PARK GROUP PLC

Annual Report & Accounts

for the year ended 31 March 2004

Established over 30 years ago, Park Group's core business is financial services, including **Cash Savings** (the original hamper business and High Street Gift Vouchers) and **Cash Lending** (home collected credit and cheque cashing).

We intend to be the best operator in our markets through continual improvement in the quality, profitability and value created by our businesses.

We recognise that people are the most important asset in our organisation, and we continuously strive to develop all of our people to be capable of delivering outstanding service.

Contents

Highlights

+12%
Turnover up to £217m.

+29%
Profits before tax on continuing operations advancing 29 per cent to £5m.

+33%
Dividend per share improved 33 per cent to 1 pence.

Turnover (£m)	
00	198.5
01	159.7
02	198.2
03	193.7
04	**217.0**

Profit before tax (£m)	
00	0.5
01	(1.7)
02	1.8
03	3.1
04	**1.9**

Number of agents	
00	57,022
01	56,308
02	64,693
03	65,072
04	**70,513**

Financial Highlights

- Turnover of **£217m**
- Profits before tax on continuing operations advancing **29 per cent** to **£5.0m**
- Cash savings operating profit up **29 per cent** to **£2.9m**
- Cash lending operating profit up **128 per cent** to **£0.7m**
- Total dividend **1p** per share

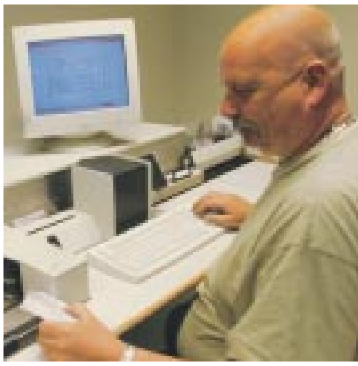
Operational Highlights

- Park Group reaches agreement on the disposal of its call centre
- Strategic change complete
- Cash lending loan book grows by **82 per cent**
- Continued investment in systems development and staff
- Sustained agent recruitment and retention programmes
- Expansion of both our customer base and range of products

Chairman's Statement

+9

Park Fast Cash branches increase by 9 to 41.



+8.4%

Cash savings agent numbers up by 8.4 per cent.

A Year of Progress

I am pleased to report that the past year has been one of further development and progress for the group. We have disposed of our peripheral under-performing activities and increased the profits before tax of the continuing businesses by 29 per cent to £5.0m from £3.8m.

The result for the year was achieved on turnover of £217.0m, up 12 per cent from £193.7m in 2002-03, and the directors are pleased to recommend a final dividend of 0.675p per share, payable on 1 October 2004 to shareholders on the register at the close of business on 3 September 2004, making a total distribution of 1p per share.

After allowing for losses and closure costs incurred by the marketing services division, group profit before taxation for the year was £1.9m against £3.1m, while earnings per share amounted to 0.74p compared with 1.30p. The group's planned transition to a financial services business is now complete, enabling us to focus fully on offering a range of cash savings and cash lending products to our chosen market.

The continued strength of the group's cash flow is such that we have been able to grow our loan book, organically and by acquisition, without recourse to external funding.

Despite continued investment in the loan book and recent acquisitions, interest receipts grew to £1.4m. These were helped by higher cash balances and will be boosted further in the current year if interest rates continue to rise.

The cash savings division has once again produced an excellent result, lifting its operating profit by 29 per cent to £2.9m from £2.2m on sales up by 14 per cent to £196.1m from £172.6m.

Sales of Park's High Street Gift Voucher, the UK's biggest selling multi-redemption voucher, increased by over 15 per cent to £172m from £149m. Of the total, corporate sales accounted for £50m, up 16 per cent, while within that figure sales to the incentive market, where we see strong growth potential, increased by 70 per cent to £17m.

A new product has been added to the cash savings business this year with the launch, in January, of Park Travel. This provides an alternative savings cycle to Christmas and also offers customers the option of unsecured loans to fund part of the cost of their holiday when purchased through our own telephone-based travel agent.

#1

The High Street Gift Voucher is the leading multi-redemption voucher in the UK.

The cash lending division again achieved healthy growth from a still modest base, with turnover rising 57 per cent to £14.0m, operating profit more than doubling to £0.7m from £0.3m and the loan book advancing 82 per cent to £24.6m from £13.5m.

The acquisition from Mirfield Financial Services Limited for £2.1m cash of loan books in the North East and North West of England produced a valuable increase in customers. The total number of customers on our books is currently 100,000, compared with 64,000 a year ago.

We now have 41 branches in secondary high street locations, providing office facilities for our agents as well as a high street presence to attract new customers. Cheque cashing revenues increased by 53 per cent year on year, while our Cash Reserve unsecured loan book grew to £1.0m from £0.4m.

The year also saw the launch of Park Direct Insurance which markets carefully selected insurance products to customers through our branch and agency network.

As our home collected credit operation becomes more mature improvements are being seen throughout the business, particularly in the quality of the home collected credit loan book. The bad debt ratio continues to fall and is now down to 10.8 per cent of loans issued, much closer to the average for longer-established players in our sector, compared with 11.7 per cent in 2002-03.

Towards the end of 2003-04 we announced the disposal of our marketing services call centre facility to Wirral Borough Council for £0.7m in cash. This disposal marked our withdrawal from the outsourced call centre market where margins were low and competition intense.

I am now also able to report that agreement has been reached for the sale to a management buy-in team of the design and packing operation, Link Brand Solutions.

The removal from Park of these under-performing businesses leaves the group free to focus on developing its core cash savings and cash lending divisions. These will continue to be managed with a view to delivering sustainable long-term growth.

Looking ahead it is gratifying to note that the cash savings recruitment campaign for 2004 has resulted in a further improvement in the agent retention rate and a rise in orders for Christmas this year of 9.4 per cent over 2003.

In cash lending, collections are currently 55 per cent above last year's level while the bad debt position together with the quality of the loan book continues to improve. The gradual introduction into the branch network of targeted products and services should also help to enhance performance.

On 4 May this year we announced the appointment of Christopher Houghton, finance director, as group managing director. He will continue to carry out the duties of finance director, a position he has held since 2001, until a successor is appointed. We wish Chris well in his new post.

Our business is driven by the skills and commitment of our employees and I would like to thank them for their hard work over the past year.

Peter Johnson
Executive Chairman
4 June 2004

Operational Review

16,000

The High Street Gift Voucher is redeemable in over 16,000 retail stores.

+70%

Sales of The High Street Gift Voucher to the incentive market grew by 70 per cent.

Cash Savings

The past year saw another excellent performance from the cash savings division, with turnover and operating profit both well up.

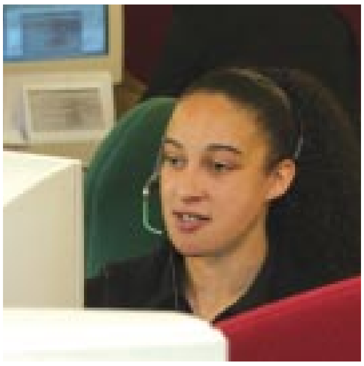
As reported previously, the successful marketing campaign over Christmas 2002 produced retail turnover growth of 12.9 per cent for the year ended 31 March 2004. Agent numbers increased by 8.4 per cent and our customer base grew by some 35,000. Our ability to retain these new agents and customers throughout their first year and then into year two is one of the key drivers of the business. It is therefore vitally important that we exceed their expectations for service, quality and delivery. We have remained totally committed to investing in and developing our people skills and to implementing quality systems and processes. The reward for our efforts has been probably the best year of service delivery ever experienced.

All areas of the business performed to an exceptionally high standard last year. As a result of retaining more agents through to completion than anticipated, the end of year turnover figure was comfortably ahead of expectations.

Underlining our continued success in retaining a tight hold on costs, we achieved an added contribution towards overheads by winning third party contract packing work throughout the year.

The current year 2004-05 has started well, with last year's fine performance undoubtedly contributing to yet another improvement in agent retention rates.

Currently running at almost 80 per cent, these are well above the industry norm. Add to this yet another highly visible and successful recruitment campaign over Christmas 2003, and we find ourselves with a retail order book that is currently 9.4 per



+9.4%

Retail orders up by 9.4 per cent.

WOOLWORTHS

Boots

Argos

COMET

mothercare

cent ahead of the same point a year ago. Agent and customer numbers as well as average customer spend have all increased, providing a good basis for the future.

Our award-winning customer care department has recently launched a new payment management system. Built in-house, it will enable us to manage the accounts and payments of our agents in a more pro-active and professional manner, leading to improved cash generation, lower agent and customer attrition rates and a more accurate model for product forecasting.

The High Street Gift Voucher, extremely popular with our retail agents and customers, continues to flourish and grow market share in the important corporate sector. Total third party sales registered an impressive 16 per cent increase year on year, comfortably masking a slight drop in sales to the leisure industry, mainly to bingo halls, following changes in legislation.

We continue to grow our share of the incentives market, including staff and customer benefit/reward and loyalty schemes. During the year we formed new partnerships with a variety of blue chip companies in order to service their requirements in these areas. Again this bodes well for the future as our brand gains in prominence and awareness of it grows.

Market research continues to highlight the desire of many of our customer base to save for their annual holidays.

In January this year we launched Park Travel, offering a complete range of holidays and associated services. We believe this business will give us more opportunities to explore a new holiday savings cycle.

Currently, Park Travel promotes itself predominantly via teletext to the general public. Since January this year we have sold over 500 holidays with a combined value of over £500,000 on which we receive commission.

In summary, in recent years results have been very encouraging and I am confident that the excellent start to the current year puts us in a strong position to continue the progress made to date.

Operational Review - continued

+57%

Turnover increased by 57 per cent to £14.0m.

+82%

Net loan book has increased by 82 per cent.

Cash Lending

Despite a year of significant further investment in the cash lending division, operating profits more than doubled to £0.7m, from £0.3m in 2002-03. Continued expenditure on infrastructure enabled us to increase the number of branches in operation from 32 to 41, sufficient to give us representation in each of our key business areas. These branches both support our network of over 700 agents and enable us to offer straightforward financial products to our target market.

Having established the branch presence deemed necessary to provide the coverage sought, expansion from now on will be more gradual as we expand the geographic boundaries of our operations.

We continue to seek suitable acquisitions and in November purchased a well-developed loan book from Mirfield Financial Services Limited, providing us with incremental volume without the burden of additional fixed costs. The resulting book debts have been incorporated into our branches in the North West and North East of England. Future growth will continue to encompass acquisition as well as organic development.

Cash collections increased dramatically, by 59 per cent to £32m from £20m a year ago. Customer numbers swelled to 100,000 from 64,000, spreading our risk and enabling our average customer balance at £390 to remain well below the industry average. The more we are able to spread risk by growing the number of customer accounts in a controlled manner, the more we shall be able to reduce our bad debt charge. In this connection I am pleased to report that despite escalating bad debts within the industry, our bad debt charge fell for the third year in succession – to 10.8 per cent

+56%

Customer numbers show a rise of 56 per cent.

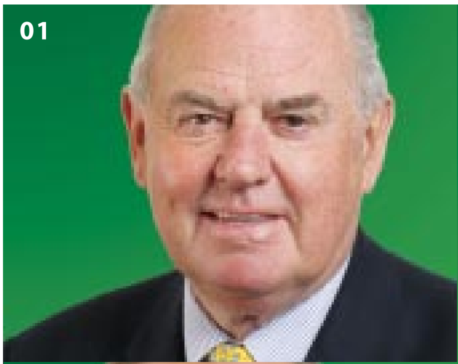
from 11.7 per cent in the previous year. We would expect this ratio to continue to fall as the business becomes more mature and our staff become more experienced.

Our monthly direct debit product, Cash Reserve, is attracting new customers as we develop the necessary skills to underwrite credit at arms length. This operation should be capable of adding significant additional volume over the next few years.

This year will see a number of regulatory changes in the financial services sector. For our part we have been involved recently in industry consultation on the Consumer Credit White Paper but expect the changes to have no more than a minor impact on our business. We have registered with the Financial Services Authority and are on course to be fully compliant by the deadline of October this year. Only our mortgage and insurance broking activities will be regulated by the FSA while our core credit business will continue to be overseen by the Office of Fair Trading.

Trading so far in the new financial year has been encouraging. We expect to build on our investment in the branch network by focusing particularly on bringing the more recently opened branches up to speed. We shall continue to develop the loan book organically while all the time evaluating potential acquisitions.

Board of Directors



01 Peter Johnson (64)
Is the company's founder and majority shareholder and has the role of executive chairman. He has a service agreement with the company effective from 1 April 2003 which requires 12 months notice of termination by either party.

02 Chris Houghton (45)
Was appointed to the board on 11 October 2000 and became group managing director on 4 May 2004. Mr Houghton is a Fellow of the Chartered Institute of Management Accountants and joined the group as group accountant in 1986. He became group financial controller in 1990, finance director of Park Direct Credit in November 1999 and group finance director on 29 March 2001. He has a service agreement with the company entered into on 1 April 2001 which requires 12 months notice of termination by either party.

03 Gary Woods (47)
Was appointed to the board on 29 March 2001. He joined the group with the acquisition of Chrisco Hampers in 1980 and has gained wide experience in divisional roles. He is managing director of Park Financial Services and Handling Solutions. He has a service agreement with the company entered into on 1 April 2001 which requires 12 months notice of termination by either party.

04 Andy Wright (43)
Was appointed to the board on 29 March 2001. He joined the group at the beginning of 2000 as managing director of Park Direct Credit, having formerly been development director of Morses, the direct credit subsidiary of Great Universal Stores. He has a service agreement with the company entered into on 1 April 2001 which requires twelve months notice of termination by either party.

05 Christopher Baker (52)
Was appointed to the board as a non-executive director on 29 March 2001 for an initial term of three years and has recently been re-appointed for a further term.
He has formerly held senior management positions with Littlewoods plc and Hill Samuel Bank Limited, and is currently chairman of the Liverpool Business Centre, non-executive deputy chairman of Jacques Vert plc and Blooms of Bressingham Holdings plc and a non-executive director of Auto Indemnity Group plc and the Teacher Training Agency. Mr Baker is chairman of the group's audit committee, a member of the remuneration and nomination committees, and the group's senior independent non-executive director. Mr Baker, in accordance with the articles of association of the company, retires by rotation and, being eligible, offers himself for re-election.

06 George Marcall (54)
Was appointed to the board as a non-executive director on 29 March 2001 for an initial term of three years and has recently been re-appointed for a further term.
He has formerly held directorships with Airtours plc and Yates Group plc and is currently chief executive of Glyn Webb Limited and a non-executive director of Marix Drug Development Limited and Abbeycrest plc. Mr Marcall is chairman of the group's remuneration committee and a member of the audit and nomination committees. Mr Marcall, in accordance with the articles of association of the company, retires by rotation and, being eligible, offers himself for re-election.

Directors' Report

The directors submit their report and the audited accounts for the year ended 31 March 2004.

Results and Dividend
The group profit for the year after taxation was £1.213m (2003 – £2.105m).

An interim dividend of 0.325p per share was paid on 7 April 2004 and the directors have recommended that a final dividend of 0.675p per share be paid on 1 October 2004 to those shareholders on the register on 3 September 2004. The total dividend for the year will be 1.00p (2003 – 0.75p) which will absorb £1.634m (2003 – £1.219m) leaving a loss of £0.421m.

Principal Activities and Business Review
A statement describing the business activities of the company and its subsidiary undertakings is set out on pages 4 to 7 with comments on current developments in the chairman's statement on pages 2 to 3. The principal subsidiary undertakings and their activities are set out in note 10 to the accounts.

Directors
The directors who were in office during the year ended 31 March 2004 are shown on page 8.

Share Capital
Under the terms of the Park Group Sharesave Scheme options over 792,061 ordinary shares of 2p each were exercised. No other shares were issued in the year to 31 March 2004.

Under the rules of the Park Group Sharesave Scheme invitations were issued to all eligible employees on 10 July 2003. Applications were received from 70 employees who were granted options over an aggregate 697,537 ordinary shares of 2p each in the company at an exercise price of 21.6p per share.

At the date of this report the following had notified interests in the share capital of the company of 3 per cent or more:

	No of shares	%
Mr P R Johnson	94,649,325	57.94
KUS Pension Fund	16,135,386	9.88
Schroder Investment Management Limited	15,950,000	9.76
The Johnson Foundation	10,415,000	6.38

Mr P R Johnson has:
- a beneficial interest in 94,648,325 shares held in the 1989 Peter Johnson Settlement Trust in which AIB Worthy Trust Limited and AIB Bank (CI) Limited have notified their interest.
- a beneficial interest in the KUS Pension Fund of which he is the sole beneficiary and in which the Flexible Annuity Company Limited has an interest.
- a non-beneficial interest, as a member and council member, in The Johnson Foundation, a registered charity with number 518660. The company has been notified that at 31 March 2004 The Johnson Foundation held interests in 10,415,000 ordinary shares of 2p each in the company.

Directors' Share Interests
Details of directors' share interests and options are shown in the remuneration report on page 12.

Corporate Governance
The company has in place appropriate policies and control procedures to enable it to comply with the principles of good governance, in so far as they relate to companies, set out in the Combined Code contained in the Listing Rules issued by the Financial Services Authority.

The board comprises six directors, being executive chairman, group managing director and finance director, two executive directors and two independent non-executive directors.

The board of directors
The board has six scheduled meetings per annum to consider operational reports and those other matters specifically reserved for the board, including major policy decisions, capital and funding issues, budget and forecast approvals. It meets on other occasions as necessary.

The executive chairman is responsible for running the board and supervises day to day operations which have largely been delegated to the other three executive directors. The board takes the view that under current circumstances this is an appropriate modus operandi.

Information is reported to the board in a timely manner in a form and of a quality to enable it to discharge its duties.

The company's articles of association require that one third of the members of the board or, if their number is not three or a multiple of three, the number nearest to but not exceeding one third shall retire by rotation and seek re-election each year. Notwithstanding this, the board is observing the terms of the Combined Code in that every director will seek re-election at intervals of no more than three years.

Directors' Report - continued

Board committees

The board has four committees – an audit committee, a risk management committee, a nomination committee and a remuneration committee – to which has been delegated certain specific board responsibilities. The audit committee is chaired by Mr C J Baker and has Mr R G Marcall as its other member. It meets three times in a financial period and representatives from external audit, together with the chairman and group finance director, attend. The committee reviews interim and annual financial statements.

The risk management committee comprises Mr G A Woods, chairman, and Mr A Wright and meets quarterly. It is responsible for reviewing the effectiveness of the group's strategic risk management process and identifies and maps the principal strategic risks facing the group. The audit committee receives a report on the operational effectiveness of the risk management committee.

The nomination committee comprises Mr P R Johnson, chairman, Mr C J Baker and Mr R G Marcall and meets as necessary.

Details of the remuneration committee can be found in the remuneration report on page 12.

Directors' remuneration

Matters concerning remuneration, service contracts and compensation for the executive directors are dealt with by the remuneration committee. A statement of the company's policy on directors' remuneration and details of all the emoluments of each director have been set out in the remuneration report on pages 12 to 14.

Relations with shareholders

All directors attend the company's annual general meeting and are available to deal with the concerns of shareholders formally during the meeting or informally thereafter. Presentations are made to analysts and institutional investors following announcements to the Stock Exchange of the half-year and full-year results. Other ad hoc meetings are held with interested parties on request.

Accountability and audit

The directors are required by law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and group and of the profit or loss for that period. In preparing those financial statements, the directors are required to use suitable accounting policies applied consistently; to make judgements and estimates that are reasonable and prudent; to state whether applicable accounting standards have been followed (subject to material departures disclosed and explained in the financial statements), and to prepare them on a going concern basis provided it is appropriate to do so.

The directors are responsible at all times for maintaining adequate accounting records which disclose with reasonable accuracy the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985.

They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Combined Code requires the board to report on the group's system of internal control covering financial and all other controls including those relating to operating, compliance and risk management.

The directors are responsible for, and keep under periodic review, the effectiveness of the group's system of internal controls. The principal elements of the group's established systems include: a clearly defined organisational structure under which individual responsibilities are monitored by members of the board; budgets covering key financial aspects of group activities which are approved by the board; monthly comparisons of results against budget and prior year which are considered by the board; clearly defined procedures for treasury management and the authorisation of capital expenditure. Any such system of controls can provide only reasonable and not absolute assurance against material misstatement or loss.

This process has been in place for the year under review and up to the date of approval of the annual report and accounts. It is regularly reviewed by the board and accords with the Internal Control Guidance for Directors on the Combined Code produced by the Turnbull Working Party.

The directors are responsible for the risk management process. This is carried out through a risk management sub-committee of the board whose terms of reference include:
– identification of business risk throughout the group's operations
– determination of the controls necessary to manage identified risk
– evaluation of the effectiveness of those controls
– continuous assessment and reporting to the board

The board has considered the need to have an internal audit function and has determined that given the current size and scope of its operations, it would not be appropriate, except in the case of Park Direct Credit where compliance managers have been appointed to continuously review that staff are complying with all laid down operational procedures.

The group has failed to comply with the Code of Best Practice for companies as set out in the Combined Code, in that Mr Johnson, as executive chairman, has effectively combined the role of chairman and CEO since September 2000.

The board considers that the constitution of the board of directors is appropriate for the company at this stage of its development.

Directors' Report - continued

Going concern
This annual report and accounts provides information on and details of the company's operations and its financial position. After reviewing group projections and the availability of financing facilities the directors consider that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future and, for this reason, the going concern basis has been adopted in preparing the accounts.

Post Balance Sheet Event
On 3 June 2004 Park Group announced that they had agreed to sell the business and assets of Link Brand Solutions Limited to a management buy-in team. The results of this activity are shown as discontinued operations in the result for the year.

International Financial Reporting Standards (IFRS)
As a listed company, Park Group plc will be required to produce consolidated financial statements which comply with IFRS for the year ended 31 March 2006. The comparative figures for the year ended 31 March 2005 will also need to be IFRS compliant.

We are currently, together with our auditors, undertaking a review to assess the impact that compliance with IFRS will have on our accounting policies and systems.

Market Value of Land and Buildings
In the opinion of the directors, the market value and book value of the land and buildings of the group are not significantly different.

Political and Charitable Contributions
During the year ended 31 March 2004 there were no political or charitable contributions.

Creditor Payment Policy
The company does not comply with any code or standard in respect of the payment of creditors. Current policy is to specify settlement terms with suppliers when agreeing the terms of each transaction. Where no specific terms are agreed creditor payments are made in accordance with the company's own terms and conditions of purchase. As at 31 March 2004 the number of days of parent company purchases outstanding was 26 days.

Auditors
KPMG Audit Plc have indicated their willingness to continue as auditors and a resolution to re-appoint them will be proposed at the forthcoming annual general meeting.

Birkenhead
4 June 2004

On behalf of the board
P R Johnson
Chairman

Remuneration Report

Unaudited Information

Remuneration Committee
The committee comprises the non-executive directors, Mr R G Marcall and Mr C J Baker, and the group chairman attends by invitation.

It makes recommendations to the board on the overall framework for executive remuneration and approves specific remuneration packages and service contracts for each of the executive directors of the company. It establishes remuneration policy and has access to external advisers if it so wishes. The committee has not been materially assisted during the year.

Executive Remuneration Policy
The aim of the group's remuneration policy is to attract, motivate and retain high calibre executives and to ensure that they are rewarded with competitive salary and benefits packages which are linked to both individual and business objectives. These packages are reviewed each year to ensure that they are supportive of the group's business objectives and the creation of shareholder value.

Details of Remuneration
Executive directors are remunerated through the provision of a basic salary, car allowance, medical and permanent health insurance cover. Executive directors are also members of the group pension scheme and enjoy benefits in kind such as the payment of certain telephone accounts and professional subscriptions.

Basic Salaries
Basic salaries for executive directors are reviewed each year.

Performance Related Payments
Executive directors can earn up to 60 per cent of salary in performance related bonus payments, subject to the achievement of predetermined business unit and group profit targets. Targets are agreed with the chairman and ratified by the remuneration committee.

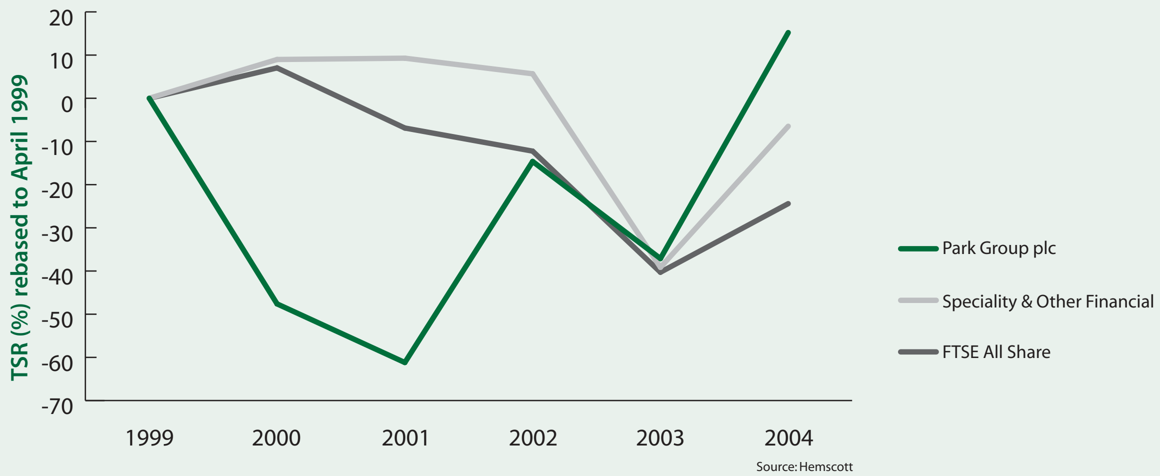
Share Options
The directors' participation in the group's approved and unapproved share option schemes is shown below. Exercise of the options for all directors is subject to the following criteria:
– no option can be exercised unless the market value of a share is at least 50p
– no option can be exercised unless the earnings per share of the company is at least 4.3p per share

Directors are also eligible to participate in the group sharesave scheme, details of which are also shown below.

Contracts
Details of executive directors' service contracts are given on page 8. At the date of this report all contracts had an unexpired term of twelve months. No contract provides for compensation payments on loss of office. Non-executive directors do not have service contracts.

Non-Executive Directors
The independent non-executive directors receive fees as directors which are determined by the whole board, each director abstaining from decisions affecting his own remuneration.

Total Shareholder Return (TSR)
The following graph charts the total cumulative shareholder return of the company since 1 April 1999, compared with the FTSE all share index and the speciality and other financial share index. The company feels that these are the most appropriate indices to use as the first shows a broad average equity share performance and the second shows the share performance for the industry sector in which the company operates.



Remuneration Report - continued

Audited Information

Directors' Emoluments

The emoluments of directors for the year ended 31 March 2004 were:

	Salary or fees £'000	Performance related payments £'000	Benefits £'000	Total 2004 £'000	Total 2003 £'000	Pension costs 2004 £'000	Pension costs 2003 £'000
Executive							
P R Johnson	225	27	41	**293**	239	**–**	–
C Houghton	120	14	13	**147**	114	**12**	9
J Walls (deceased 09.10.02)	–	–	–	**–**	58	**–**	–
G A Woods	120	24	11	**155**	113	**12**	9
A Wright	120	24	18	**162**	122	**12**	9
	585	89	83	**757**	646	**36**	27
Non-executive							
C J Baker	25	–	–	**25**	22	**–**	–
R G Marcall	25	–	–	**25**	22	**–**	–
	50	–	–	**50**	44	**–**	–
	635	89	83	**807**	690	**36**	27

Directors' Share Interests

The beneficial interests in the share capital of the company of the directors in office at 31 March 2004 were as follows:

	Beneficial shareholding 31 March 2004	Beneficial shareholding 31 March 2003
P R Johnson	**110,784,711**	117,884,711
C Houghton	**66,754**	66,754
G A Woods	**23,453**	23,453
A Wright	**31,000**	31,000
C J Baker	**10,000**	10,000
R G Marcall	**10,000**	10,000

Park Group Sharesave Scheme – options over ordinary shares

	31 March 2004	31 March 2003	Exercise price	Date exercisable	Expiry date
C Houghton	**40,384**	40,384	11.70p	30.09.06	31.03.07
G A Woods	**9,500**	9,500	20.00p	30.09.05	31.03.06
	8,564	–	21.60p	30.09.06	31.03.07
A Wright	**82,799**	82,799	11.70p	30.09.04	31.03.05

Park Group Approved Share Option Scheme – options over ordinary shares

	31 March 2004	31 March 2003	Exercise price	Date exercisable	Expiry date
C Houghton	**137,425**	137,425	21.83p	17.01.06**	16.01.13
G A Woods	**137,425**	137,425	21.83p	17.01.06**	16.01.13
A Wright	**137,425**	137,425	21.83p	17.01.06**	16.01.13

** subject to performance criteria as set out in scheme rules

Remuneration Report - continued

Directors' Share Interests - continued

	Park Group Unapproved Share Option Scheme – options over ordinary shares				
	31 March 2004	31 March 2003	Exercise price	Date exercisable	Expiry date
C Houghton	**500,000**	500,000	11.00p	03.09.04**	02.09.11
	112,575	112,575	21.83p	17.01.06**	16.01.13
G A Woods	**500,000**	500,000	11.00p	03.09.04**	02.09.11
	112,575	112,575	21.83p	17.01.06**	16.01.13
A Wright	**500,000**	500,000	11.00p	03.09.04**	02.09.11
	112,575	112,575	21.83p	17.01.06**	16.01.13

** subject to performance criteria as set out in scheme rules

Share price information is given in note 15 to the accounts.

There were no changes to directors' interests in shares between 31 March 2004 and the date of this report.

Directors' Pension Entitlements

Listing rule disclosures

Set out below are details of the pension benefits, payable on retirement, to which each of the executive directors is entitled at 31 March 2004. The accrued benefits include any benefits earned as an employee prior to becoming a director, as well as those earned for qualifying services after becoming a director.

	Increase in accrued benefits earned in the year (excluding inflation) £'000 pa	Total accrued benefits £'000 pa	Transfer value of increase in accrued benefits, less director's contributions £'000
C Houghton	7	26	32
G A Woods	8	30	41
A Wright	2	6	7

The accrued pension benefit shown is the amount that would be paid each year to the director in the form of a pension if he retired at the end of the year. This pension is calculated based on the total period of service with the company, both before and after becoming a director. The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

Companies Act disclosures

Set out below are details of the pension benefits to which each of the executive directors is entitled in respect of qualifying services.

	Additional accrued benefits earned in the year (including inflation) £'000 pa	Total accrued benefits £'000 pa	Transfer value at 31.03.04 £'000	Transfer value at 31.03.03 £'000	Increase in transfer value £'000	Increase in transfer value, less director's contributions £'000
C Houghton	7	26	115	59	56	50
G A Woods	9	30	139	71	68	62
A Wright	2	6	29	18	11	5

The accrued pension benefit shown is the amount that would be paid each year to the director in the form of a pension if he retired at the end of the year. The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

Birkenhead
4 June 2004

On behalf of the board
R G Marcall
Chairman of the Remuneration Committee

Independent Auditors' Report to the Members of Park Group plc

We have audited the financial statements on pages 16 to 31. We have also audited the information in the directors' remuneration report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the annual report and the directors' remuneration report. As described on page 10, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on pages 9 to 11 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and the unaudited part of the directors' remuneration report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the directors' remuneration report to be audited. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the directors' remuneration report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the directors' remuneration report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 March 2004 and of the loss of the group for the year then ended; and

- the financial statements and the part of the directors' remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985.

8 Princes Parade
Liverpool L3 1QH
4 June 2004

KPMG Audit Plc
Chartered Accountants
Registered Auditor

Group Profit and Loss Account
for the year ended 31 March 2004

	Notes	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Turnover	1				
Continuing operations		**209,488**		181,512	
Continuing operations – acquisitions		**563**		–	
Discontinued operations		**6,942**		12,208	
			216,993		193,720
Cost of sales			**(203,289)**		(180,077)
Gross profit			**13,704**		13,643
Distribution costs			**(1,691)**		(1,671)
Administrative expenses			**(11,226)**		(10,161)
Operating profit	2				
Continuing operations		**3,480**		2,542	
Continuing operations – acquisitions		**110**		–	
Discontinued operations		**(2,803)**		(731)	
			787		1,811
Loss on disposal of call centre operations			**(251)**		–
Profit on ordinary activities before interest			**536**		1,811
Interest receivable and similar income	4		**1,361**		1,331
Interest payable and similar charges	5		**(1)**		(30)
Profit on ordinary activities before taxation	1		**1,896**		3,112
Taxation	6		**(683)**		(1,007)
Profit on ordinary activities after taxation			**1,213**		2,105
Dividends	7		**(1,634)**		(1,219)
(Loss)/retained profit for the financial year	17		**(421)**		886
Earnings per share – basic	7		**0.74p**		1.30p
– diluted			**0.73p**		1.27p

There were no recognised gains or losses other than those stated above. There is no difference between the result reported above and the historical cost equivalent.

Balance Sheets

as at 31 March 2004

	Notes	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Fixed assets					
Intangible assets	8	**2,221**	1,530	**–**	–
Tangible assets	9	**8,726**	10,220	**1,693**	2,085
Investments	10	**2**	2	**15,518**	15,518
		10,949	11,752	**17,211**	17,603
Current assets					
Stocks	11	**1,461**	1,768	**–**	–
Debtors	12	**32,378**	22,070	**41,161**	38,836
Cash at hand and in bank		**4,640**	7,894	**3,610**	7,964
		38,479	31,732	**44,771**	46,800
Creditors – amounts falling due within one year	13	**(54,266)**	(47,994)	**(56,415)**	(55,988)
Net current liabilities		**(15,787)**	(16,262)	**(11,644)**	(9,188)
Total assets less current liabilities		**(4,838)**	(4,510)	**5,567**	8,415
Provisions for liabilities and charges	14	**–**	–	**(147)**	(147)
Net (liabilities)/assets		**(4,838)**	(4,510)	**5,420**	8,268
Capital and reserves					
Called up share capital	15	**3,267**	3,251	**3,267**	3,251
Share premium account	16	**892**	815	**892**	815
Profit and loss account	16	**(8,997)**	(8,576)	**1,261**	4,202
Equity shareholders' (deficits)/funds		**(4,838)**	(4,510)	**5,420**	8,268

Approved by the board of directors and signed on its behalf on 4 June 2004

P R Johnson
Chairman

Group Cash Flow Statement

for the year ended 31 March 2004

	Notes	2004 £'000	2004 £'000	2003 £'000	2003 £'000
Net cash (outflows)/inflows from operating activities	18		**(596)**		5,223
Returns on investments and servicing of finance					
Interest received		**1,362**		1,331	
Interest paid		**(1)**		(30)	
Net cash inflow for returns on investments and servicing of finance			**1,361**		1,301
Taxation			**(895)**		(443)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		**(1,016)**		(1,619)	
Sale of tangible fixed assets		**944**		192	
Net cash outflow for capital expenditure and financial investment			**(72)**		(1,427)
Acquisitions and disposals					
Cash consideration for acquisitions		**(1,939)**		(1,924)	
Cash acquired		**13**		–	
Net cash outflow for acquisitions and disposals			**(1,926)**		(1,924)
Equity dividends paid			**(1,219)**		–
Net cash (outflow)/inflow before financing			**(3,347)**		2,730
Financing					
Issue of ordinary share capital			**93**		7
(Decrease)/increase in cash in the year	20		**(3,254)**		2,737

Accounting Policies

(a) Basis of Accounting

The accounts have been prepared under the historical cost convention and comply with applicable accounting standards. The group is complying with the transitional rules regarding Financial Reporting Standard no 17, Retirement Benefits. 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 31 March 2004. 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. The loss of the parent company is shown in note 16.

(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 1 April 1998, is capitalised and amortised on a straight line basis over its estimated useful life up to a maximum of 20 years. This reflects the period over which the directors expect the value of the businesses acquired to exceed the value of underlying assets.
Prior to 1 April 1998 goodwill 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 – Cash Lending

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 based on historical non-redemption rates.

(i) Deferred Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

(j) Pensions

The company operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over the average working lives of employees in accordance with the recommendations of the actuary to the group pension schemes.

(k) Financial Instruments

The group's policies and procedures regarding risk management are set out in note 24.

(l) Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

Notes to the Accounts

1 Segmental Analysis

	Continuing operations		Discontinued operations		Total	
	2004	2003	**2004**	2003	**2004**	2003
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Cash savings	**196,089**	172,591	**–**	–	**196,089**	172,591
Cash lending	**13,399**	8,921	**–**	–	**13,399**	8,921
Cash lending acquisitions	**563**	–	**–**	–	**563**	–
Marketing services	**–**	–	**6,942**	12,208	**6,942**	12,208
Third party sales	**210,051**	181,512	**6,942**	12,208	**216,993**	193,720
Cost of sales	**(195,054)**	(169,028)	**(7,945)**	(11,049)	**(202,999)**	(180,077)
Cost of sales – acquisitions	**(290)**	–	**–**	–	**(290)**	–
Distribution costs	**(1,615)**	(1,588)	**(76)**	(83)	**(1,691)**	(1,671)
Administrative expenses	**(9,339)**	(8,354)	**(1,724)**	(1,807)	**(11,063)**	(10,161)
Administrative expenses – acquisitions	**(163)**	–	**–**	–	**(163)**	–
Operating profit/(loss)	**3,590**	2,542	**(2,803)**	(731)	**787**	1,811
Cash savings	**2,859**	2,222	**–**	–	**2,859**	2,222
Cash lending	**621**	320	**–**	–	**621**	320
Cash lending acquisitions	**110**	–	**–**	–	**110**	–
Marketing services	**–**	–	**(2,803)**	(731)	**(2,803)**	(731)
Operating profit/(loss)	**3,590**	2,542	**(2,803)**	(731)	**787**	1,811
Loss on disposal of call centre operations	**–**	–	**(251)**	–	**(251)**	–
Profit/(loss) on ordinary activities before interest	**3,590**	2,542	**(3,054)**	(731)	**536**	1,811
Cash savings	**6,241**	5,400	**–**	–	**6,241**	5,400
Cash lending	**(1,405)**	(1,133)	**–**	–	**(1,405)**	(1,133)
Cash lending acquisitions	**110**	–	**–**	–	**110**	–
Marketing services	**–**	–	**(3,050)**	(1,155)	**(3,050)**	(1,155)
Profit/(loss) on ordinary activities before taxation	**4,946**	4,267	**(3,050)**	(1,155)	**1,896**	3,112
Cash savings	**1,197**	4,800	**–**	–	**1,197**	4,800
Cash lending	**(8,746)**	(7,012)	**–**	–	**(8,746)**	(7,012)
Cash lending acquisitions	**739**	–	**–**	–	**739**	–
Marketing services	**–**	–	**1,972**	(2,298)	**1,972**	(2,298)
Net (liabilities)/assets	**(6,810)**	(2,212)	**1,972**	(2,298)	**(4,838)**	(4,510)

Discontinued operations comprise the call centre facility and Link Brand Solutions Limited.

Notes to the Accounts - continued

2 Operating Profit

	2004 £'000	2003 £'000
Operating profit is stated after charging:		
Depreciation	**1,931**	1,742
Amortisation of goodwill	**121**	77
Staff costs (see note 3)	**12,597**	13,132
Operating lease rentals – land and buildings	**1,258**	1,128
– other plant and machinery	**129**	117
Auditors' remuneration – Group	**75**	71
– Company	**15**	14
Fees paid to the auditors and associates for non-audit services	**134**	84
Cash lending division charge for bad and doubtful debts	**2,856**	2,189

3 Staff Costs

	2004 £'000	2003 £'000
Wages and salaries	**11,322**	11,978
Social security costs	**958**	891
Other pension costs	**317**	263
	12,597	13,132

	Number	Number
Cash savings	**307**	271
Cash lending	**212**	136
Discontinued operations	**183**	469
Average number employed	**702**	876

Details of the emoluments of the directors of Park Group plc are set out in the remuneration report on pages 12 to 14.

4 Interest Receivable and Similar Income

	2004 £'000	2003 £'000
Interest receivable	**1,361**	1,329
Other interest	**–**	2
	1,361	1,331

5 Interest Payable and Similar Charges

	2004 £'000	2003 £'000
Other interest payable	**1**	30

Notes to the Accounts - continued

6 Taxation

	2004		2003	
	£'000	**£'000**	£'000	£'000
Corporation tax at 30% (2003 – 30%)	**647**		770	
Prior years' adjustments	**(23)**		24	
Total current tax		**624**		794
Deferred tax movement in year	**40**		220	
Prior years' adjustments	**19**		(7)	
Total deferred tax		**59**		213
		683		1,007

The tax charge for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2004 £'000	2003 £'000
Profit on ordinary activities before taxation	**1,896**	3,112
Expected tax charge at 30% (2003 – 30%)	**569**	934
Effects of:		
Expenses not deductible for tax purposes (primarily non qualifying capital expenditure)	**61**	71
Tax on consolidation adjustment	**9**	3
Adjustments to tax charge in respect of prior years	**(23)**	24
Profit chargeable at small companies' rate	**(3)**	–
Depreciation in excess of capital allowances	**11**	–
Capital allowances in excess of depreciation	**–**	(220)
Capital gain covered by capital losses brought forward	**–**	(40)
Differences between net book value and tax written down value of assets acquired	**–**	22
Current tax charge for year	**624**	794

7 Dividends and Earnings Per Share

Dividends

	2004 pence per share	2003 pence per share	**2004 £'000**	2003 £'000
Interim	**0.325**	0.250	**531**	406
Final	**0.675**	0.500	**1,103**	813
	1.000	0.750	**1,634**	1,219

Earnings per share

The calculation of basic and diluted earnings per share is based on the profit on ordinary activities after taxation of £1,213,000 (2003 – £2,105,000) and on the weighted average number of shares, calculated as follows:

	2004	2003
Basic eps – weighted average number of shares	**162,901,411**	162,526,540
Diluting effect of employee share options	**3,204,822**	2,591,498
Diluted eps – weighted average number of shares	**166,106,233**	165,118,038

Notes to the Accounts - continued

8 Intangible Assets

	Goodwill £'000
Group	
Cost	
At 31 March 2003	1,655
Additions (see note 19)	812
At 31 March 2004	**2,467**
Amortisation	
At 31 March 2003	125
Charge for year	121
At 31 March 2004	**246**
Net book amount	
At 31 March 2004	**2,221**
At 31 March 2003	1,530

9 Tangible Assets

	Land and buildings £'000	Equipment and fixtures £'000	Motor vehicles £'000	Total £'000
Group				
Cost				
At 31 March 2003	11,247	14,366	1,207	26,820
Additions	90	911	13	1,014
Acquisitions	–	5	136	141
Disposals	–	(14)	(1,318)	(1,332)
At 31 March 2004	**11,337**	**15,268**	**38**	**26,643**
Depreciation				
At 31 March 2003	6,483	9,624	493	16,600
Charge for year	111	1,683	137	1,931
Disposals	–	(12)	(602)	(614)
At 31 March 2004	**6,594**	**11,295**	**28**	**17,917**
Net book amount				
At 31 March 2004	**4,743**	**3,973**	**10**	**8,726**
At 31 March 2003	4,764	4,742	714	10,220

	2004 £'000	2003 £'000
Land and buildings include at net book value:		
Freehold land and buildings	**4,722**	4,739
Short leasehold land and buildings	**21**	25
	4,743	4,764
Land and buildings include at cost:		
Land	**102**	102
Buildings	**11,235**	11,145
	11,337	11,247

Notes to the Accounts - continued

9 Tangible Assets - continued

	Land and buildings £'000	Equipment and fixtures £'000	Motor vehicles £'000	Total £'000
Company				
Cost				
At 31 March 2003	30	5,583	249	5,862
Additions	–	168	–	168
Disposals	–	(10)	(250)	(260)
Group transfers	–	37	15	52
At 31 March 2004	**30**	**5,778**	**14**	**5,822**
Depreciation				
At 31 March 2003	6	3,591	180	3,777
Charge for year	3	530	16	549
Disposals	–	(10)	(197)	(207)
Group transfers	–	(5)	15	10
At 31 March 2004	**9**	**4,106**	**14**	**4,129**
Net book amount				
At 31 March 2004	**21**	**1,672**	**–**	**1,693**
At 31 March 2003	24	1,992	69	2,085

	2004 £'000	2003 £'000
Land and buildings include:		
At net book value – short leasehold land and buildings	**21**	24
At cost – buildings	**30**	30

10 Investments

	Other investments £'000
Group	
Cost	
At 31 March 2003 and 2004	**2**
Net book amount	
At 31 March 2003 and 2004	**2**

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
Company			
Cost			
At 31 March 2003 and 2004	**21,930**	**2**	**21,932**
Provisions			
At 31 March 2003 and 2004	**6,414**	**–**	**6,414**
Net book amount			
At 31 March 2003 and 2004	**15,516**	**2**	**15,518**

Notes to the Accounts - continued

10 Investments - continued

At 31 March 2004 the parent company's principal subsidiary undertakings included in the consolidation were:

Name of company	Nature of business
Park Financial Services Limited	Mail order and cash savings operations
Park Christmas Savings Club Limited (formerly Park Hamper Company Limited)	Mail order agency cash savings
Country Christmas Savings Club Limited (formerly Country Hampers Limited)	Mail order agency cash savings
Handling Solutions Limited	Contract packing
High Street Vouchers Limited	Voucher sales
Budworth Properties Limited	Property management
Link Brand Solutions Limited	Branded toiletries and retail gift sets
Park Connect Limited (formerly Consus Contact Management Limited)	Call centre services
Park Direct Credit Limited	Weekly collected credit
Park Fast Cash Limited	Cheque encashment
Park Travel Service Limited	Travel agency
Park Direct Insurance Services Limited	Insurance brokerage

All the above companies were directly held wholly owned subsidiary undertakings of the parent company except in the case of Link Brand Solutions Limited where the parent company's direct holding represented 70 per cent (2003 – 70 per cent) and subsidiary undertakings' direct holdings represented 30 per cent of its issued share capital.

All the above companies are registered in England.

11 Stocks

	2004 £'000	2003 £'000
Group		
Raw materials	**817**	1,067
Goods for resale	**644**	701
	1,461	1,768

12 Debtors

	2004 £'000	2003 £'000
Group		
Trade debtors	**27,779**	16,716
Other debtors	**105**	517
Prepayments	**4,489**	4,773
Deferred tax	**5**	64
	32,378	22,070
Company		
Corporation tax	**6**	–
Amounts owed by subsidiary undertakings	**40,762**	38,519
Other debtors	**221**	205
Prepayments	**172**	112
	41,161	38,836

Included within the deferred tax balance in 2003 is £50,000 which was due in more than one year.

Notes to the Accounts - continued

12 Debtors - continued

The deferred tax asset consists of the following amounts:

	2003 £'000	Profit and loss account £'000	**2004 £'000**
Decelerated/(accelerated) capital allowances	39	(59)	**(20)**
Losses	25	–	**25**
Deferred tax	64	(59)	**5**

13 Creditors

	Amounts falling due within one year	
	2004 £'000	2003 £'000
Group		
Trade creditors	**48,776**	43,103
Corporation tax	**132**	403
Other taxes and social security	**1,080**	916
Proposed dividend	**1,634**	1,219
Other creditors	**1,406**	971
Accruals and deferred income	**1,238**	1,382
	54,266	47,994
Company		
Trade creditors	**153**	106
Corporation tax	**–**	9
Amounts owed to subsidiary undertakings	**54,419**	54,504
Other taxes and social security	**39**	41
Proposed dividend	**1,634**	1,219
Other creditors	**129**	70
Accruals and deferred income	**41**	39
	56,415	55,988

14 Provisions for Liabilities and Charges

	Provision 2003 £'000	Profit and loss account £'000	**Provision 2004 £'000**
Company			
Deferred taxation – accelerated capital allowances	147	–	**147**

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 four years. The group asset is shown in debtors note 12.

15 Share Capital

	No of shares	£'000
Authorised: Ordinary shares of 2p each		
At 31 March 2003 and 2004	**195,000,000**	**3,900**
Allotted, called up and fully paid		
At 31 March 2003	162,572,388	3,251
Share options exercised	792,061	16
At 31 March 2004	**163,364,449**	**3,267**

Notes to the Accounts - continued

15 Share Capital - continued

Options over ordinary shares in the company have been granted and dealt with as follows as at 31 March 2004:

Date of grant	Options over ordinary shares Granted	Lapsed	Exercised Prior years	Exercised This year	Outstanding	Exercise price	Latest exercise date
06.11.98	503,850	(470,850)	–	–	33,000	45.00p	31.07.04
10.08.00	1,368,016	(599,919)	(36,641)	(731,456)	–	11.50p	31.03.04
10.08.00	903,907	(458,955)	(39,956)	(47,765)	357,231	11.50p	31.03.06
10.08.01	1,055,485	(197,648)	(14,307)	–	843,530	11.70p	31.03.05
10.08.01	1,185,565	(396,308)	(10,418)	–	778,839	11.70p	31.03.07
03.09.01	4,150,000	(1,800,000)	–	–	2,350,000	11.00p	02.09.11
06.08.02	388,170	(65,910)	–	(10,090)	312,170	20.00p	31.03.06
06.08.02	254,870	(13,800)	–	(2,750)	238,320	20.00p	31.03.08
17.01.03	2,650,000	(300,000)	–	–	2,350,000	21.83p	16.01.13
06.08.03	522,071	–	–	–	522,071	21.60p	31.03.07
06.08.03	175,466	–	–	–	175,466	21.60p	31.03.09

The market price of the shares at 31 March 2004 was 29.0p with a range in the year of 16.0p to 35.0p.

The company has taken advantage of the exemption conferred by UITF abstract 17 – Employee Share Schemes, and has not charged the discount given on the issue of options under the Park Group Sharesave Scheme to the profit and loss account.

16 Reserves

	Share premium account £'000	Profit and loss account £'000
Group		
At 31 March 2003	815	(8,576)
Share options exercised	77	–
Loss for year	–	(421)
At 31 March 2004	**892**	**(8,997)**

Aggregate goodwill written off directly to reserves at 31 March 2004 amounted to £28,123,000 (2003 – £28,123,000).

	Share premium account £'000	Profit and loss account £'000
Company		
At 31 March 2003	815	4,202
Share options exercised	77	–
Loss for year	–	(2,941)
At 31 March 2004	**892**	**1,261**

Notes to the Accounts - continued

17 Movements in Equity Shareholders' Deficits

	2004 £'000	2003 £'000
Profit for the financial year	**1,213**	2,105
Dividends	**(1,634)**	(1,219)
(Loss)/retained profit for the financial year	**(421)**	886
New share capital issued	**93**	7
Net movement in equity shareholders' deficits	**(328)**	893
Opening equity shareholders' deficits	**(4,510)**	(5,403)
Closing equity shareholders' deficits	**(4,838)**	(4,510)

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

	2004 £'000	2003 £'000
Operating profit	**787**	1,811
Loss on disposal of call centre operations	**(251)**	–
Depreciation	**1,931**	1,742
Amortisation of goodwill	**121**	77
Profit on sale of tangible fixed assets	**(100)**	(165)
Net loan book investment	**(9,444)**	(5,052)
Decrease/(increase) in stocks	**307**	(319)
Decrease in debtors	**246**	1,827
Increase in creditors	**5,807**	5,302
Net cash (outflows)/inflows from operating activities	**(596)**	5,223

19 Acquisitions

	Mirfield Financial Services (book value) £'000	Revaluation £'000	Fair value £'000	Other acquisitions (book value and fair value) £'000	Total £'000
Net assets acquired:					
Tangible fixed assets	141	–	141	–	141
Debtors	2,133	(906)	1,227	68	1,295
Cash	13	–	13	–	13
	2,287	(906)	1,381	68	1,449
Goodwill	706	–	706	106	812
	2,993	(906)	2,087	174	2,261
Satisfied by:					
Cash	1,765	–	1,765	174	1,939
Deferred consideration	322	–	322	–	322
Fair value consideration	2,087	–	2,087	174	2,261

A cash consideration of £1,765,000 was paid during the year to acquire the goodwill, assets and liabilities of Mirfield Financial Services Limited and a cash consideration was paid in cash during the year to acquire the goodwill, assets and liabilities of Miller. The deferred consideration was paid in cash after the year end following the confirmation of loan book balances.

Details of the profit after tax in the year up to the point of acquisition of the goodwill, assets and liabilities of Mirfield Financial Services Limited and the profit after tax for the preceding year are not available.

Notes to the Accounts - continued

20 Analysis of Changes in Net Funds

	At 31 March 2003 £'000	Cash flows £'000	**At 31 March 2004 £'000**
Cash and bank balances	7,894	(3,254)	**4,640**

21 Contingencies

The group has an obligation under a contract with a Country Christmas Savings Club franchisee 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 £498,000.

22 Commitments

Capital commitments

	2004 £'000	2003 £'000
Group		
For which contracts have been placed	**33**	125
Company		
For which contracts have been placed	**1**	4

Operating lease obligations

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings	
	2004 £'000	2003 £'000
Group		
Operating leases which expire:		
Within one year	**54**	–
In the second to fifth years inclusive	**422**	437
Over five years	**208**	184
	684	621

Company

There are no operating lease commitments in the parent company.

23 Pensions

The group operates two defined benefit pension schemes, Park Food Group plc Pension Scheme (PF) and Park Group Pension Scheme (PG), 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 the projected unit method. The most recent valuations were at 31 March 2001 for the PG scheme and 31 March 2002 for the PF scheme. The main assumptions used in the valuation of the liabilities for the PF scheme were a real return on investments above the allowance for inflation prior to retirement of 2.4 per cent per annum and a real return above pension increases of 2.6 per cent per annum. The main assumptions for the PG scheme were a real return on investments above general earnings inflation of 3.7 per cent per annum and a real return above pension increases of 2.8 per cent per annum.

The group also makes contributions to a defined contribution stakeholder pension plan, insured with Clerical Medical, for employees who are not eligible to join the defined benefit schemes. The pension cost in respect of the stakeholder pension plan is the contribution payable of £8,000 (2003 – £nil). This is included in the total pension charge shown below. At 31 March 2004, contributions of £1,000 were outstanding, which represented the charge for the month of March 2004.

The total pension charge for the year to 31 March 2004 was £317,000 (2003 – £263,000). At 31 March 2004, contributions of £38,000 were outstanding in respect of the defined benefit schemes, which represented the charge for the month of March 2004.

Notes to the Accounts - continued

23 Pensions - continued

The most recent actuarial valuations showed that the combined market value of the two defined benefit schemes' assets was £9,905,000, which represented 98 per cent of the value of the benefits that had accrued to members after allowing for expected future increases in earnings.

The pension cost figures used in these accounts comply with the current pension cost accounting standard SSAP24.

Under transitional arrangements the company is required to disclose the following information about the defined benefit schemes and the figures that would have been shown under FRS17 in the current balance sheet. FRS17 requires full implementation by the year ended 31 March 2006.

Full actuarial valuations were carried out at 31 March 2002 (of the PF scheme) and at 31 March 2001 (of the PG scheme). Both valuations have been updated to 31 March 2004 by a qualified independent actuary. The major assumptions used by the actuary for the purposes of the FRS 17 figures were:

	31 March 2004 %	31 March 2003 %
Discount rate	**5.4**	5.4
Rate of increase in pensionable salaries	**2.9**	2.2
Inflation assumption	**2.9**	2.2
Rate of increase in pensions in payment (where applicable)	**2.9**	2.2

	31 March 2004		31 March 2003	
	Long-term expected rate of return %	**Market value £'000**	Long-term expected rate of return %	Market value £'000
Assets				
Equities	**8.00**	**4,857**	8.00	3,645
Bonds	**4.50**	**2,659**	4.50	2,620
Property	**8.00**	**69**	8.00	61
Cash	**4.50**	**1,055**	4.50	896
Total market value of assets		**8,640**		7,222
Present value of liabilities		**(10,939)**		(9,345)
Deficit in the scheme		**(2,299)**		(2,123)
Related deferred tax liability		**690**		637
Net pension liability		**(1,609)**		(1,486)

Liabilities and corresponding assets arising from Additional Voluntary Contributions have been ignored as the benefit is matched by insurance policies.

Analysis of the amount which would have been charged to operating profit is:

	2004 £'000	2003 £'000
Current service cost*	**158**	230
Total operating charge	**158**	230

* This includes death in service benefits, and reflects premiums due where the benefit is insured.

Analysis of the amount which would have been included in other finance charges is:

Expected return on pension scheme assets	**462**	551
Interest on pension scheme liabilities	**(505)**	(557)
Other finance charges	**(43)**	(6)

Notes to the Accounts - continued

23 Pensions - continued

Analysis of amount to be recognised in the Statement of Total Recognised Gains and Losses (STRGL):

	2004 £'000	2003 £'000
Actual return less expected return on pension scheme assets	**805**	(2,020)
Experience gains and losses arising on pension scheme liabilities	**–**	448
Changes in assumptions underlying the present value of the scheme liabilities	**(1,092)**	(209)
Actuarial loss recognised in STRGL	**(287)**	(1,781)

An analysis of the movement in deficit over the year:

	2004 £'000	2003 £'000
Deficit in the scheme at the beginning of the year	**(2,123)**	(369)
Current service cost (including member contributions)	**(311)**	(376)
Contributions paid (including member contributions)	**465**	409
Other finance charges	**(43)**	(6)
Actuarial losses	**(287)**	(1,781)
Deficit in the scheme at the end of the year	**(2,299)**	(2,123)

History of experience gains and losses over the year:

	2004 £'000	2003 £'000
Difference between the expected and actual return on scheme assets:		
Amount	**805**	(2,020)
Value of assets	**8,640**	7,222
Percentage of scheme assets	**9%**	(28%)
Experience gains and losses on scheme liabilities:		
Amount	**–**	448
Present value of liabilities	**10,939**	9,345
Percentage of present value of scheme liabilities	**–**	5%
Total amount recognised in Statement of Total Recognised Gains and Losses:		
Amount	**(287)**	(1,781)
Present value of liabilities	**10,939**	9,345
Percentage of present value of scheme liabilities	**(3%)**	(19%)

The company agreed with the trustees of the PG scheme to pay contributions of 10 per cent of members' scheme salaries to that scheme from 1 April 2003. This rate is subject to review following the next formal actuarial valuation of the scheme. The benefits accrued by members from 1 April 2003 were reduced.

From 1 June 2003 the company has agreed with the trustees to contribute £500 per month to the PF scheme.

24 Financial Instruments

The group's financial instruments comprise short term borrowing facilities, cash and liquid resources and various items such as trade debtors, trade creditors etc, that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the group's operations.

The group has negligible borrowing requirements throughout the year and places surplus funds on short term cash deposits at fixed market rates. The group has a £0.1m overdraft facility which was not utilised at 31 March 2004. The group does not hedge against interest rate risk. Liquidity risk is managed by preparing detailed budgets and cash flow forecasts which are used to ensure that appropriate facilities are in place to finance future operations.

The group does not have a material foreign currency risk; any transaction exposure on purchases is hedged with forward contracts. Group policy with regard to credit risk has been operated since flotation in 1983 and treasury exposures are limited by our treasury policy which limits the amounts deposited with each of the members of a defined list of institutions which is reviewed periodically and approved by the board.

Notice of Meeting

Notice is hereby given that the twenty first annual general meeting of Park Group plc will be held in The Vice Presidents Room, Tranmere Rovers Football Club Limited, Prenton Park, Prenton Road West, Birkenhead CH42 9PN on Tuesday 21 September 2004, at 12 noon for the following purposes:

1 To receive and adopt the company's annual accounts for the financial year ended 31 March 2004, together with the last directors' report and the auditors' report on those accounts.

2 To declare a final dividend for the financial year ended 31 March 2004.

3 To approve the remuneration report of the directors for the financial year ended 31 March 2004.

4 To re-elect C J Baker who retires by rotation and offers himself for re-election.

5 To re-elect R G Marcall who retires by rotation and offers himself for re-election.

6 To re-appoint KPMG Audit Plc as auditors to hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the company and to authorise the directors to agree their remuneration.

Valley Road
Birkenhead CH41 7ED
16 July 2004

By order of the board
P R Johnson
Chairman

Notes:

1 A member entitled to attend and vote at the meeting may appoint a proxy to attend and vote, on a poll, 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 and copies of contracts of service of directors with the company or any of its subsidiaries will be available for inspection at the annual general meeting.

Directors and Advisers

Directors:
P R Johnson (Chairman) Δ
C Houghton
G A Woods
A Wright
C J Baker (Non-Executive) * † Δ
R G Marcall (Non-Executive) * † Δ

* Member of the Audit Committee
† Member of the Remuneration Committee
Δ Member of the Nomination Committee

Secretary:
M J Ainsworth LLB

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Birkenhead
CH41 7ED

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Manchester
M2 4WQ

Auditors:
KPMG Audit Plc
8 Princes Parade
Liverpool
L3 1QH

Stockbrokers:
Teather & Greenwood Limited
8th Floor
India Buildings
Water Street
Liverpool
L2 0XR

Shore Capital Stockbrokers Limited
Bond Street House
14 Clifford Street
London
W1S 4JU

Bankers:
Barclays Bank PLC
15/33 Moorfields
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