

Group Profit and Loss Account

for the year ended 31st March 2001

notes	2001	2001	2000	2000
	£'000	£'000	£'000	£'000
1 Turnover				
Continuing operations	155,518		187,641	
Discontinued operations	4,164		10,849	
		159,682		198,490
Cost of sales		(148,870)		(184,616)
		10,812		13,874
Gross profit		(2,429)		(3,519)
Distribution costs		(11,532)		(10,865)
Administrative expenses				
2 Operating loss				
Continuing operations	(1,769)		(2,174)	
Discontinued operations	(1,380)		1,664	
		(3,149)		(510)
Loss on sale and leaseback of properties		–		(537)
Profit on termination of operations		–		218
		(3,149)		(829)
Loss on ordinary activities before interest				
		1,464		1,340
4 Investment income		(7)		(41)
5 Interest payable				
		(1,692)		470
1 (Loss)/profit on ordinary activities before taxation		771		(323)
6 Taxation				
		(921)		147
15 (Loss)/retained profit for the financial year				
7 (Loss)/earnings per share				
– basic		(0.57)p		0.09p
– diluted		(0.57)p		0.09p

There were no recognised gains or losses other than those stated above.

Balance Sheets

as at 31st March 2001

notes	Group		Company		
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	
Fixed assets					
8	Tangible assets	10,271	10,276	2,269	1,552
9	Investments	2	2	10,189	10,189
		10,273	10,278	12,458	11,741
Current assets					
10	Stocks	1,350	1,463	–	–
11	Debtors – due within one year	13,184	17,016	21,043	20,352
	– due in more than one year	357	56	–	56
	Cash and bank balances	5,884	766	5,132	–
		20,775	19,301	26,175	20,408
12	Creditors – amounts falling due within one year	(37,661)	(35,004)	(36,510)	(29,545)
	Net current liabilities	(16,886)	(15,703)	(10,335)	(9,137)
	Total assets less current liabilities	(6,613)	(5,425)	2,123	2,604
13	Provisions for liabilities and charges	–	(267)	(92)	(78)
	Net (liabilities)/assets	(6,613)	(5,692)	2,031	2,526
Capital and reserves					
14	Called up share capital	3,249	3,249	3,249	3,249
15	Share premium account	806	806	806	806
15	Profit and loss account	(10,668)	(9,747)	(2,024)	(1,529)
	Shareholders' funds	(6,613)	(5,692)	2,031	2,526

Approved by the board of directors and signed on its behalf on 7th June 2001.

P. R. Johnson
Chairman

Group Cash Flow Statement

for the year ended 31st March 2001

notes	2001	2001	2000	2000
	£'000	£'000	£'000	£'000
17 Net cash inflows from operating activities		5,631		2,892
Returns from investments and servicing of finance				
Interest received	1,461		1,336	
Interest paid	(7)		(41)	
Net cash inflow from investments and servicing of finance		1,454		1,295
Corporation tax paid		(348)		(453)
Capital expenditure				
Purchase of tangible fixed assets	(1,787)		(2,815)	
Sale of tangible fixed assets	166		4,305	
Net cash (outflow)/inflow for capital expenditure		(1,621)		1,490
Equity dividends paid		–		(2,356)
18 Increase in cash in the period		5,116		2,868

Accounting Policies

(a) **Basis of accounting**

The accounts have been prepared under the historical cost convention and comply with applicable accounting standards including Financial Reporting Standard no. 19, Deferred Tax. The accounting policies have been applied consistently and have been supported by reasonable and prudent judgements and estimates.

(b) **Basis of consolidation**

The group accounts consolidate the accounts of the company and its subsidiary undertakings up to 31st March 2001. Intergroup sales and profits are eliminated on consolidation. As permitted by section 230 (3) of the Companies Act 1985, the profit and loss account of the parent company has not been separately presented.

(c) **Intangible fixed assets**

Acquired goodwill, being the difference between the consideration and the fair value of net assets acquired, which arises on transactions after 1st April 1998, is capitalised and amortised over its estimated useful life. Prior to this date it was eliminated through reserves.

(d) **Tangible fixed assets and depreciation**

Depreciation is charged on cost by equal annual instalments over the anticipated useful life of assets as follows:

Freehold land	nil
Freehold buildings	2 – 2.5%
Short leaseholds	Over unexpired term of lease
Equipment and fixtures	10 – 20%
Motor vehicles	25%

(e) **Stock**

Stock is valued at the lower of cost and net realisable value. Cost is determined by the 'first in, first out' method and is based on purchase price. Finished goods stock and work in progress include attributable production overheads. Net realisable value is based on estimated selling price less cost of disposal.

(f) **Debtors – home collected credit**

Trade debtors include the aggregate amounts outstanding under home collected credit agreements less outstanding charges thereon. The latter are released to the profit and loss account using the 'sum of the digits' method as instalments are received from customers.

Provision for doubtful debts is made on an ongoing basis by reference to the non-collection of instalments due.

(g) **Prepayments**

Promotional expenditure incurred at the accounting date relating to the following season's sales is carried forward as prepaid expenditure and charged against the next year's income.

(h) **Unredeemed vouchers**

Unredeemed vouchers are included in trade creditors at the face value of vouchers outstanding less the estimated discount payable by retailers on redemption and after excluding the value of vouchers which it is estimated will never be presented for redemption.

(i) **Deferred taxation**

Except where otherwise required by accounting standards, full provision without discounting is made for all timing differences which have arisen but not reversed at the balance sheet date.

(j) **Pensions**

The costs of providing pensions for employees are charged in the profit and loss account over the average working lives of employees in accordance with the recommendations of the actuary to the group pension schemes.

Any funding surpluses or deficits that may arise from time to time are amortised as a fixed annual amount over the average remaining working lives of pensionable employees.

The difference between the charge to the profit and loss account and the contributions paid to the scheme is shown as an asset or liability in the balance sheet.

(k) **Financial instruments**

The group's financial instruments, in which it does not trade or deal, are carried at their fair value. The group's policies and procedures regarding risk management are set out in the directors' report on page 19.

Notes to the Accounts

1 Segmental Analysis

	Continuing operations		Discontinued operations		Total	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Financial services – cash savings	138,758	172,611	–	–	138,758	172,611
Financial services – home collected credit	3,685	3,733	–	–	3,685	3,733
Marketing services	13,075	11,297	4,164	10,805	17,239	22,102
Discontinued activities	–	–	–	44	–	44
Third party sales	155,518	187,641	4,164	10,849	159,682	198,490
Cost of sales	(146,450)	(179,691)	(2,420)	(4,925)	(148,870)	(184,616)
Distribution costs	(1,394)	(1,461)	(1,035)	(2,058)	(2,429)	(3,519)
Administrative expenses	(9,443)	(8,663)	(2,089)	(2,202)	(11,532)	(10,865)
Operating (loss)/profit	(1,769)	(2,174)	(1,380)	1,664	(3,149)	(510)
Financial services – cash savings	84	2,373	–	–	84	2,373
Financial services – home collected credit	(2,145)	(3,777)	–	–	(2,145)	(3,777)
Marketing services	292	(770)	(1,380)	1,691	(1,088)	921
Discontinued activities	–	–	–	(27)	–	(27)
Operating (loss)/profit	(1,769)	(2,174)	(1,380)	1,664	(3,149)	(510)
Loss on sale of fixed assets	–	(537)	–	–	–	(537)
Profit on termination of food manufacturing	–	–	–	218	–	218
(Loss)/profit on ordinary activities before interest	(1,769)	(2,711)	(1,380)	1,882	(3,149)	(829)
Financial services – cash savings	3,472	4,276	–	–	3,472	4,276
Financial services – home collected credit	(3,080)	(4,384)	–	–	(3,080)	(4,384)
Marketing services	(704)	(1,304)	(1,380)	1,691	(2,084)	387
Discontinued activities	–	–	–	191	–	191
(Loss)/profit on ordinary activities before taxation	(312)	(1,412)	(1,380)	1,882	(1,692)	470
Financial services – cash savings	602	(2,686)	–	–	602	(2,686)
Financial services – home collected credit	(6,065)	(3,909)	–	–	(6,065)	(3,909)
Marketing services	(1,239)	(566)	89	1,469	(1,150)	903
Net (liabilities)/assets	(6,702)	(7,161)	89	1,469	(6,613)	(5,692)

2 Operating Loss

	2001 £'000	2000 £'000
Costs and expenses include the following:		
Depreciation	1,595	1,678
Staff costs (see note 3)	13,669	14,142
Auditors' remuneration – group	69	66
– company	14	13
Fees paid to the auditors and associates for non-audit services	166	107
Home collected credit charge for bad and doubtful debts	1,851	3,337

3 Staff Costs

	2001 £'000	2000 £'000
Group		
Wages and salaries	12,213	12,515
Social security costs	876	961
Other pension costs	580	666
	13,669	14,142
	Number	Number
Financial services – cash savings	153	217
Financial services – home collected credit	105	133
Marketing services	553	359
Discontinued activities	117	250
Average number employed	928	959

Details of the emoluments of the directors of Park Group plc are set out in the directors' report on pages 15 to 17.

4 Investment Income

	2001 £'000	2000 £'000
Interest receivable	1,464	1,340

5 Interest Payable

	2001 £'000	2000 £'000
Bank loans and overdrafts, and loans wholly repayable within five years	4	19
Other	3	22
	7	41

6 Taxation

	2001 £'000	2000 £'000
Corporation tax at 30% (2000 – 30%)	(5)	174
Deferred tax	(478)	183
Prior years adjustments: corporation tax	(23)	(84)
deferred tax	(265)	50
	(771)	323

The tax assessed for the period is higher than the standard rate of corporation tax in the UK (30%).

The differences are explained below:

	2001 £'000	2000 £'000
(Loss)/profit on ordinary activities before taxation	(1,692)	470
Expected tax (credit)/charge at 30%	(508)	141
Effects of:		
Expenses not deductible for tax purposes (primarily non qualifying capital expenditure)	52	109
Tax on consolidation adjustment	(27)	27
Adjustments to tax charge in respect of prior periods	(288)	(34)
Capital gain covered by capital losses brought forward	–	(933)
Profit on discontinued activity taxed in prior year	–	(508)
Provision against investment not deductible	–	450
Deferred tax movement not provided	–	1,071
	(771)	323

7 (Loss)/Earnings Per Share

The calculation of basic and diluted earnings per share is based on the loss on ordinary activities after taxation of £921,000 (2000 profit – £147,000) and on the weighted average number of shares, calculated as follows:

	2001	2000
Basic and diluted eps – weighted average number of shares	162,471,066	162,471,066

8 Tangible Assets

	Land and buildings £'000	Equipment and fixtures £'000	Motor vehicles £'000	Total £'000
Group				
Cost				
At 31st March 2000	11,215	11,345	1,311	23,871
Additions	–	1,592	196	1,788
Disposals	–	(36)	(465)	(501)
At 31st March 2001	11,215	12,901	1,042	25,158
Depreciation				
At 31st March 2000	6,264	6,732	599	13,595
Charge for year	98	1,207	290	1,595
Disposals	–	(22)	(281)	(303)
At 31st March 2001	6,362	7,917	608	14,887
Net book amount				
At 31st March 2001	4,853	4,984	434	10,271
At 31st March 2000	4,951	4,613	712	10,276
			2001	2000
			£'000	£000
Freehold property – net book amount			4,853	4,951
Land and buildings include:				
At cost	– land		200	200
	– buildings		11,015	11,015
			11,215	11,215

8 Tangible Assets – continued

	Equipment and fixtures £'000	Motor vehicles £'000	Total £'000
Company			
Cost			
At 31st March 2000	3,677	345	4,022
Additions	1,048	16	1,064
Disposals	(26)	(87)	(113)
Group transfers	(13)	(10)	(23)
At 31st March 2001	4,686	264	4,950
Depreciation			
At 31st March 2000	2,295	175	2,470
Charge for year	211	74	285
Disposals	(22)	(50)	(72)
Group transfers	(9)	7	(2)
At 31st March 2001	2,475	206	2,681
Net book amount			
At 31st March 2001	2,211	58	2,269
At 31st March 2000	1,382	170	1,552

9 Investments

	Other investments £'000
Group	
Cost	
At 31st March 2000	1,502
Disposals	(1,500)
At 31st March 2001	2
Provisions	
At 31st March 2000	1,500
Decrease in year	(1,500)
At 31st March 2001	–
Net book amount	
At 31st March 2000 and 2001	2

9 Investments – continued

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
Company			
Cost			
At 31st March 2000	20,725	1,502	22,227
Disposals	–	(1,500)	(1,500)
At 31st March 2001	20,725	2	20,727
Provisions			
At 31st March 2000	10,538	1,500	12,038
Decrease in year	–	(1,500)	(1,500)
At 31st March 2001	10,538	–	10,538
Net book amount			
At 31st March 2000 and 2001	10,187	2	10,189

At 31st March 2001 the parent company's principal subsidiary undertakings were:

Name of company	Nature of business
Park Financial Services Limited	Mail order and cash savings operations
Park Hamper Company Limited	Mail order agency cash savings
Country Hampers Limited	Mail order agency cash savings
Park Premier Services Limited	Wholesale hamper sales
High Street Vouchers Limited	Voucher sales
Budworth Properties Limited	Property management
Jetlag International Limited	Airline, travel and retail multi-item kits
Park Online Limited	Marketing services
Park Direct Credit Limited	Home collected credit

All the above companies were directly held wholly owned subsidiary undertakings of the parent company except in the case of Jetlag International Limited where the parent company's direct holding represented 70% (2000 – 70%) and subsidiary undertakings direct holdings represented 30% of its issued share capital.

All the above companies are registered in England.

10 Stocks

	2001 £'000	2000 £'000
Group		
Raw materials	852	1,095
Goods for resale	498	368
	1,350	1,463

11 Debtors

	Due within one year		Due in more than one year	
	2001 £'000	2000 £'000	2001 £'000	2000 £'000
Group				
Trade debtors	8,609	13,080	–	–
Other debtors	370	516	–	56
Prepayments	4,086	3,257	–	–
Advance corporation tax	–	163	–	–
Deferred tax (see note 13)	119	–	357	–
	13,184	17,016	357	56
Company				
Amounts owed by subsidiary undertakings	20,236	19,300	–	–
Other debtors	659	788	–	56
Prepayments	148	101	–	–
Advance corporation tax	–	163	–	–
	21,043	20,352	–	56

12 Creditors

	Amounts falling due within one year	
	2001 £'000	2000 £'000
Group		
Bank overdraft	1,102	1,100
Trade creditors	34,348	30,129
Corporation tax	–	378
Other taxes and social security	331	326
Other creditors	470	2,272
Accruals and deferred income	1,410	799
	37,661	35,004

At 31st March in both years there was no actual overdrawn balance at the bank, the above figures simply representing the amount of unrepresented cheques. At 31st March 2001 bank deposits amounted to £5.884m (2000 – £0.766m).

Company		
Bank overdraft	200	1,101
Trade creditors	169	151
Amounts owed to subsidiary undertakings	35,797	28,031
Other taxes and social security	133	88
Other creditors	2	–
Accruals and deferred income	209	174
	36,510	29,545

13 Provisions for Liabilities and Charges

	Provision 2000 £'000	Profit and loss account £'000	Transfer to debtors £'000	Provision 2001 £'000
Group				
Deferred taxation – decelerated capital allowances	267	(577)	310	–
– losses	–	(166)	166	–
	267	(743)	476	–
Company				
Deferred taxation – decelerated capital allowances	78	14	–	92

Deferred taxation represents a corporation tax charge of 30% deferred by capital allowances and adjustments for short term timing differences. To the extent that it is an asset it represents the amount of tax credit available within the foreseeable future. Timing differences in respect of capital allowances will reverse at various periods over the next 6 years. Any asset is shown in debtors, see note 11.

14 Share Capital

	No. of shares	£'000
Authorised: Ordinary shares of 2p each		
At 31st March 2000 and 2001	195,000,000	3,900
Allotted, called up and fully paid		
At 31st March 2000 and 2001	162,471,066	3,249

Options over ordinary shares in the company have been granted and dealt with as follows as at 31st March 2001:

Date of grant	Options over ordinary shares					Exercise price	Latest exercise date
	Granted	Lapsed	Exercised prior years	Exercised this year	Outstanding		
19.2.92	2,265,000	(180,000)	(2,055,000)	–	30,000	31.555p	15.11.01
1.2.99	462,631	(427,935)	–	–	34,696	45.000p	31.7.02
1.2.99	503,850	(427,350)	–	–	76,500	45.000p	31.7.04
1.10.99	255,936	(240,546)	–	–	15,390	36.000p	31.3.03
1.10.99	208,125	(174,375)	–	–	33,750	36.000p	31.3.05
1.10.00	1,368,016	(198,801)	–	–	1,169,215	11.500p	31.3.04
1.10.00	903,907	(205,433)	–	–	698,474	11.500p	31.3.06

The market price of the shares at 31st March 2001 was 10.0p with a range in the year of 8.0p to 18.5p.

15 Reserves

	Share premium account £'000	Profit and loss account £'000
Group		
At 31st March 2000	806	(9,747)
Loss for year	–	(921)
At 31st March 2001	806	(10,668)

Aggregate goodwill written off to profit and loss account at 31st March 2001 amounted to £28,123,000 (2000 – £28,123,000).

	Share premium account £'000	Profit and loss account £'000
Company		
At 31st March 2000	806	(1,529)
Loss for year	–	(495)
At 31st March 2001	806	(2,024)

16 Movements in Shareholders' Funds

	2001 £'000	2000 £'000
(Loss)/retained profit for the financial year	(921)	147
Opening shareholders' funds	(5,692)	(5,839)
Closing shareholders' funds	(6,613)	(5,692)

17 Reconciliation of Operating Profit to Net Cash Flow from Operating Activities

	2001 £'000	2000 £'000
Operating loss	(3,149)	(510)
Exceptional items	–	(319)
Depreciation	1,595	1,678
Loss on sale of tangible fixed assets	32	231
Loan book debt provision	1,851	3,337
Loan book investment	(2,079)	(5,307)
Decrease in stocks	113	1,124
Decrease/(increase) in debtors	4,237	(894)
Increase in creditors	3,031	3,552
Net cash inflows from operating activities	5,631	2,892

Exceptional items relate to the sale and leaseback of properties and the disposal of food manufacturing plant and licences.

18 Analysis of Changes in Net (Debt)/Funds

	At 31st March 2000 £'000	Cash flow £'000	At 31st March 2001 £'000
Cash and bank balances	766	5,118	5,884
Bank overdrafts	(1,100)	(2)	(1,102)
	(334)	5,116	4,782

19 Related Party Contracts

- (A) Budworth Properties Limited, a 100% controlled subsidiary, owns the freehold interest in a specialist food manufacturing facility on the Valley Road Business Estate in Birkenhead which was formerly occupied by Spuddles Limited, another group company.

Following the closure of Spuddles, Budworth, on 10th March 2000, entered into a ten year lease with a third party called Prime Potato Products Limited. Rents receivable by Budworth amounted to £256,000 per annum with a review after five years to £304,048 per annum.

Prime Potato Products Limited was put into administrative receivership in January this year. The business and assets were subsequently acquired from the receiver by Homefoods Limited, a company in which Mr. Peter Johnson personally and through his beneficial interest in the KUS Pension Fund, has a controlling interest.

On 30th April 2001 Budworth agreed a deed of variation to the lease such that no rent shall be paid by Homefoods Limited for the period to 30th September 2001. From that date the rent will be set at £350,000 per annum and from the review date until the end of the lease the rent will be set at £450,000 per annum.

- (B) Under the terms of an agreement dated 4th May 2001, Park Online Limited disposed of its promotional fulfilment activity based in Nelson, Lancashire to Intalekt Limited, a company controlled by Mr. David Holt, Park Online's former finance director, for a nominal consideration.

Park Online is providing an interest bearing loan of £250,000 to Intalekt, repayable over two years, to fund its working capital.

For the year ended 31st March 2001 the Nelson business produced a pre-interest loss of £1.380m.

The net book value of assets disposed of amounted to £89,000.

20 Post Balance Sheet Event

The group has received notice from two Country Hampers franchisees of their desire to surrender their franchises in the financial year to 31st March 2002. The cost to the group in that year is presently estimated to be £554,000, although this will be offset in that year and in future years by incremental revenues and interest receipts arising from the absorption of these businesses.

21 Contingencies

The group has an obligation under the remaining Country Hampers franchisee contract to buy back the franchise once notice has been given of a desire to surrender. The cost to the group if notice were to be given is presently estimated to be £452,000.

22 Capital Commitments

	2001 £'000	2000 £'000
Group		
For which contracts have been placed	244	1,167
Company		
For which contracts have been placed	10	627

23 Pensions

The group operates two pension schemes providing benefits based on final pensionable pay. The assets of the schemes are held separately from those of the company in trustee administered funds. Contributions to the schemes are determined by a qualified actuary on the basis of triennial valuations using either the projected unit or aggregate method. The most recent valuations were at 31st March 1998 for one scheme and 31st March 2000 for the other. The main assumptions used in the valuation of the liabilities of the first scheme were a real return on investments above general earnings inflation of 2.25% per annum for pre 1st April 1998 service (2.75% per annum for post 31st March 1998 service) and a real return above pension increases of 4% per annum for pre 1st April 1998 service (4.5% per annum for post 31st March 1998 service). The corresponding assumptions for the second scheme were 0.4% per annum and 1.9% per annum respectively for all service.

The pension charge for the year to 31st March 2001 was £580,000 (2000 – £666,000).

The most recent actuarial valuations showed that the combined market value of the two schemes' assets was £9,895,527, which represented 101% of the value of the benefits that had accrued to members after allowing for expected future increases in earnings.

Notice of Meeting

Notice is hereby given that the eighteenth annual general meeting of Park Group plc will be held in The Prentonian Suite, Tranmere Rovers Football Club Limited, Prenton Park, Prenton Road West, Birkenhead CH42 9PN on Tuesday, 25th September 2001, at 12 noon for the following purposes:

- 1 To receive and adopt the report and accounts for the year ended 31st March 2001.
- 2 To re-elect C. Houghton who was appointed to the board on 11th October 2000.
- 3 To re-elect R. J. Staines who was appointed to the board on 29th March 2001.
- 4 To re-elect J. Walls who was appointed to the board on 29th March 2001.
- 5 To re-elect G. A. Woods who was appointed to the board on 29th March 2001.
- 6 To re-elect A. Wright who was appointed to the board on 29th March 2001.
- 7 To re-elect C. J. Baker who was appointed to the board on 29th March 2001.
- 8 To re-elect R. G. Marcall who was appointed to the board on 29th March 2001.
- 9 To re-appoint KPMG Audit Plc as auditors and to authorise the directors to agree their remuneration.

Valley Road
Birkenhead CH41 7ED
6th July 2001

By order of the board
J. E. Evans
Secretary

Notes:

- 1 A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote instead of him. A proxy need not be a member of the company. A form of proxy is enclosed for use by shareholders.
- 2 The register of directors' interests kept by the company in accordance with section 325 of the Companies Act 1985 will be available for inspection at the annual general meeting.