

	A	B	C	D	E	F	G	H	I	J	K
1	<b>APPENDIX 1: MANAGEMENT ACCOUNTS ANALYSIS</b>										
2											
3		<b>Revenue</b>	<b><u>2019</u></b>	<b><u>2018</u></b>							
4			<b>£000</b>	<b>£000</b>	<b>change</b>	<b>%</b>					
5		D&I	6894	6184	710	11					
6		I&M	1391	1029	362	35					
7		Total	8285	7213	1072	15					
8											
9		<b>Mix %</b>									
10		D&I	83	86	-3						
11		I&M	17	14	3						
12											
13		<b>D&amp;I</b>									
14		Sites	102	88	14	16					
15		Av Fee Site	67.6	70.3	-3	-4					
16		Tender	225	204	21	10					
17		Tender %	45	43	2						
18											
19		<b>I&amp;M</b>									
20		I - Rev	716	496	220	44					
21		I - Sites	1494	1067	427	40					
22		I - Fee/site	0.479	0.465	0	3					
23											
24		M - Rev	675	533	142	27					
25		M - Sites	595	488	107	22					
26		M - Fee/site	1.13	1.09	0.04	4					
27											
28		Total site	2089	1555	534	34					
29		Total									
30		Fee / site	0.666	0.662	0	1					
31											
32											
33		<b>COS</b>									
34		Design	423	399	24	6					
35		Equip	3874	3369	505	15					
36		Install	742	677	65	10					
37		Surface	573	448	125	28					

38			5612	4893							
39		I&M	942	714	228	32					
40			6554	5607	948	17					
41											
42											
43		GP									
44		D&I	1281	1291	-10	-1					
45		%	18.6	20.9	-2.3						
46		I&M	449	315	134	42					
47		%	32.2	30.6	1.6						
48		Total	1730	1606	124	8					
49		%	20.9	22.3	-1.4						
50											
51		OP	531	542	-11	-2					
52		%	6.4	7.5	-1.1						
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57											
58	2.1 Revenue										
59	Overall, revenue has increased impressively by £1,072k (15%) to £8,285k which is impressive given the flat market and is due to Playfree’s focus on leisure, schools and nurseries which are the growth areas of the market.										
60											
61	D&I revenue has increased reasonably by £710k (11%) to £6,894k due to the new leisure contracts. The number of sites has increased by 16% to 102 as a result of the 2% rise in tender success rate. However, average fee per site declined £2.7k (4%) to £67.6k as the fee was reduced during the tender process. This is despite the fact that leisure work is generally higher value than schools and other work.										
62											
63	I&M revenue increased dramatically by £362k (35%) to £1,391k due to a 40% increase in the number sites following increased social and government focus on health and safety. Average fee per site has remained almost flat at £666k which shows that growth is volume driven and prices have remained the same.										
64											
65	Maintenance revenue increased significantly by £142k (27%) to £675k with an average fee per site increase of £42k (4%) due to the expiration of warranties causing customers to renew maintenance agreements for a slightly higher fee.										
66											
67	I&M now accounts for 17% of revenue (14% in 2018) showing its increased significance. As a higher margin is earned by I&M, this will improve the company's overall GPM.										
68											
69											
70	2.2 Gross profit										

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72	Gross profit has increased by a modest £124k (8%) to £1,730k with a margin decline of 1.4%.
73	
74	D&I gross profit has disappointingly declined by £10k (1%) with a significant margin decline of 2.3% to 18.6% despite strong revenue growth. This is due to the lower fee charged on the new leisure contacts and GPM is now below the 20% margin typical for the industry.
75	
76	Design costs have increased slightly by £24k (6%) which is lower than the increase in revenue which shows the efficiencies of the new IT equipment.
77	
78	Equipment costs have risen substantially by £505k (15%) due to further supplier price increases and possibly due to new types of equipment required for the leisure contracts.
79	
80	Surfacing costs have increased dramatically by £125k (28%) due to the £81k loss on disposal following the scrapping of the old machinery. The is a one-off item and GPM would only have fallen to 19.8% without it, which suggests that performance has not been as bad as D&I GPM would suggest.
81	
82	I&M gross profit has increased impressively by £134k (42%) to £1,730 with a margin improvement of 1.6% to 32.2% which has helped offset the negative impact of the D&I profit performance.
83	
84	<b>2.3 Operating Profit</b>
85	
86	Operating profit has fallen disappointingly by £11k (2%) to £531k with a margin decline of 1.1% to 6.4%. This is due to the increase of £68k (22%) in Premises and IT costs as result of the additional depr' on the new IT asset.
87	
88	<b>2.4 Warranty</b>
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90	The warranty claims resulted in an extra £20k of installation costs which only accounts for 2.7% of total warranty costs so is not overly significant in the context of the full year performance.
91	
92	There will also have been some admin time spent processing the claims which will have contributed to the fall in OPM.
93	
94	The impact will increase in future years as more sites reach the end of the warranty period.
95	
96	Whilst the equipment was reclaimed from manufacturers, this may not always be the case and could leave Playfree exposed to significant cost. Also, Playfree has to fund the cost initially which is a drain on cash.
97	
98	Playfree should reconsider whether a provision should be made for future claims using the £2k average value and 20% claim rate.
99	
100	Playfree should revise the extended maintenance period as it is not economically viable at current rates.

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