from Realm Service (DAC) becoming a wholly owned subsidiary in May of 2007 (it was previously accounted for as an Associate). This increased revenue and adjusted operating profit by £1.29 million and £0.45 million respectively in comparison to 2007. In addition the completion of the Solihull and Sidcup leisure centres resulted in increased revenue and adjusted operating profit totalling £0.24 million and £0.39 million respectively.

## Summary Group Balance Sheet

The following table shows a summary of the Group's balance sheet at 30 June 2008, analysed between the main trading assets and recourse liabilities and those of the consolidated SPC's, which hold the PFI/PPP investments. The assets and liabilities, including long-term debt, within the SPC's are non-recourse to the Group.

	Recourse		Non-recourse		Total	Total
	30 Jun 08 £000	31 Dec 07 £000	30 Jun 08 £000	31 Dec 07 £000	30 Jun 08 £000	31 Dec 07 £000
Non-current assets	26,309	22,135	25,723	29,842	52,032	51,977
Investments in Joint Ventures	1,031	826	(3,170)	(3,147)	(2,139)	(2,321)
<b>Total non-current assets</b>	<b>27,340</b>	<b>22,961</b>	<b>22,553</b>	<b>26,695</b>	<b>49,893</b>	<b>49,656</b>
<b>Current assets</b>						
Inventories and debtors	22,410	17,880	1,216	2,219	23,626	20,099
Cash at bank and in hand	635	1,239	1,988	3,861	2,623	5,100
	23,045	19,119	3,204	6,080	26,249	25,199
<b>Current liabilities</b>	<b>(28,806)</b>	<b>(24,122)</b>	<b>(431)</b>	<b>(3,881)</b>	<b>(29,237)</b>	<b>(28,003)</b>
<b>Net current (liabilities)/assets</b>	<b>(5,761)</b>	<b>(5,003)</b>	<b>2,773</b>	<b>2,199</b>	<b>(2,988)</b>	<b>(2,804)</b>
<b>Non current liabilities</b>						
Bank loans	(4,436)	(4,459)	(28,490)	(28,947)	(32,926)	(33,406)
Other long term liabilities	(5,077)	(5,550)	(1,710)	(1,186)	(6,787)	(6,736)
<b>Net assets</b>	<b>12,066</b>	<b>7,949</b>	<b>(4,874)</b>	<b>(1,239)</b>	<b>7,192</b>	<b>6,710</b>
<b>Net debt</b>	<b>12,201</b>	<b>7,632</b>	<b>27,342</b>	<b>27,086</b>	<b>39,543</b>	<b>34,718</b>
<b>Gearing</b>	<b>101%</b>	<b>96%</b>			<b>553%</b>	<b>517%</b>

Continued investment in PFI/PPP projects and deferred consideration payments for the acquisition of DPL Holdings in November 2007 have seen total gearing increase to 553% from 517% at December 2007. However, repayment of non-recourse borrowings totalling £1.57 million in this half year, when added to repayments of £0.36 million in the second half of 2007, has resulted in a reduction in gearing from 656% at June 2007. Recourse gearing was 101% at the end of June. This is a reduction from 147% a year earlier and up on the December 2007 figure of 96%.

## Summary Cash Flow Statement

	6 months to June 2008 £000	6 months to June 2007 £000	Year ended December 2007 £000
Operating cash inflow before movement in working capital	4,968	3,016	7,852
Movement in working capital	(5,645)	(3,534)	(2,050)
Income tax as refunded/(paid)	293	(2)	-
Cash used in investing activities	(1,657)	(7,543)	(9,258)
Cash flow from financing activities	(4,416)	4,249	4,930
(Decrease)/Increase in cash and cash equivalents	(6,457)	(3,814)	(1,474)

## Financial Review (continued)

Overall the Group experienced an outflow of funds in the period of £6.1 million in respect of investing and financing activities. This was £2.6 million greater than in the same period of 2007 despite an increase of £1.9 million in cash generated from operating activities before movements in working capital. Working capital outflow increased by £2.0 million principally as a result of a decrease in the level of accounts payable of £1.5 million compared to a marginal increase in 2007. The reduction reflects timing of payments relating to PFI projects between the two half years.

The completion of all current PFI building projects saw a fall in property, plant and equipment expenditure in the period to £1.1 million from £6.3 million in the same period of 2007. This change was reflected in the absence of new recourse and non-recourse loans in the half year compared to a total of £5.9 million of new borrowings in 2007. Cash outflow in respect of acquisitions fell to £0.5 million in the half year (2007: £1.7 million). The 2007 figure included the purchase of the majority shareholder in Realm Services (DAC), whilst this half year saw additional deferred consideration payments relating to the DPL Holdings acquisition, which completed in November 2007. Scheduled repayment of non-recourse loans amounted to £1.6 million (2007: £0.2 million). The Group's purchases of its own ordinary shares resulted in an outflow of £589,000 (2007: £nil) in the first six months

as 500,000 shares were acquired. A total of 375,000 shares were cancelled and 75,000 transferred to the Employee Benefit Trust at cost. The balance of 50,000 ordinary shares are held in Treasury. Interest payments increased to £0.8 million (2007: £0.26 million) as a result of the expensing of interest on previously capitalised non-recourse loans following completion of the construction phase of these PFI contracts.

### Principal Risks and Uncertainties

The Group's report and accounts for the year ended 31 December 2007 set out the principal risks and uncertainties affecting the Group and its separate businesses. The Directors consider that these risks and uncertainties remained valid throughout the six months to 30 June 2008 and will remain valid for the second half of the year.

**T P Bowman**  
**Group Finance Director**

28 August 2008

# Unaudited Consolidated Income Statement

Six months ended 30 June 2008

		Six months ended 30 June (unaudited)		Year ended 31 December (audited)
	Note	2008 £000	2007 £000	2007 £000
<b>Continuing operations</b>				
Revenue		62,674	52,343	108,096
Less: share of joint ventures' revenue		(1,184)	(1,137)	(2,288)
<b>Group revenue – continuing operations</b>	3	61,490	51,206	105,808
Cost of sales		(44,072)	(37,266)	(75,715)
<b>Gross profit</b>		17,418	13,940	30,093
Administrative expenses		(15,067)	(12,493)	(26,565)
		2,351	1,447	3,528
Share of results after tax of associate		-	(16)	(16)
Share of results after tax of joint ventures		(23)	(57)	116
<b>Operating profit</b>		2,328	1,374	3,628
EBITDA		5,078	3,203	8,277
Depreciation		(2,526)	(1,722)	(4,053)
Amortisation		(224)	(43)	(174)
Exceptional item		-	-	(358)
Impairment of goodwill		-	(64)	(64)
<b>Operating profit</b>		2,328	1,374	3,628
Investment income		94	93	341
Finance costs	4	(1,211)	(414)	(1,470)
<b>Profit before income tax</b>		1,211	1,053	2,499
Income tax expense	5	(346)	(372)	(822)
<b>Profit for the period attributable to equity shareholders</b>		865	681	1,677
<b>Earnings per share</b>				
		Pence per share	Pence per share	Pence per share
Basic	7	4.7p	3.6p	8.9p
Diluted	7	4.7p	3.6p	8.8p

There were no discontinued operations in the period.

# Consolidated balance sheet

as at 30 June 2008

	Note	30 June 2008 (unaudited) £000	30 June 2007 (unaudited) £000	31 December 2007 (audited) £000
<b>Non-current assets</b>				
Goodwill		2,681	651	2,521
Intangible Assets		4,716	2,795	4,941
Property, plant and equipment	8	43,471	40,729	43,750
Investments in joint ventures		5	-	12
Derivative financial instrument		844	1,032	303
Trade and other receivables		-	-	142
Deferred tax asset		320	305	320
		52,037	45,512	51,989
<b>Current assets</b>				
Inventories		3,537	2,945	3,624
Trade and other receivables		20,089	17,119	16,475
Cash		2,623	1,260	5,100
		26,249	21,324	25,199
<b>Total assets</b>		<b>78,286</b>	<b>66,836</b>	<b>77,188</b>
<b>Current liabilities</b>				
Trade and other payables		21,996	19,967	23,270
Tax liabilities		500	453	371
Obligations under finance leases		1,601	1,482	1,982
Bank overdrafts		3,980	1,448	-
Bank loans		1,160	598	2,380
		29,237	23,948	28,003
<b>Non-current liabilities</b>				
Bank loans		32,926	31,943	33,406
Retirement benefit obligations		788	1,435	788
Long-term provisions and deferred income		780	1,012	1,105
Obligations under finance leases		2,501	2,641	2,050
Derivative financial instrument		-	-	230
Interests in joint ventures		2,144	-	2,333
Deferred tax liability		2,718	236	2,563
<b>Total non-current liabilities</b>		<b>41,857</b>	<b>37,267</b>	<b>42,475</b>
<b>Net assets</b>		<b>7,192</b>	<b>5,621</b>	<b>6,710</b>
<b>Equity</b>				
Share capital		189	196	193
Share premium account		2,227	2,227	2,227
Retained Earnings		4,366	2,795	3,884
Capital redemption reserve		408	401	404
<b>Equity attributable to equity holders of the parent</b>		<b>7,190</b>	<b>5,619</b>	<b>6,708</b>
Minority interest in equity		2	2	2
<b>Total equity</b>		<b>7,192</b>	<b>5,621</b>	<b>6,710</b>

## Consolidated statement of recognised income and expense

For the six months ended 30 June 2008

	<b>30 June 2008</b>	<b>6 months ended 30 June 2007</b>	<b>Year ended 31 December 2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Profit for the period	865	681	1,677
Net actuarial gains on defined benefit pension schemes	-	-	326
Cash flow hedges (net of tax)	555	608	(82)
<b>Total recognised income for the period</b>	<b>1,420</b>	<b>1,289</b>	<b>1,921</b>

All recognised income and expense is attributable to the equity holders of the parent.

# Group cash flow statement

For the six months ended 30 June 2008

	Note	Six months ended 30 June		Year ended
		2008 (unaudited) £000	2007 (unaudited) £000	31 December 2007 (audited) £000
<b>Net cash (used in)/ generated from operating activities</b>	9	(384)	(520)	5,802
<b>Investing activities</b>				
Interest received		130	277	522
Dividends received from associate		-	111	482
Proceeds on disposal of property, plant and equipment		7	70	60
Purchases of property, plant and equipment		(1,119)	(6,299)	(10,375)
Subordinated debt (invested in)/repaid by joint ventures		(204)	2	351
Subordinated debt invested in subsidiary on acquisition		-	-	(661)
Proceeds from refinancing		-	-	1,773
Sales of own shares by employee benefit trust		4	12	90
Acquisition of subsidiaries (net of cash acquired)		(475)	(1,716)	(1,500)
<b>Net cash used in investing activities</b>		(1,657)	(7,543)	(9,258)
<b>Cash flows from financing activities</b>				
Interest paid		(831)	(258)	(1,409)
Acquisition of treasury shares		(589)	-	(326)
Acquisition of shares by employee benefit trust		-	(127)	(128)
Dividends paid		(408)	(358)	(605)
Repayments of obligations under finance leases		(971)	(691)	(1,718)
New recourse bank loans raised		-	2,550	2,400
New non-recourse bank loans raised		-	3,342	7,362
Repayment of recourse bank loans		(45)	(45)	(287)
Repayment of non-recourse bank loans		(1,572)	(164)	(359)
<b>Net cash (used in)/generated from financing activities</b>		(4,416)	4,249	4,930
<b>Net (decrease)/increase in cash and cash equivalents</b>		(6,457)	(3,814)	1,474
<b>Cash and cash equivalents at beginning of period</b>		5,100	3,626	3,626
<b>Cash and cash equivalents at end of period</b>		(1,357)	(188)	5,100
<b>Comprising:</b>				
Cash		2,623	1,260	5,100
Bank overdraft and loans		(3,980)	(1,448)	-
		(1,357)	(188)	5,100

# Notes to the interim financial report

Six months ended 30 June 2008

## 1. General information

The financial information for the six months ended 30 June 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985 and has not been audited. No statutory accounts for the period have been delivered to the Registrar of Companies.

The financial information in respect of the year ended 31 December 2007 has been produced using extracts from the statutory accounts prepared under IFRS for this period. The statutory accounts for this period have been filed with the Registrar of Companies. The auditors' report on these accounts was unqualified and did not contain a statement under Sections 237 (2) or (3) of the Companies Act 1985 which deal respectively with the maintaining of proper accounting books and records and the availability of information to the auditors.

The financial information presented on pages 7 to 20 has been prepared in accordance the Listing Rules of the Financial Services Authority and with the principles of IFRS, including International Accounting Standards (IAS) and interpretations issued by the International Accounting Standards Board (IASB) and its committees.

## 2. Accounting policies and basis of preparation

The interim financial statements have been approved by the Board and have not been audited by the auditors.

This condensed consolidated interim financial information for the six months ended 30 June 2008 has been prepared in accordance with IAS 34, 'Interim financial reporting'. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2007, which have been prepared in accordance with IFRSs.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 December 2007, as described in those annual financial statements.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The following new standards, amendments to standards or interpretations are mandatory for the first time for the financial year beginning 1 January 2008:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'; the effects of this IFRIC are not material to the Group.
- IFRIC 12, 'Service concession arrangements'; the IFRIC is not yet endorsed by the EU and management continue to assess the impacts on the Group.
- IFRIC 14, 'IAS 19 – the limit on a defined benefit asset, minimum funding requirements and their interaction'; this IFRIC is not currently relevant to the Group.

The following new standards, amendments to standards and interpretations have been issued but are not effective for the financial year beginning 1 January 2008 and have not been early adopted:

- IFRS 8, 'Operating segments', effective for annual periods beginning on or after 1 January 2009. IFRS 8 replaces IAS 14, 'Segment reporting', and requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. The Group's presentation in Note 3 accords with the requirements of IFRS 8.
- IAS 23 (revised), 'Borrowing costs', effective for annual periods beginning on or after 1 January 2009. This amendment will have no impact on the Group, as the Group currently applies a policy of capitalising borrowing costs.
- IFRS 2 (amendment) 'Share-based payment', effective for annual periods beginning on or after 1 January 2009. Management is assessing the impact of changes to vesting conditions and cancellations on the Group's option schemes.

## Notes to the interim financial report (continued)

Six months ended 30 June 2008

- IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27, 'Consolidated and separate financial statements'; IAS 28, 'Investments in associates' and IAS 31, 'Interests in joint ventures', effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. Management is assessing the impact of the new requirements regarding acquisition accounting, consolidation and joint ventures on the group.
- IAS 1 (revised), 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. Management is in the process of developing proforma accounts under the revised disclosure requirements of this standard.
- IAS 32 (revised), 'Financial instruments: presentation', and consequential amendments to IAS 1, 'Presentation of financial statements', effective for annual periods beginning on or after 1 January 2009. This is not currently relevant to the Group as the Group, does not have any puttable instruments.
- IFRIC 13, 'Customer loyalty programmes', effective for annual periods beginning on or after 1 July 2008. The IFRIC is not expected to have a material impact on the Group Financial Statements.
- IFRIC 15, 'Agreements for the construction of real estate', effective for annual periods beginning on or after 1 January 2009. The IFRIC is not expected to have a material impact on the Group Financial Statements.
- IFRIC 16, 'Hedges of a net investment in a foreign operation', effective for annual periods beginning on or after 1 October 2008. This is not currently relevant to the Group as the Group, does not hedge any foreign currency risk.

### 3. Business segments

For management purposes, the Group is organised into four Trading divisions – Glendale, Parkwood Leisure, Parkwood Healthcare and Project Management (the Trading Group) incorporating a group of non-recourse SPCs (the SPC Group). These form the basis on which the Group reports its primary segment information for statutory and management purposes:

The principal activities, which the directors consider to be the segments of the business for the purpose of analysis are as follows:

<b>Glendale</b>	Provides amenity horticulture, grass cutting, arboriculture and care of sports pitches, parks and open spaces. The division also includes golf course management, waste recycling, environmental consultancy, tree moving and horticulture.
<b>Parkwood Leisure</b>	Manages a diverse range of public and private leisure facilities, including swimming pools, sports halls, gyms, health suites and catering operations.
<b>Project Management</b>	Undertakes PFI, PPP and similar bids on behalf of joint ventures and the Group. Parkwood Project Management is also responsible for project management of contracts and the management of other funds such as the lifecycle funds associated with the project agreements.
<b>Healthcare</b>	Provides a nursing agency, an ambulance and patient transport business, and a medical services business dealing both with the NHS and the private sector.

## Notes to the interim financial report (continued)

Six months ended 30 June 2008

### 3. Business Segments (Continued)

An analysis of the Group's revenue is as follows:

<b>Continuing operations</b>	<b>6 months ended</b>		<b>Year ended</b>
	<b>2008</b>	<b>2007</b>	<b>2007</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
Provision of services to Local Authorities	19,754	19,313	40,643
Provision of services to the private sector	6,516	3,069	5,185
Horticultural revenue	2,113	2,190	3,740
Golf Course management, including retail sales	2,254	2,183	4,706
<b>Total Glendale</b>	<b>30,637</b>	<b>26,755</b>	<b>54,274</b>
Provision of leisure management services to Local Authorities	25,008	19,573	40,834
Provision of private leisure facilities	1,109	795	1,714
<b>Total Leisure</b>	<b>26,117</b>	<b>20,368</b>	<b>42,548</b>
Provision of patient transport services	1,331	2,377	4,393
Nursing agency sales	912	708	1,609
Medical Services revenue	44	-	-
<b>Total Healthcare</b>	<b>2,287</b>	<b>3,085</b>	<b>6,002</b>
<b>Bid and project management fees ("Project Management")</b>	<b>1,365</b>	<b>1,104</b>	<b>2,282</b>
Service charges made by PFI companies	4,067	1,594	4,843
Other (Including inter-segment revenue elimination)	(2,983)	(1,700)	(4,141)
<b>Total revenue</b>	<b>61,490</b>	<b>51,206</b>	<b>105,808</b>

A geographical segmental analysis of the results is not presented as the Group operates only in the UK. Inter-segment sales are charged a prevailing market prices.

# Notes to the interim financial report (continued)

Six months ended 30 June 2008

## 3. Business Segments (continued)

Six months ended 30 June 2008	Glendale 2008 £000	Leisure 2008 £000	Healthcare 2008 £000	PPM 2008 £000	Other 2008 £000	Non- recourse 2008 £000	Consolidated 2008 £000
External revenue	29,410	25,347	2,287	379	-	4,067	61,490
Inter-segment revenue	1,227	770	-	986	(2,983)	-	-
<b>Revenue</b>	<b>30,637</b>	<b>26,117</b>	<b>2,287</b>	<b>1,365</b>	<b>(2,983)</b>	<b>4,067</b>	<b>61,490</b>
Segment result	518	1,311	(198)	309	(435)	1,070	2,575
Share of results of joint ventures	-	-	-	-	-	(23)	(23)
<b>Operating profit/(loss) before amortisation and goodwill impairment</b>	<b>518</b>	<b>1,311</b>	<b>(198)</b>	<b>309</b>	<b>(435)</b>	<b>1,047</b>	<b>2,552</b>
Amortisation and goodwill impairment	(18)	-	-	-	-	(206)	(224)
<b>Operating profit/(loss)</b>	<b>500</b>	<b>1,311</b>	<b>(198)</b>	<b>309</b>	<b>(435)</b>	<b>841</b>	<b>2,328</b>
Investment income	-	32	-	282	(59)	(161)	94
Interest expense	(335)	(92)	(34)	(262)	605	(1,093)	(1,211)
<b>Profit/(loss) before tax</b>	<b>165</b>	<b>1,251</b>	<b>(232)</b>	<b>329</b>	<b>(111)</b>	<b>(413)</b>	<b>1,211</b>

  

Six months ended 30 June 2007	Glendale 2007 £000	Leisure 2007 £000	Healthcare 2007 £000	PPM 2007 £000	Other 2007 £000	Non- recourse 2007 £000	Consolidated 2007 £000
External revenue	26,449	19,410	3,085	668	-	1,594	51,206
Inter-segment revenue	306	958	-	436	(1,700)	-	-
<b>Revenue</b>	<b>26,755</b>	<b>20,368</b>	<b>3,085</b>	<b>1,104</b>	<b>(1,700)</b>	<b>1,594</b>	<b>51,206</b>
Segment result	854	1,071	(306)	181	(360)	114	1,554
Share of results of associate	-	-	-	-	-	(16)	(16)
Share of results of joint ventures	-	-	-	-	-	(57)	(57)
<b>Operating profit/(loss) before amortisation and goodwill impairment</b>	<b>854</b>	<b>1,071</b>	<b>(306)</b>	<b>181</b>	<b>(360)</b>	<b>41</b>	<b>1,481</b>
Amortisation and goodwill impairment	(18)	-	(64)	-	-	(25)	(107)
<b>Operating profit/(loss)</b>	<b>836</b>	<b>1,071</b>	<b>(370)</b>	<b>181</b>	<b>(360)</b>	<b>16</b>	<b>1,374</b>
Investment income	-	-	-	86	-	7	93
Interest expense	(187)	(65)	(83)	(91)	203	(191)	(414)
<b>Profit/(loss) before tax</b>	<b>649</b>	<b>1,006</b>	<b>(453)</b>	<b>176</b>	<b>(157)</b>	<b>(168)</b>	<b>1,053</b>

## Notes to the interim financial report (continued)

Six months ended 30 June 2008

### 4. Finance costs

	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	Year ended 31 December 2007 £000
Recourse loan interest	179	88	309
Non-recourse loan interest	880	191	795
Finance and HP lease interest	141	97	211
Other finance costs	11	38	155
	1,211	414	1,470

### 5. Tax

Corporation tax for the interim period to 30 June 2008 is charged at 33% (2007: 33%) of profit excluding joint ventures and associates representing the best estimate of the effective rate of annual corporation tax expected for the full financial year.

### 6. Dividends

	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	Year ended 31 December 2007 £000
Final 2007 paid May 2008 2.2p per share	424	-	-
Final 2006 paid May 2007 1.9p per share	-	359	359
Interim 2007 paid October 2007 1.3p per share	-	-	246
	424	359	605

Following the balance sheet date, the Board of Directors has approved a dividend of 1.5p per share (2007: 1.3p) payable on 3 October 2008 to all shareholders on the register on 12 September 2008.

### 7. Earnings per share

Earnings per share relate to continuing operations and have been calculated on earnings for the period divided by the weighted average number of ordinary shares in issue of 18.54 million (December 2007: 18.86 million; June 2007: 18.84 million).

## Notes to the interim financial report (continued)

Six months ended 30 June 2008

### 8. Property, plant and equipment

<b>Six months ended 30 June 2007</b>	<b>Land and buildings £000</b>	<b>Assets under construction £000</b>	<b>Vehicles £000</b>	<b>Plant and equipment £000</b>	<b>Fixtures and fittings £000</b>	<b>Total £000</b>
Opening net book amount at 1 January 2007	3,910	15,136	603	4,646	2,117	26,412
Additions	502	4,522	77	2,349	395	7,845
Acquired with subsidiaries	7,715	-	57	66	405	8,243
Transfers	12,182	(13,074)	-	20	873	-
Disposals	-	-	(5)	(17)	(27)	(49)
Depreciation	(180)	(17)	(107)	(1,030)	(388)	(1,722)
Closing net book amount at 30 June 2007	24,129	6,567	625	6,034	3,374	40,729
<b>Six months ended 30 June 2008</b>						
Opening net book amount at 1 January 2008	24,160	9,629	848	5,806	3,307	43,750
Additions	98	1,116	7	775	256	2,253
Transfers	8,503	(9,501)	-	-	998	-
Disposals	-	-	-	-	(5)	(5)
Depreciation	(619)	(24)	(162)	(1,206)	(515)	(2,526)
Closing net book amount at 30 June 2008	32,142	1,220	693	5,375	4,041	43,471

# Notes to the interim financial report (continued)

Six months ended 30 June 2008

## 9. Net cash from operating activities

	Six months ended 30 June 2008 £000	Six months ended 30 June 2007 £000	Year ended 31 December 2007 £000
Operating profit	2,328	1,374	3,628
Cost charged in respect of share remuneration	15	-	7
Share of results of joint ventures after taxation	23	57	(116)
Share of results of associate after taxation	-	16	16
Depreciation of property, plant and equipment	2,526	1,722	4,053
(Gain)/loss on disposal of property, plant and equipment	-	(22)	75
Net impairment of goodwill	-	64	64
Amortisation of intangible assets	224	43	174
Decrease in provisions	(148)	(238)	(49)
Operating cash flows before movements in working capital	4,968	3,016	7,852
Increase in inventories (recourse)	(204)	(155)	(749)
Decrease/(increase) in receivables (recourse)	(3,968)	(3,842)	(2,318)
(Decrease)/increase in payables (recourse)	(381)	2,366	2,856
Decrease/(increase) in receivables (non-recourse)	79	434	(175)
Decrease in payables (non-recourse)	(1,171)	(2,337)	(1,664)
Cash (used in)/generated by operations	(677)	(518)	5,802
Income taxes refunded/(paid)	293	(2)	-
Net cash (used in)/generated from operating activities	(384)	(520)	5,802

## Notes to the interim financial report (continued)

Six months ended 30 June 2008

### 10. Acquisition of subsidiary

#### DPL Holdings Limited

On 2 November 2007, the Group completed the acquisition of the entire issued share capital of DPL Holdings Limited ("DPL") and its subsidiaries, Silvanus Services Limited ("Silvanus") and Landscapes Southwest Limited ("LSW"), which are companies involved in term grounds maintenance contracts, arboriculture, woodland and landscaping services.

The acquisition has been accounted for by the purchase method of accounting. During the hindsight period management have reviewed and amended the fair value of assets acquired. This review is still on-going and will be complete by 1 November 2008. The following table sets out a summary of assets and liabilities acquired and the fair value adjustments required to reflect their provisional fair value to the Group.

Group	Book Value	Fair value adjustments	Provisional fair value to the Group
	£000	£000	£000
Property, plant and equipment	688	(107)	581
Inventories	176	-	176
Trade and other receivables	1,153	(19)	1,134
Cash and cash equivalents	50	-	50
Trade and other payables	(1,462)	-	(1,462)
Obligations under finance leases	(582)	-	(582)
Current tax liability	(59)	-	(59)
Long term provisions	(79)	-	(79)
Borrowings	(138)	-	(138)
Deferred tax	(58)	-	(58)
Net liabilities acquired	(311)	(126)	(437)
Provisional goodwill arising on the acquisition			1,640
Total cost of investment			1,203
Satisfied by:			
Cash consideration on acquisition			400
Deferred consideration			740
Costs of acquisition			63
			1,203

The goodwill arising on the acquisition of DPL Holdings Limited is attributable to synergies expected to arise after the acquisition when the operations of the company are integrated into the Glendale division.

## Notes to the interim financial report (continued)

Six months ended 30 June 2008

### Landscape Construction (Scotland) Limited

On 29 June 2007, the Group completed the acquisition of the entire issued share capital of Landscape Construction (Scotland) Limited, which is a company involved in soft landscaping for construction industry customers.

The acquisition has been accounted for by the purchase method of accounting. The following table sets out a summary of assets and liabilities acquired and the fair value adjustments required to reflect their provisional fair value to the Group.

During the hindsight period management have reviewed and amended the fair value of assets acquired.

	Book Value	Fair value adjustments	Provisional fair value to the Group
	£000	£000	£000
Property, plant and equipment	125	(35)	90
Inventories	1	-	1
Trade and other receivables	176	-	176
Cash and cash equivalents	(116)	-	(116)
Obligations under finance leases	(47)	-	(47)
Trade and other payables	(77)	-	(77)
Deferred tax	(6)	(8)	(14)
Net assets acquired	56	(43)	13
Provisional goodwill arising on the acquisition			50
Total cost of investment			63
Satisfied by:			
Cash consideration on acquisition			40
Deferred consideration paid on 31 July 2007			8
Costs of acquisition			15
			63
Net cash outflow arising on acquisition			
Cash consideration			63
Cash and cash equivalents acquired			116
Net cash outflow arising on acquisition			179

During the hindsight period management have reviewed and amended the fair value of assets acquired.

## 12. Related Parties

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

There has been no change to the nature of related party transactions in the first six months of the financial year that has materially affected the financial position or performance of the Group.

# Notes to the interim financial report

Six months ended 30 June 2007

## **Cautionary Statement**

This interim management report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The interim management report should not be relied on by any other party or for any other purpose.

## **Responsibility Statement**

We confirm that to the best of our knowledge:

- The condensed set of financial statements has been prepared in accordance with IAS 34 'Interim Financial Reporting';
- The interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- The interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

## **By the order of the Board**

**T P Bowman**  
**Company Secretary**

28 August 2008



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