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DIRECTORS AND ADVISERS

Directors:	P. R. Johnson (Chairman) C. Houghton J. Walls G. A. Woods A. Wright	C. J. Baker (Non-Executive) * † R. G. Marcall (Non-Executive) * † * Member of the Audit Committee † Member of the Remuneration Committee
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Secretary:	J. E. Evans F.C.I.S.
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Registered Office:	Valley Road Birkenhead CH41 7ED Registered in England No. 1711939
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Merchant Bankers:	N M Rothschild & Sons Limited 82 King Street Manchester M2 4WQ
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Auditors:	KPMG Audit Plc 8 Princes Parade Liverpool L3 1QH
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Stockbrokers:	Charles Stanley & Co 25 Luke Street London EC2A 4AR	Teather & Greenwood Limited 8th Floor India Buildings Water Street Liverpool L2 0XR
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Bankers:	Barclays Bank PLC 15/33 Moorfields Liverpool L69 2RU
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Registrars:	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH
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Chairman's statement

Peter Johnson
Chairman



"I am delighted to report a year of excellent progress resulting in the group's return to profitability in the year to 31st March 2002, with a profit of £2.0m before goodwill amortisation and exceptional items, compared with a previous loss of £1.7m. This greatly improved result was achieved on turnover of £198m, up from £160m a year ago."

Earnings per share improved to 0.74p (2001 – loss 0.57p).

The group balance sheet has improved and showed net liabilities at 31st March 2002 of £5.4m, down from £6.6m a year earlier. The parent company, however, showed net assets of £7.3m providing sufficient distributable reserves to pay a dividend.

Although again no dividend is being declared at this stage, the directors expect to announce the resumption of dividends in the current year.

Having disposed of the loss making promotional fulfilment operation at Nelson in the early part of last year, all continuing segments of our business have shown an improvement.

Cash flow has remained strong throughout the year. We were able to invest £3.3m in the loan book at Park Direct Credit, whose results showed a marked improvement over the previous year, and also increase our net cash position by 7.8% to £5.2m at the year end.

Despite the reduction in the general level of interest rates, interest receipts were up over 21% at £1.8m.

The cash savings business has increased sales by 25% following significant growth of retail cash savings orders and sales of High Street Vouchers to corporate customers. These increased sales and continued attention to cost reduction have combined to produce an operating profit of £0.8m before goodwill amortisation (2001 – £0.1m).

Looking forward, the cash savings order book, which last year grew strongly by 21%, is up again in the current year to date and is supported by a move to orders for higher margin products and an increase in average customer order value.

In addition there are a number of exciting developments in this part of the group, one of which, the Getaway Voucher targeting the leisure and travel industry, should complement our highly successful High Street Voucher.

Further investment in Park Direct Credit's loan book and infrastructure has resulted in a 51% improvement in turnover to £5.6m and a £1.3m (64%) reduction in the operating loss to £0.8m (2001 – loss £2.1m). The bad debt charge for the year was 12.9% of loans issued, a marked improvement on the previous year's 21.8%.

All regions are now operating at a profit as the measures introduced last year to control costs and facilitate profitable growth produced the desired effect. The bad debt charge, now significantly lower than a year ago, continues to move closer to the industry norm. The development of a branch network, begun last year, has resulted in 18 branches being opened with 8 more in the immediate pipeline. As well as offering a range of financial services, including cheque encashment facilities, these branches also provide a fertile source of home loan business.



The marketing services division, comprising Park Online and Jetlag International, produced an operating profit of £0.5m for the year, up 65% on last year's actual. Having increased capacity utilisation, the continuing operations of Park Online achieved an operating profit of £0.6m compared with the previous year's loss of £0.4m. Jetlag International, however, experienced a difficult year. Faced with significant margin pressure from major customers and despite increasing turnover by 17% to £8.6m, this business incurred an operating loss of £0.1m (2001 – profit £0.7m).

The group is achieving the clear focus we set as an important objective almost two years ago, with the cash savings operation continuing to move ahead, home collected credit beginning to move into profit, and marketing services more firmly established as an additional profit centre. Evidence of growth within our key businesses is very encouraging and, with the benefit of the first few weeks results behind us, I believe we may look to the future with confidence.

Finally I would like to take this opportunity to thank everyone in the company for their valuable contribution to the much improved result for the group.

Peter Johnson
Chairman

Left: Park & Country Catalogues – part of Park Group's cash savings business.



Left: Park Online call centre.



Right: The developing, national branch network of Fast Cash outlets on the high street.



Left: The home collected credit business continues to flourish.



Right: High quality packing and distribution services at Handling Solutions Ltd.



Left: Advertising image promoting new Getaway Vouchers.

OPERATIONAL REVIEW

“In short, the cash savings business now enjoys a much stronger and more stable platform with agent, customer numbers and average order values all growing.”

Below: New High Street Vouchers accepted at over 47 of the country's leading stores.



Right: Park Group's Getaway Vouchers, launched in 2002.

Cash savings

Jim Walls,
Managing Director,
Park Financial Services



Turnover during the year grew significantly in both the agency business and the markets in which High Street Vouchers (HSV) operate. Overall turnover grew 25% to £173.6m. Within this, agency cash savings grew by 21%, while business to business sales of HSV grew by 43%. Essentially HSV volumes have been restored to previous levels, with the benefit of additional cash generation for the group.

After a year of considerable growth, the key challenge for the agency business was to consolidate and maintain progress. Indicators from the 2002/2003 campaign confirm this progress and while more modest growth is forecast, there are some exciting developments. The introduction of a much wider range of products at appreciably greater margins than vouchers has proved extremely successful. Household, gift and electrical products are forecast to grow by 18% in 2002/2003, adding valuable margin to the sales mix. Perhaps more significantly, the historical decline in hamper volumes appears to have been arrested and the HSV continues to grow. In short, the cash savings business now enjoys a much stronger and more stable platform with agent, customer numbers and average order values all growing.

Future developments in cash savings will focus on new product and business development, more cost effective agent acquisition, business intelligence and data enhancement, catalogue formats and improvements to agent retention. Whilst agent recruitment over the last two years has proved highly successful, improvements to efficiency can still be achieved through enhancements to media planning and channel utilisation. Similarly, agent loyalty schemes have proved to be extremely popular. However, recent fundamental changes to customer service operations should yield considerable benefits to agents and by association improve retention.

HSV's continued success story in the cash savings business has been mirrored by its performance in the business to business sector. Prodigious growth of 43% was achieved in 2001/2002, fuelled largely by credit and incentive channels. Both these marketplaces have been targeted for growth in 2002/2003.

Throughout the year, efforts have been made to establish a direct retail presence for HSV. This objective is now a reality, with certain redeeming partners selling HSV in store for the first time. 2001/2002 also witnessed the launch of Park Group's 'Getaway Voucher'. This new product operates in a similar way to HSV although travel operators and leisure partners are the redeemers. MyTravel Group (Airtours), Thomson, DFDS and British Holidays are a few notable examples of redeeming partners to be found on the voucher. Initially, it is planned to develop this product in both agency and business to business markets, adding a significant new dimension to the offer.

Overall, considerable progress has been achieved in the cash savings and business to business sectors. The business as a whole is, more than ever before, better equipped to meet the challenge of changing market dynamics. The combination of these factors provides a foundation, from which Park Financial Services can continue to develop and grow in the years ahead.



Home collected credit

In our first full year of operating the revised strategy we have seen major progress in all key performance areas. The quality of our loan book has shown a marked improvement while collection volumes have increased by 41% over the previous year. This improving trend is continuing and bad debt rates are down for the second year running. All regions in which we operate are now trading profitably.

The strategic development of a branch network is proceeding smoothly. Strong expansion throughout the year has resulted in the establishment of 18 branches from a standing start 18 months ago. We intend to continue growing this network and have a pipeline of future openings in targeted locations.

The development of a branch operation has provided us with tighter control over our steadily expanding home collected credit business. These outlets also enable us to generate revenues from



Andy Wright,
Managing Director,
Park Direct Credit

the sale of additional financial products. In addition to covering unit operating costs these new products promise to provide a further source of profit. The expansion of cheque cashing and Payday Loan products across our branch network has proved successful. Revenues continue to grow with repeat sales to existing customers.

The revised strategy has a clear focus on the establishment of a stable agency force. This stability fosters a strong bond between agent and customer, which enhances both debt quality and revenue. Our agents and staff have gained in experience and we have established stronger relationships with a developing customer base. We are now an established player across the regions in which we operate.

The new strategy for Park Direct Credit is working well and we can look forward to a continuing improvement in performance. Growth plans for the current year are built on solid foundations. We shall continue to grow organically and are prepared to seize acquisition opportunities if they meet the necessary criteria of adding value to our business.

“The new strategy for PDC is working well and we can look forward to a continuing improvement in performance. Growth plans for the current year are built on solid foundations.”



OPERATIONAL REVIEW

“The strategic development of a branch network is proceeding smoothly. Strong expansion throughout the year has resulted in the establishment of 18 branches from a standing start 18 months ago.”

Locations

Park Fast Cash branches

Scotland:
Dennistoun
Barrhead
Rutherglen
Scotstoun
Port Glasgow
Glasgow

North East:
Felling
Sunderland
Wallsend
Stanley

North West:
Bangor
Colwyn Bay
Flint
Moreton
Walton
Winsford
Woodseats
Tunstall

- ▲ Park Fast Cash branches
- Branches under development

The developing cheque encashment branch network.

Park Online

Following the poor financial performance in 2000/2001 which resulted in an operating loss of £1.9m, the continuing operations of Park Online produced a profit of £0.6m in 2001/2002. Park Online traded profitably for the majority of the months throughout the year.

The year has also seen a change in the focus for Park Online and with call centre services now at the core of the offering, the year on year growth in revenue was 79%. This growth in revenue has seen the utilisation of seats in the contact centre increase from an average of 234 to 388 with an average headcount over the year of 532 compared with 293 the previous year.

Growth has flowed from the ongoing development of the relationships we have with key strategic partners. Our ability to continue to deliver the high quality of service is essential to the continuing enhancement of the relationships we have with these partners. Reliance on a single relationship, which was the case in previous years, has now been reduced but the retention and development of our current partners is still key to the ongoing progress of Park Online.

The year has also seen the final pieces of investment made at the contact centre with the completion of infrastructure work including the provision of uninterrupted power supplies and a second generator to provide the resilience required.

In addition we have now completed the restructuring of Park Online within the group with finance, I.T., sales and marketing functions relocated from group to complement the operational, support and client services teams already within Park Online and thus ensure a clear focus on the business through a dedicated management team.

The ongoing development of Park Online will focus on winning new business whilst retaining and developing existing relationships. This continuing growth will see the contact centre at the core of the offering either as a stand alone service providing call handling resource and management or as a partner in the provision of end to end outsource solutions.

Planned growth in 2002/2003 will be generated through an increased focus on the sales and marketing of Park Online through a dedicated team.



John Davies,
Managing Director,
Park Online

This dedicated resource will increase the awareness of the offering via a number of channels to ensure that the external perspective of Park Online mirrors the service and proposition on offer.

The development will include a new web site and corporate branding to ensure that all contacts are maximised, handled professionally and speedily, a key to success in any business to business environment. This change in image and branding will be supported by an increase in the network relationships that currently exist so that we have a range of partners readily available to work with us on the end to end outsource solutions that we bid for.

At the heart of the offering lies the capability to deliver quality inbound and outbound call handling for both sales and customer service solutions which operates 24 hours per day, 7 days per week, 365 days per year.

All in all it has been an encouraging year for Park Online with the emphasis in the current year on maintaining the progress and drive forward the growth required to fill the remaining capacity in the contact centre at the core of the offering.

OPERATIONAL REVIEW



“Growth has flowed from the ongoing development of the relationships we have with key strategic partners.”

Above: Call centre at the Cheshire Lines building.



OPERATIONAL REVIEW

Below: Handling Solutions Limited, offering high class distribution and supply chain operations, clients include L'Oréal.

"...last season saw the successful production of over 250,000 hampers and packs along with the collation of over 23,000 gift products..."



Handling Solutions & Jetlag International

Gary Woods,
Managing Director,
Handling Solutions &
Jetlag International



Handling Solutions

The significant increase in sales within the cash savings business ensured a busy year for HSL.

With the valuable assistance of some 350 specially recruited temporary staff, last season saw the successful production of over 250,000 hampers and packs along with the collation of over 23,000 gift products into thousands of personalised mail order sacks. An extensive network comprising some 50 hired carriers from across the UK has been established to deliver these items. All products are delivered within pre-set delivery windows in good time for Christmas.

The continued and encouraging growth of new product lines such as television sets and refrigerators has also required more technical solutions to packing and distribution procedures with the result

that appropriate systems have been developed with a number of leading suppliers who deliver directly to the home of our agents and customers.

In addition to the above, the intake department re-established last year now handles all incoming agents mail which is sorted and distributed on a daily basis to the relevant teams. The literature fulfilment and despatch operation also re-established within HSL last year has in the last 12 months processed in excess of 1 million pieces of outgoing mail on behalf of our hamper brands.

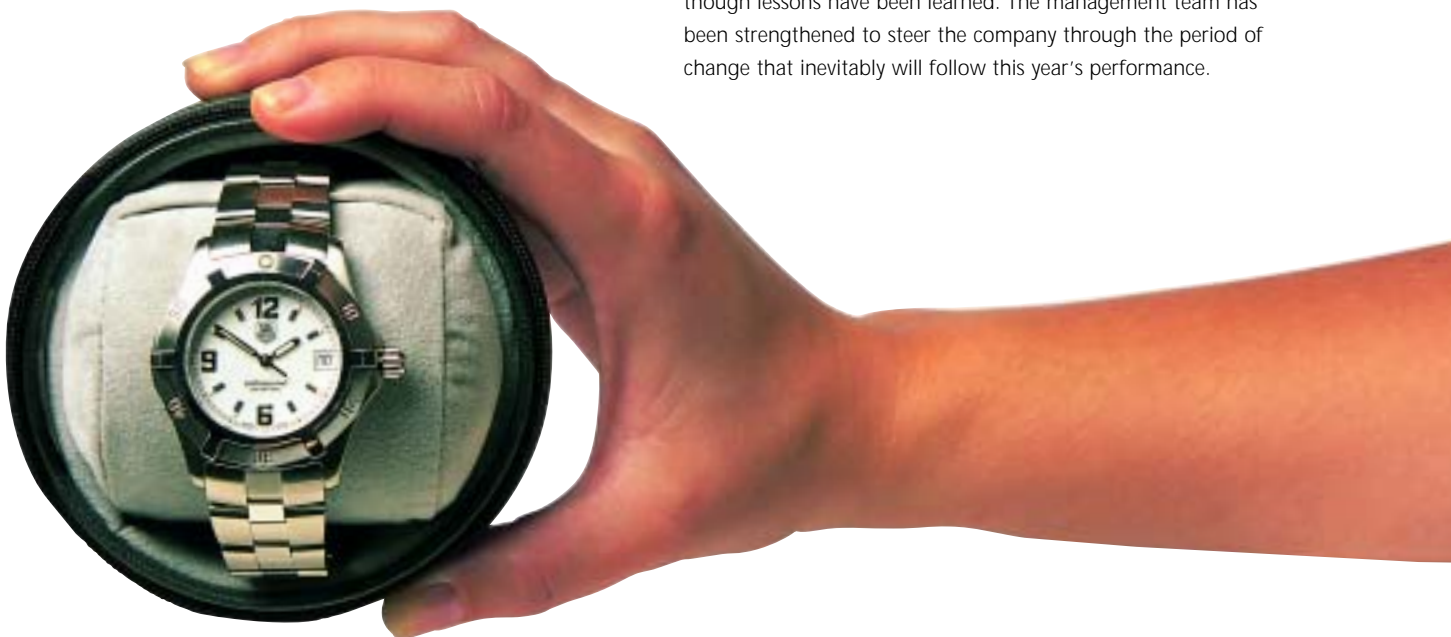
Whilst much of the HSL workload supports inter-company activities, and is therefore highly seasonal, the contract packing and fulfilment work undertaken for a number of third party clients has also shown steady growth. The Valley Road site is now busier outside the main hamper season than it has been for a number of years. This work, whilst ensuring the permanent staff are fully employed, continues to contribute significantly towards overheads.

Jetlag International

This gift packing and design business experienced a difficult year. Although sales increased by 17%, margins were under pressure as the result of competition from Eastern Europe and the Far East.

Many of the additional sales achieved were for Christmas gift products, placing disproportionate pressure on capacity during the main production period and resulting in higher than anticipated labour costs.

The immediate outlook for this peripheral activity remains difficult though lessons have been learned. The management team has been strengthened to steer the company through the period of change that inevitably will follow this year's performance.



DIRECTORS' REPORT

The directors submit their report and the audited accounts for the year ended 31st March 2002.

Results and Dividend

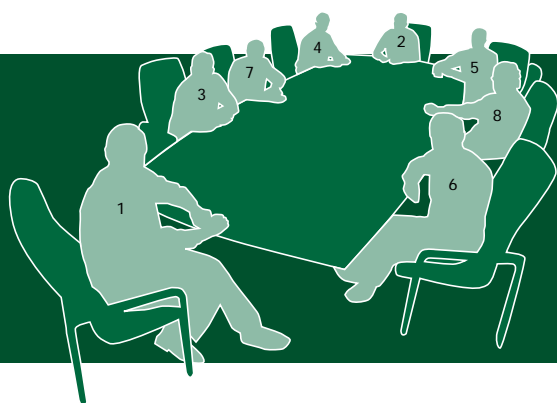
The group profit for the year after taxation was £1.206m (2001 – loss £0.921m).

There is no dividend for the year (2001 – nil).

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 11 with comments on current developments in the chairman's statement on pages 2 and 3. The principal subsidiary undertakings and their activities are set out in note 10 to the accounts.





- | | |
|------------------|---------------------|
| 1 Peter Johnson | 5 Andy Wright |
| 2 Chris Houghton | 6 Christopher Baker |
| 3 Jim Walls | 7 George Marcall |
| 4 Gary Woods | 8 James Evans |

Directors

The directors who were in office at 31st March 2002 are listed below.

Peter Johnson (62) is the company's founder and majority shareholder and has the combined roles of chairman and chief executive. His services to the company are contracted through KUS Limited, a company controlled by Mr. Johnson. This contract, entered into on 8th February 2000, allows for the payment of fees and the provision of a motor car and has a notice period of twelve months. Mr. Johnson in accordance with the articles of the company retires by rotation and being eligible offers himself for re-election.

Chris Houghton (43) was appointed to the board on 11th October 2000 and became finance director on 29th March 2001. Mr. Houghton is a Fellow of the Institute of Management Accountants and joined the group as group accountant in 1986. He became group financial controller in 1990 and finance director of Park Direct Credit in November 1999. He has a service agreement with the company entered into on 1st April 2001 which requires twelve months notice of termination by either party. Mr. Houghton in accordance with the articles of the company retires by rotation and being eligible offers himself for re-election.

Jim Walls (38) was appointed to the board on 29th March 2001. He joined the group in 1999 as marketing director and subsequently became managing director of Park Financial Services. He had previously held a number of senior marketing and business development roles at Littlewoods Home Shopping Group. He has a service agreement with the company entered into on 1st April 2001 which requires twelve months notice of termination by either party.

Gary Woods (45) was appointed to the board on 29th 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 Jetlag International and Handling Solutions. He has a service agreement with the company entered into on 1st April 2001 which requires twelve months notice of termination by either party.

Andy Wright (41) was appointed to the board on 29th 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 1st April 2001 which requires twelve months notice of termination by either party.

Mr. N. Alexander who was a director at 31st March 2001 retired on 30th September 2001 and Mr. R. Staines also a director at 31st March 2001 resigned on 27th February 2002.

Non-Executive Directors

Christopher Baker (50) was appointed to the board as non-executive director on 29th March 2001 for a term of 3 years. He has formerly held senior management positions with Littlewoods plc and Hill Samuel Bank Limited, and is currently non-executive director of Jacques Vert plc, Blooms of Bressingham Holdings plc and chairman of the audit committee and a member of the remuneration committee of Convergent Communications plc. Mr. Baker is chairman of the group's audit committee, a member of the remuneration committee and the group's senior independent non-executive director.

George Marcall (52) was appointed to the board as non-executive director on 29th March 2001 for a term of 3 years. He has formerly held directorships with Airtours plc and Yates Group plc and is currently chief executive of Glyn Webb Limited, non-executive chairman of Dancexport Limited and a non-executive director of Marix Drug Development Limited. Mr. Marcall is chairman of the group's remuneration committee and a member of the audit committee.

Company Secretary

James Evans (56) was appointed company secretary on 11th October 2000. Mr. Evans is a Fellow of the Institute of Chartered Secretaries and Administrators and joined the group in 1980. Following several years in group finance he was appointed company secretary to the group's subsidiaries and served as assistant group secretary from 1987 to 2000. Prior to joining the group he held senior finance and administration posts in the motor and photographic industries.

Share Capital

Under the terms of the Park Group Sharesave Scheme options over 39,956 ordinary shares of 2p each were exercised. No other shares were issued in the year to 31st March 2002.

Under the rules of the Park Group Sharesave Scheme invitations were issued to all eligible employees on 16th July 2001. Applications were received from 78 employees who were granted options over an aggregate 2,241,050 ordinary shares of 2p each in the company at an exercise price of 11.7p per share.

Under the rules of the Park Group unapproved share option scheme, options were granted on 3rd September 2001 to 14 directors and senior managers over an aggregate 4,150,000 ordinary shares of 2p each in the company at an exercise price of 11p per share.

At the date of this report interests in the share capital of the company of 3% or more were as follows:

		%
Mr. P. R. Johnson	101,649,325	62.55
KUS Pension Fund	16,135,386	9.93
Schroder UK Smaller Companies Fund	12,450,125	7.66

Directors' Share Interests

The beneficial interests in the share capital of the company of the directors in office at 31st March 2002 were as follows:

	Beneficial Shareholding	
	31st March 2002	31st March 2001
P. R. Johnson	101,649,325	101,649,325
C. Houghton	66,754	52,700
G. A. Woods	23,453	23,453
A. Wright	31,000	–
C. J. Baker	10,000	–
R. G. Marcall	10,000	–

	Park Group Sharesave Scheme – options over ordinary shares				
	31st March 2002	31st March 2001	Exercise price	Date exercisable	Expiry date
C. Houghton	–	11,250	36.0p	30.09.04	31.03.05
	40,384	–	11.7p	30.09.06	31.03.07
A. Wright	82,799	–	11.7p	30.09.04	31.03.05

	Park Group Unapproved Share Option Scheme – options over ordinary shares				
	31st March 2002	31st March 2001	Exercise price	Date exercisable	Expiry date
C. Houghton	500,000	–	11.0p	03.09.04*	02.09.11
J. Walls	500,000	–	11.0p	03.09.04*	02.09.11
G. A. Woods	500,000	–	11.0p	03.09.04*	02.09.11
A. Wright	500,000	–	11.0p	03.09.04*	02.09.11

* subject to performance criteria as set out in scheme rules

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

Mr. P. R. Johnson has a beneficial interest in the KUS Pension Fund of which he is the sole beneficiary. He also has a non-beneficial interest, as a member and council member, in The Johnson Foundation, a registered charity with number 518660. At 31st March 2002 The Johnson Foundation held 3,415,000 ordinary shares of 2p each in the company.

There were no changes to directors' interests in shares between 31st March 2002 and the date of this report.

Related Party Contracts

Details of related party contracts are given in note 20 to the accounts.

Executive Remuneration

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.

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 benefit, 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 with effect from April each year.

Performance related payments

Directors can earn up to 50% 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 Park Group Sharesave and unapproved share option schemes are shown above.

Contracts

Executive directors' service contracts provide for notice periods of up to one year. 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.

Directors' Emoluments

The emoluments of directors for the year ended 31st March 2002 were:

	Salary or fees £'000	Performance related payments £'000	Compensation for loss of office £'000	Benefits £'000	Total		Pension costs	
					2002 £'000	2001 £'000	2002 £'000	2001 £'000
Executive								
P. R. Johnson	150	–	–	46	196	107*	–	–
N. Alexander (retired 30.09.01)	75	–	–	28	103	165	46	264
C. Houghton	80	6	–	9	95	38	7	3
J. Walls	80	–	–	7	87	–	7	–
G. A. Woods	80	–	–	10	90	–	7	–
A. Wright	80	6	–	8	94	–	7	–
R. J. Staines (resigned 27.02.02)	73	–	91	10	174	–	7	–
A. G. Kerr (resigned 22.09.00)	–	–	–	–	–	443	–	25
	618	12	91	118	839	753	81	292
Non-executive								
C. J. Baker	20	–	–	–	20	–	–	–
R. G. Marcall	20	–	–	–	20	–	–	–
I. M. Howe (resigned 22.09.00)	–	–	–	–	–	7	–	–
E. J. Billington (resigned 22.09.00)	–	–	–	–	–	7	–	–
	40	–	–	–	40	14	–	–
	658	12	91	118	879	767	81	292

* of which 50% as non-executive chairman

Pensions – Defined Benefit Arrangements

	Age at 31st March 2002	Increase in accrued pension during year £'000	Accrued pension at 31st March 2002 £'000	Accrued pension at 31st March 2001 £'000
C. Houghton	43	3	15	12
G. A. Woods	45	4	17	13
A. Wright	41	1	2	1

The pension entitlement shown is that which would be paid annually on retirement based on service to the end of the year.

Members are required to make a contribution at 5% of scheme salary.

The increase in accrued pension during the year shown above allows for inflation on the previous year-end accrued pension.

Members have the option to pay additional voluntary contributions. Neither the contributions nor the resulting benefits are included in the above table.

Under this scheme the normal retirement age is 65; a spouse's pension is payable at the rate 1/2 of the member's pension on the death of the member and pension increases, for pension earned post 5th April 1997, are guaranteed at the rate of 5% per annum, or the increase in the Retail Prices Index, if lower. For pension earned prior to 6th April 1997, increases are at the discretion of the Trustees.

Pensions – Money Purchase Arrangements

	Company contributions £'000
J. Walls	7

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 seven directors, being executive chairman and chief executive, finance director, three 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 to 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 four 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.

A proper, open procedure applies for new appointments to the board and the board feels it inappropriate to have a nomination committee. 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.

Board committees

The board has three committees – an audit committee, a remuneration committee and risk management 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 review interim and annual financial statements.

The risk management committee is chaired by Mr. G. A. Woods and comprises Mr. J. Walls and Mr. A. Wright. It is responsible for reviewing the effectiveness of the group's strategic risk management process and it 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.

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 under the heading 'Executive Remuneration' on pages 16 and 17.

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.

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.

The Combined Code requires the board to report on the group's system of internal control. This extends the previous requirement in respect of internal financial control to cover 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.

The directors are responsible for the risk management process. This is being 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, as follows:

- (a) There is no chief executive. Mr. Johnson, as executive chairman, has effectively combined the role of chairman and CEO since September 2000.
- (b) The non-executive directors do not comprise at least one third of the board.
- (c) The audit committee comprises the two independent non-executive directors. Best practice under the Combined Code requires at least three.

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

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 £1m overdraft facility which was not utilised at 31st March 2002. 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 periodically reviewed and approved by the board.

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 31st March 2002 the group contributed £769 for charitable purposes. There were no political 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 31st March 2002 the number of days of parent company purchases outstanding was 13 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
10th June 2002

On behalf of the board
J. E. Evans
Secretary

INDEPENDENT AUDITORS' REPORT

to the members of Park Group plc

We have audited the financial statements on pages 22 to 36.

Respective Responsibilities of Directors and Auditors

The directors are responsible for preparing the annual report. As described on page 18, 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 are 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 or the Listing Rules regarding directors' remuneration and transactions with the group is not disclosed.

We review whether the statement on pages 18 and 19 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.

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. 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 read the other information contained in the annual report, including the corporate governance statement, 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.

Opinion

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 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.

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 31st March 2002 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

8 Princes Parade
Liverpool L3 1QH
10th June 2002

KPMG Audit Plc
Chartered Accountants
Registered Auditor