PARK GROUP PLC

Another year of growth

Park Group plc
Report and Accounts 2003

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"The strong progress reported twelve months ago continued in the year to 31 March 2003 with profits before tax advancing 72.3 per cent to £3.1m from £1.8m in the previous year."

Peter Johnson Chairman

DIRECTORS AND ADVISERS

Directors:	**Executive** P R Johnson (Chairman) C Houghton G A Woods A Wright **Non-Executive** C J Baker*† R G Marcall*† *Member of the Audit Committee †Member of the Remuneration Committee
Secretary:	J E Evans FCIS
Registered Office:	Valley Road Birkenhead CH41 7ED Registered in England No 1711939
Merchant Bankers:	N M Rothschild & Sons Limited 82 King Street 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
Bankers:	Barclays Bank PLC 15/33 Moorfields Liverpool L69 2RU
Registrars:	Computershare Investor Services PLC PO Box 82 The Pavilions Bridgwater Road Bristol BS99 7NH

Chairman's statement

Peter Johnson Chairman

"The strong progress reported twelve months ago continued in the year to 31 March 2003 with profits before tax advancing 72.3 per cent to £3.1m from £1.8m in the previous year. This excellent result was achieved on turnover of £193.7m. The year was marked by further growth in the cash savings business and, significantly, the first operating profit for the cash lending division. Earnings per share improved 75.7 per cent to 1.30p from 0.74p."

Having resumed the payment of dividends with the announcement of an interim dividend at the half year, the directors are pleased to recommend a final dividend of 0.5p, payable on 1 October 2003 to shareholders on the register at the close of business on 5 September 2003 and making a total distribution for the year of 0.75p.

Group cash flow remained strong with cash balances closing the year 53.1 per cent up at £7.9m, after the acquisition of two financial service companies which added further volume to our growing presence in home collected credit.

Another very successful year for the cash savings business saw its profit before tax increase by 31.6 per cent to £5.4m from £4.1m. Despite a strategic withdrawal from certain markets which accounted for a reduction in sales of £7.5m, turnover for the year amounted to £172.6m, only marginally down on the previous year's £173.6m.

Sales of The High Street Gift Voucher, which offers customers the flexibility of purchasing from a wide range of items through our many retail partners or giving the voucher as a gift in its own right, continue to grow strongly.

The continuing drive for additional corporate business also produced encouraging results as voucher sales to the credit and incentive markets grew by 6.7 and 22.5 per cent respectively. The appointment in January this year of a dedicated business development director, with extensive practical experience of the voucher market, augurs well for the future of The High Street Gift Voucher, already the UK's largest multi-redemption voucher.

It is especially pleasing to report that our developing cash lending division achieved its first operating profit during the year – £0.3m against a previous year's loss of £0.8m. The branch network was systematically expanded through organic growth. The acquisition of Cable Cashpoint, with six outlets, helped us to finish the year on 32 branches compared with 18 a year ago. The subsequent acquisition, last November, of Cheshire Securities boosted the value of our North West region's loan book.

As the business becomes more mature our bad debt experience is moving closer to that experienced by established competitors. The charge during the year amounted to 11.7 per cent of loans issued, down from 12.9 per cent in 2001-02.

Our 32-branch network is now producing an operating profit and providing a solid base from which to grow the business. During the year we began to introduce home collected credit into our branches while expanding cheque cashing into areas serviced by our home collected credit operation. The acquisition of Cable Cashpoint also brought us a revolving credit product, which is now being rolled out to all branches. We have identified a number of new branch locations which are presently under active consideration.

The marketing services division performed less well than had been expected. The loss of some major contracts resulted in a disappointing year for Consus. We responded to the loss of these contracts, restructured the business and absorbed the associated costs within the year's results.

Link Brand Solutions has continued to build relationships with leading brands and together with its partners has developed new toiletry ranges for launch in the retail market. Although in loss last year this business has entered the new financial year with a promising forward order book.

We have made a good start to the current financial year with orders for Christmas 2003 in our cash savings business currently 12.7 per cent ahead of the comparable period in 2002. At the same time we are delighted to have moved into profit before interest in our cash lending division where we see considerable scope for building a strong and profitable business. Against this background, and as we continue to concentrate on growing shareholder value, I feel the group can look forward to another year of further progress.

I would like to thank all staff for their hard work and enthusiasm which contributed significantly to last year's improved result.

Peter Johnson
Chairman
5 June 2003

total dividend set at

0.75p

OPERATIONAL REVIEW

Cash savings

The year ending March 2003 was another highly successful year for the cash savings business. The strength of The High Street Gift Voucher (HSGV) brand continued to improve. Growth in the incentive market was particularly impressive, with voucher sales registering a 22.5 per cent increase year on year. The recent strengthening of the HSGV management team is already yielding positive benefits in the current year, both in terms of sales and the strengthening of relationships with our retail partners. With the right team in place I am confident we can continue to drive this business forward.

To support the growth in sales in recent years we have continued to implement our strategy of enhancing performance across the business. Operational efficiencies have been improved while levels of service to our customers have been raised. The re-location of our Customer Care Centre (CCC) back to head office has proved very beneficial in improving the interface between our agents and customers.

I am delighted to report that the new CCC team has recently been named 'Merseyside Call Centre Team of the Year', a fitting reward for the dedication and professionalism they have displayed over the past year. Their efforts have also helped to bring about a further improvement in agent retention rates. The ability to retain good agents is key to our type of business and our success in this area is worthy of special note.

Retail orders in the cash savings business – vouchers and hampers combined – are currently 12.7 per cent ahead of this time last year, statistics which are indicative of another good result for Christmas 2003. Agent and customer numbers are also up and average customer spend is showing a rise of 5.7 per cent on a year ago.

Our business is clearly benefiting from the improved marketing expertise and intelligence we have gained in recent years. Stringent new agent recruitment targets have been exceeded, both in terms of absolute numbers and acquisition cost.

We have continued to widen the range of new products on offer in our catalogues; sales of electrical items, gifts, collectables and Christmas novelties have all increased their share of the mix though pure hamper sales are marginally lower.

The launch of our new 'Getaway Voucher' in 2002 aroused considerable interest from corporate clients and agents alike. As sales of this product to date have been a little below initial expectations we are fine tuning the offer and at the same time are working on a number of new initiatives which we hope to introduce during the course of this year.

In summary, the cash savings division has had an excellent year and has made an encouraging start to 2003-04. The business is well placed to continue to deliver superior performance.

retail
orders up

"I am delighted to report that the new CCC team has recently been named 'Merseyside Call Centre Team of the Year', a fitting reward for the dedication and professionalism they have displayed over the past year."

Gary Woods, Managing Director, Park Financial Services

Main picture: 'Merseyside Call Centre Team of the Year'.

OPERATIONAL REVIEW

Cash lending

A year of excellent progress was marked by our ending 2002-03 significantly ahead of our three year strategic plan. Having originally budgeted to make our first operating profit in 2003-04, we achieved this objective a full year earlier than expected. As a result, an operating profit of £0.3m in the year compared with a loss of £0.8m in 2001-02.

This major turnround of £1.1m is a credit to our staff and agents whose unswerving commitment and enthusiasm played such an important part in our success. We continued to invest in the branch network and by the year-end had increased the total number of branches from 18 to 32. Expansion was aided by two acquisitions – Cable Cashpoint and Cheshire Securities.

The acquisition of Cable Cashpoint comprised six cheque-cashing branches on the east coast of Scotland and a small but healthy monthly loan book. We have now introduced our home collected credit offer into these branches and are experiencing a good take-up.

Cheshire Securities, based in the Manchester area, is a well-established operator in the home collected credit market. We have expanded this business and used its customer base to open three branches in nearby locations. All these outlets now offer our full range of simple financial products.

During the year we generated strong growth in cash collections, up from £13.8m to £18.8m, an increase of 36.2 per cent. Despite major growth in the value of loans advanced and the number of new customers signed up, we secured a further significant reduction in the bad debt charge which by the year-end had been cut to 11.7 per cent from 12.9 per cent a year earlier. As the core of our business matures we would expect to see this ratio fall further.

Cash Reserve, our monthly personal loan product, is being launched across the whole of our branch network following a successful trial. We have seen a significant demand for this flexible product, which will provide an added boost to our loan book.

We have set ourselves demanding performance targets for the current year and I am delighted to report that progress in the first two months is being maintained. We shall continue to grow the branch network organically and augment this growth with targeted acquisitions as suitable propositions become available.

Fast Cash branches up to

> "We have set ourselves demanding performance targets for the current year and I am delighted to report that progress in the first two months is being maintained."
>
> **Andy Wright,** Managing Director, Park Direct Credit

Far Left: The recently refurbished Fast Cash branch in Moreton.

Left: The recently launched identity for Cash Reserve.

The developing cheque encashment branch network.

Locations

▲ **Park Fast Cash branches**

Scotland:
Rutherglen
Scotstoun
Barrhead
Port Glasgow
Dundee
Edinburgh
Aberdeen
Glasgow
Falkirk
Glenrothes
Perth
Hamilton
Dennistoun

North East:
Gateshead
Sunderland
Wallsend
Stanley
Blyth
Sheffield
Pontefract

North West:
Tunstall
Colwyn Bay
Bangor
Flint
Walton
Winsford
Moreton
Prescot
Darwen
Stockport
Middleton
Bloxwich

● **Park Fast Cash branches under development**

Scotland:
Ayr

North East:
Bishop Auckland
Newcastle West
Billingham

OPERATIONAL REVIEW

Consus Contact Management

"In a competitive market Consus performed below expectations last year. With the loss of certain contracts, most notably that of Sainsbury to Nectar and reduced volumes elsewhere, turnover slipped by £1.3m to £8.9m, resulting in a loss of £0.5m."

In response we have implemented a major restructuring of the business, reducing costs and, under a new senior management, refocusing on the need to achieve a sustainable improvement in the bottom line. Key performance targets have been set and specific market areas identified.

The recent development of outbound telemarketing services will create new opportunities for growth in the current year. This initiative, coupled with the introduction of enhanced inbound service offerings, will help to produce a more balanced portfolio of customers going forward.

"The recent development of outbound telemarketing services will create new opportunities for growth in the current year."

Ivan Taggart, Managing Director, Consus Contact Management

OPERATIONAL REVIEW

Link Brand Solutions

The latter part of 2002-03 saw improvements being secured at Link Brand Solutions, Park Group's toiletries division, as the business emerged from a period of difficult trading. Faced at the beginning of last year with radical changes in our core market and increasing competition from the Far East, it became clear that a marked change of direction was required.

Utilising our manufacturing capability, expert knowledge of the toiletries market and strong relationships with suppliers, the focus was to restructure and redirect the business away from airlines to branded toiletries within the retail sector.

This restructuring process, though costly in terms of time and resource, has produced a sounder business in better shape to achieve sustainable and profitable growth going forward. For the year ended March 2003 a loss of £0.3m was incurred on a turnover of £3.4m.

A critical target of the new strategy has been to secure licence agreements to produce toiletries for high profile brands. Results to date have been encouraging and we have now secured agreements with five major names. Each of the brand offerings provides Link with work in slightly different but complementary sectors of the toiletries market. This both strengthens our position and spreads our manufacturing capacity more evenly through the year, rather than experiencing heavy congestion over the Christmas period.

Sales lead times are invariably long in the retail industry so that orders secured now typically impact results six months later. However, the sales effort has resulted in an opening confirmed order book for 2003-04 close to the turnover level achieved for the whole of last year.

Retailers are showing keen interest in the new brands, which should yield much better margins than the airline or contract-packing work of previous years. Our aim is to secure from organic growth a two-fold increase in turnover this year coupled with an improvement at the operating level.

We are now working from a more solid base and hopefully can look forward to a period of renewed and sustainable growth.

quality,
high street
branded
toiletries

> "A critical target of the new strategy has been to secure licence agreements to produce toiletries for high profile brands. Results to date have been encouraging and we have now secured agreements with five major names."
>
> **Brian Matson,** Managing Director, Link Brand Solutions

1 Peter Johnson
2 Chris Houghton
3 Gary Woods
4 Andy Wright
5 Christopher Baker
6 George Marcall

Directors' report

The directors submit their report and the audited accounts for the year ended 31 March 2003.

Results and Dividend

The group profit for the year after taxation was £2.105m (2002 – £1.206m).

An interim dividend of 0.25p per share was paid on 7 April 2003 and the directors have recommended that a final dividend of 0.50p per share be paid on 1 October 2003 to those shareholders on the register on 5 September 2003. The total dividend for the year will be 0.75p (2002 – nil) which will absorb £1.219m (2002 – nil) leaving a retained profit of £0.886m.

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.

Directors

The directors who were in office during the year ended 31 March 2003 are listed below.

Peter Johnson (63) is the company's founder and majority shareholder and has the combined roles of chairman and chief executive. His services to the company were contracted through KUS Limited, a company controlled by Mr Johnson for the year ended 31 March 2003. This contract, entered into on 8 February 2000, allows for the payment of fees and the provision of a motor car and has a notice period of twelve months. With effect from 1 April 2003 Mr Johnson has been paid directly by the company.

Chris Houghton (44) was appointed to the board on 11 October 2000 and became finance director on 29 March 2002. 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 and finance director of Park Direct Credit in November 1999. He has a service agreement with the company entered into on 1 April 2002 which requires twelve months notice of termination by either party.

Gary Woods (46) was appointed to the board on 29 March 2002. 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 2002 which requires twelve months notice of termination by either party. Mr Woods, in accordance with the articles of the company, retires by rotation and, being eligible, offers himself for re-election.

Andy Wright (42) was appointed to the board on 29 March 2002. 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 2002 which requires twelve months notice of termination by either party. Mr Wright, in accordance with the articles of the company, retires by rotation and, being eligible, offers himself for re-election.

Christopher Baker (51) was appointed to the board as a non-executive director on 29 March 2002 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 chairman of Convergent Communications plc, non-executive deputy chairman of Jacques Vert plc and a non-executive director of Blooms of Bressingham Holdings plc, Auto Indemnity Group plc and the Teacher Training Agency. 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 (53) was appointed to the board as a non-executive director on 29 March 2002 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 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.

Jim Walls, a director at 31 March 2002, sadly died on 9 October 2002.

Share Capital

Under the terms of the Park Group Sharesave Scheme options over 61,366 ordinary shares of 2p each were exercised. No other shares were issued in the year to 31 March 2003.

Under the rules of the Park Group Sharesave Scheme invitations were issued to all eligible employees on 11 July 2002. Applications were received from 54 employees who were granted options over an aggregate 643,040 ordinary shares of 2p each in the company at an exercise price of 20p per share.

Under the rules of the Park Group Approved Share Option Scheme, options were granted on 17 January 2003 to 17 directors and senior managers over an aggregate 2,186,525 ordinary shares of 2p each in the company at an exercise price of 21.83p per share.

Under the rules of the Park Group Unapproved Share Option Scheme, options were granted on 17 January 2003 to 13 directors and senior managers over an aggregate 463,475 ordinary shares of 2p each in the company at an exercise price of 21.83p per share.

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

	No of shares	%
Mr P R Johnson	101,649,325	62.53
KUS Pension Fund	16,235,386	9.99
Schroder UK Smaller Companies Fund	15,530,000	9.55

Directors' Share Interests

Details of directors' share interests and options are shown in the remuneration report on page 16.

Related Party Contracts

Details of related party contracts are given in note 21 to the accounts.

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 and chief executive, 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.

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 risk management 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.

Details of the remuneration committee can be found in the remuneration report on page 16.

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 16 to 18.

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 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.

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, as follows:

(a) Mr Johnson, as executive chairman, has effectively combined the role of chairman and CEO since September 2000.

(b) The non-executive directors did not comprise at least one third of the board prior to November 2002.

(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 £0.1m overdraft facility which was not utilised at 31 March 2003. 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.

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 2003 the group contributed £157 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 31 March 2003 the number of days of parent company purchases outstanding was 16 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.

On behalf of the board

Birkenhead
5 June 2003

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.

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 each year.

Performance Related Payments

Executive directors can earn up to 60% 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 are 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

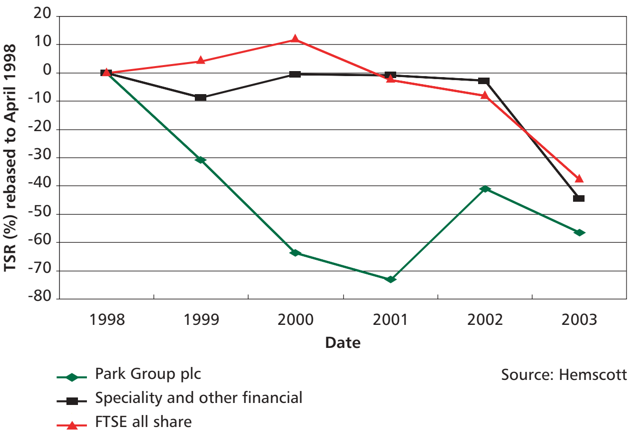
Details of executive directors' service contracts are given in the directors' report on page 13. At the date of this report all contracts had an unexpired term of twelve months. No contract provides for compensation payments on loss of office. Non-executive directors do not have service contracts.

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 1998, compared to 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 falls.



Audited Information

Directors' Emoluments

The emoluments of directors for the year ended 31 March 2003 were:

	Salary or fees £'000	Performance related payments £'000	Benefits £'000	Total 2003 £'000	Total 2002 £'000	Pension costs 2003 £'000	Pension costs 2002 £'000
Executive							
P R Johnson	178	–	61	239	196	–	–
N Alexander (resigned 25.09.01)	–	–	–	–	103	–	46
C Houghton	95	10	9	114	95	9	7
J Walls (deceased 09.10.02)	43	10	5	58	87	–	7
G A Woods	95	10	8	113	90	9	7
A Wright	95	10	17	122	94	9	7
R J Staines (resigned 27.02.02)	–	–	–	–	174	–	7
	506	40	100	646	839	27	81
Non-executive							
C J Baker	22	–	–	22	20	–	–
R G Marcall	22	–	–	22	20	–	–
	44	–	–	44	40	–	–
	550	40	100	690	879	27	81

Directors' Share Interests

The beneficial interests in the share capital of the company of the directors in office at 31 March 2003 were as follows:

	Beneficial Shareholding 31 March 2003	Beneficial Shareholding 31 March 2002
P R Johnson	101,649,325	101,649,325
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 2003	31 March 2002	Exercise price	Date exercisable	Expiry date
C Houghton	40,384	40,384	11.70p	30.09.06	31.03.07
A Wright	82,799	82,799	11.70p	30.09.04	31.03.05
G A Woods	9,500	–	20.00p	30.09.05	31.03.06

Park Group Approved Share Option Scheme – options over ordinary shares

	31 March 2003	31 March 2002	Exercise price	Date exercisable	Expiry date
C Houghton	137,425	–	21.83p	17.01.06**	16.01.13
G A Woods	137,425	–	21.83p	17.01.06**	16.01.13
A Wright	137,425	–	21.83p	17.01.06**	16.01.13

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

	Park Group Unapproved Share Option Scheme – options over ordinary shares				
	31 March 2003	31 March 2002	Exercise price	Date exercisable	Expiry date
C Houghton	500,000	500,000	11.00p	03.09.04**	02.09.11
	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	–	21.83p	17.01.06**	16.01.13
A Wright	500,000	500,000	11.00p	03.09.04**	02.09.11
	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.

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 31 March 2003 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 31 March 2003 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 2003. 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	3	19	8
G A Woods	4	21	12
A Wright	1	4	–

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 31.03.03 £'000	Transfer value at 31.03.02 £'000	(Decrease)/ increase in transfer value £'000	(Decrease)/ increase in transfer value, less director's contributions £'000
C Houghton	4	19	59	68	(9)	(14)
G A Woods	5	21	71	80	(9)	(14)
A Wright	2	4	18	12	6	1

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.

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

Birkenhead
5 June 2003

INDEPENDENT AUDITORS' REPORT

to the members of Park Group plc

We have audited the financial statements on pages 20 to 36. 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 14, 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 14 and 15 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 2003 and of the profit 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
5 June 2003

KPMG Audit Plc
Chartered Accountants
Registered Auditor