



Welcome to Park



See page 4 for more information about what we do and our brands

Park Group is the UK's leading provider of prepaid gift cards, multi-retailer gift vouchers and digital rewards services, to corporate and consumer markets.



See page 8 for more information about our business model, delivery channels and enablers

Sales are delivered through innovative leading edge digital channels, a direct sales force and a network of agents.



For more information visit us online at www.parkgroup.co.uk



2018 highlights



Group billings (£m)

£412.8m

(2017 – £404.5m)

2018	412.8
2017	404.5
2016	385.0
2015	372.9
2014	336.0



Group revenue (£m)

£296.2m

(2017 – £310.9m)

2018	296.2
2017	310.9
2016	302.5
2015	293.3
2014	269.6



Operating profit (£m)

£11.6m

(2017 – £10.9m)

2018	11.6
2017	10.9
2016	10.4
2015	9.7
2014	7.8



Profit before taxation (£m)

£12.9m

(2017 – £12.4m)

2018	12.9
2017	12.4
2016	11.9
2015	10.9
2014	9.4



Dividends per share (p)

3.05p

(2017 – 2.90p)

2018	3.05
2017	2.90
2016	2.75
2015	2.40
2014	2.30



Total basic earnings per share (p)

5.62p

(2017 – 5.38p)

2018	5.62
2017	5.38
2016	5.28
2015	4.66
2014	4.16

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more

choice

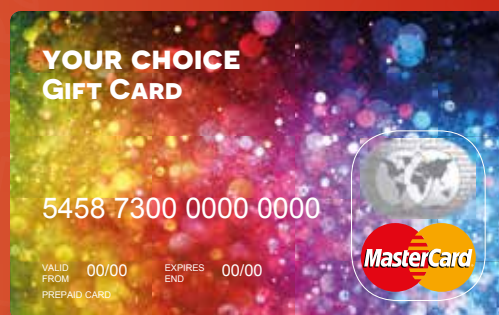


Love2shop's extraordinary choice

The Love2shop reward catalogue is enormous, bringing immense value to our clients and their employees or staff.

Using our proprietary reward technology, we put staff and customers in touch with gift cards, gift vouchers, holidays, special one-off experiences, online shopping, restaurant discounts, physical gifts and more. Our extensive selection of rewards ensures that absolutely anyone can find something they'll appreciate with a Love2shop product.

We also supply a vast global reward catalogue, which delivers a selection of physical and digital gifts tailored to the needs of recipients in over 150 countries.



What we do

The group ('Park', 'Park Group' or 'the group') is a UK based financial services business which utilises the latest communication technologies, principally the internet, mobile smart telephony and social media, to offer customers a range of incentive, reward and Christmas products, backed by the highest levels of service.

Our businesses



Christmas savings business

Park have been helping people across the UK budget for Christmas since 1967. The Park Christmas Savings budget plan helps families prepare and budget for Christmas in a controlled and careful manner ensuring that they can enjoy the festive season free from financial worries. Over 436,000 families budget for Christmas with us so they can enjoy Christmas without worrying about credit card bills in the New Year.



Online gift voucher retailer

highstreetvouchers.com is a leading supplier of UK gift vouchers and gift cards. With a wide range of cards and vouchers for popular stores including John Lewis, Marks & Spencer and Thomas Cook you can find the perfect gift quickly and stress-free every time. Our range of gifts is ideal for birthdays, Christmas, weddings and anniversaries. They are also popular with business and corporate customers, making ideal staff reward, incentive and motivation gifts.



BUSINESS SERVICES

Corporate incentive provider

Our Love2shop Business Services business is one of the leading providers of reward solutions to UK companies.

We provide a variety of solutions from our own multi-retailer vouchers and prepaid cards to single store vouchers and cards, gift experiences, holidays and travel. We also provide an array of online scheme management solutions which can help our clients to cost effectively run, manage and communicate their schemes.

We trade with over 34,000 businesses through 4 main markets mainly; reward and recognition, incentive and motivation, sales promotion and employee benefits.



Connecting people with brands

FMI is a brand engagement agency with more than 30 years' experience working with major blue-chip clients. From impactful events such as conferences and travel trips to targeted employee incentives and rewards, our team of creative thinkers generate great ideas that drive better results.

With experienced comms and events teams positioned under one roof, we work together smartly in order to communicate your message clearly, build brand loyalty, reward great performance and incentivise growth.

#1
provider of gift vouchers,
christmas savings &
corporate incentives

£
182
major retailers

436,000
customers

Our products



Regulated e-money prepaid card

Since launch in 2010, flexecash® cards, our innovative e-money prepaid card, have had over £652m of value loaded, with 97 brands accepting the cards through more than 14,000 UK outlets.



Client-branded digital rewards platform

Evolve gives the recipient the freedom to exchange electronic codes for a wide range of reward types from holidays to vouchers and gift cards and more than 317 clients have used the web portal to date.



Multi-retailer gift voucher/card

Love2shop is the UK's leading multi-retailer gift voucher and prepaid gift card, accepted at over 175 major retailers at 20,000 outlets. Park tailors gift card schemes to individual customer needs.



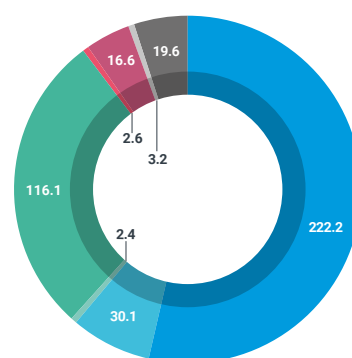
'Your Choice' online and retailer card

Park's 'Your Choice' card is a Mastercard that allows users to make purchases from any retailer, including online retailers that accept Mastercard, with 40,000 customers using this product over the period.


£652m
 value loaded on flexecash®

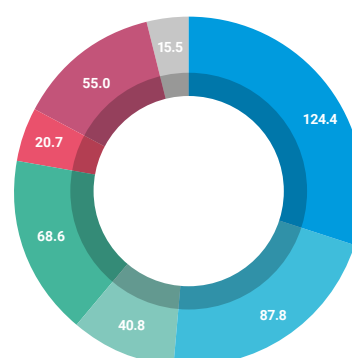

317
 clients using Evolve

Billings by market



- Xmas savings
- hsv.com
- Other Consumer
- Incentive
- Cash replacement
- Employee benefits
- Credit
- Other Corporate

Billings by product



- Consumer Love2shop voucher
- Corporate Love2shop voucher
- Consumer card
- Corporate card
- Mastercard
- 3rd party vouchers
- Hampers/gifts/others

The background is a solid red color with a repeating pattern of white line-art icons. These icons represent various business and technology concepts, including smartphones, tablets, laptops, headphones, gift boxes, globes, and currency symbols (specifically the British pound sterling, £).

more

channels



Development of the Love2shop app

Due to launch in summer 2018 the all new native Love2shop and Everyday Benefits app for iOS and Android will deliver the ultimate digital experience and make managing a Love2shop account an absolute breeze.

Customers will be able to use geo-location to find the nearest redeemer, check their balance in real-time, top-up cards*, swap for other products including virtual Mastercard* and e-gift cards* and gain access to a wealth of exclusive retailer offers including discounted gift cards* and supermarket cards*. Plus with the addition of touch ID and camera scanning - the Love2shop app brings all the joy of shopping into the palm of our customers' hands.

* if available depending on card type.

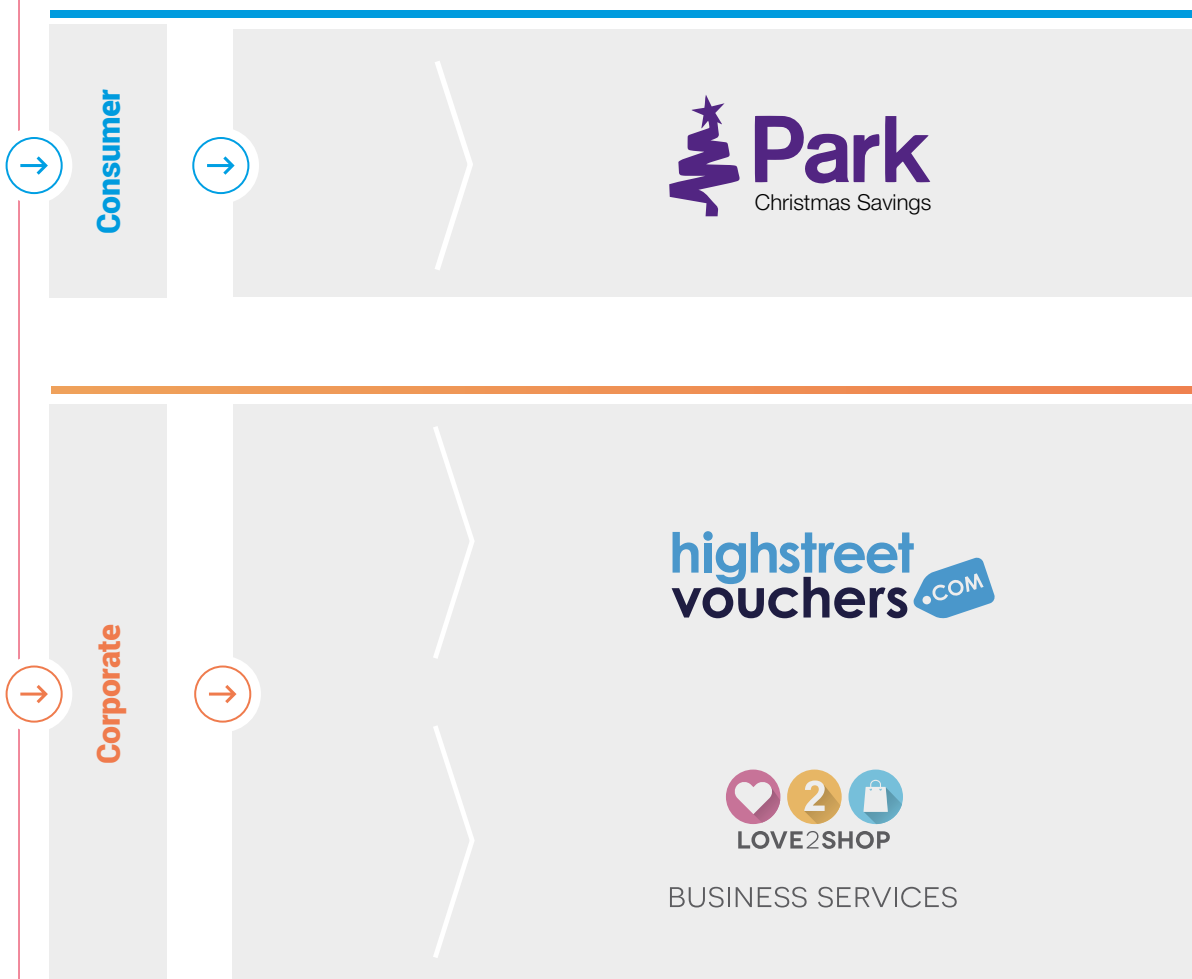
Our business model

How we serve our customers

Retail partners

We partner with top retail brands to provide our customers with an appealing range of flexible gift card, e-code and voucher solutions, with thousands of shops, restaurants and attractions to choose from. Our dedicated retailer relationship team is committed to the ongoing expansion of our network, progressively increasing retailer acceptance of our solutions. However our network doesn't end on the high street, as we have also partnered with UK merchandise providers and global technology innovators to deliver a market-leading portfolio of corporate and consumer rewards.

Brand




20,000
stores

Key strengths

Our key strengths differentiate us from our competition and underpin everything we do

Successful growth strategy

Park's strategy has remained consistent for many years and is delivering reliable and growing returns for investors.

Driven by innovation and investment

Park is an ambitious business that believes in continually investing to support innovation to meet the current and future needs of its customers.

Description



Innovation is at the core of how we serve our audiences. Park started off making Christmas a more joyful time for thousands of families in the UK by letting them spread the cost of the festive season over a year. Like Park itself, how this works has changed drastically, with the shift from hampers to gift vouchers, the rise and decline of the agent model, through to today's focus on mobile apps.



Having noted our customers' acclaim of the Love2shop gift voucher, we launched highstreetvouchers.com (HSV.com) to provide consumers with a one-stop digital shop to buy Love2shop or third party vouchers and gift cards. HSV.com has increased massively in popularity, currently servicing over 123,000 customers, with over £30m in revenue.



Seeing that 70 per cent of HSV.com's turnover comes from businesses, Love2shop Business launched to service business clients in need of rewards and incentives. Love2shop Business' proposition has evolved to incorporate more powerful and flexible digital reward platforms, provide global business services, and is now addressing underlying customer and employee engagement difficulties for thousands of businesses in the UK and abroad.



Cash generative and debt free

Park is cash generative with a debt free balance sheet. The cash position is strong with sufficient funds available to comfortably finance working capital and further investment.

Growing dividends

Dividends have increased steadily and the payout to shareholders has more than doubled since 2008.

Experienced management team

Park's development and success reflects positively on the quality, stability and strength of its management teams, which have been working together for many years.

Extensive customer base

The Corporate business has over 34,000 customers while the Consumer operation reaches some 436,000 customers.



more



Evolve: The future of reward technology

Evolve is a simple digital reward mechanic that matches the expectations of a modern audience for instant gratification.

Evolve offers businesses a means to thank their customers or staff with a three-step reward code system. Codes are distributed by email or SMS, entered into an online portal, and redeemed immediately for a raft of rewards. Evolve brings value to any business that needs to quickly and easily reward any audience and it has already been adopted by over 300 businesses.

Reward codes unlock a mammoth library of rewards for lucky recipients, including Love2shop gift cards and vouchers, special one-off experiences, merchandise, e-codes and even access to a concierge travel booking service.



rewards

Consistent & clear strategy

To generate organic growth from expanding our customer base boosted by the creation of new products and services, as well as entering new markets that fit with our core proposition of being a value-added prepaid currency provider. We will also consider acquisition opportunities as they arise, provided they meet our market and financial objectives.

Priorities

Description

Progress in 2018

01

Enhance our retailer proposition



We must continue to evolve our offer, backed by excellent service, to maintain and where possible enhance the number of retailers available to our customers. This involves increasing the range of Love2shop and flexecash® redeemers and improving awareness of the brands.

- Added a broad range of retailers to Love2shop voucher and flexecash® cards.
- Added retailer specific solutions to improve choice.
- Improved card functionality.
- Added online retailers.
- Introduced Mastercard products.

02

Develop and exploit our infrastructure



Develop our infrastructure by enhancing capabilities. We aim to introduce new products supported by our existing card processing infrastructure and provide new and exciting additional services for customers.

- Introduced new products into the corporate and consumer marketplace, supported by our infrastructure.
- Expanded e-commerce to drive volume.
- Developed apps to improve customer service.

03

Grow our multichannel offering



Increase customer engagement and develop new customer touch points, improve our online offering and develop products for delivery on mobile and tablet devices.

- Improved the customer journey and enhanced the product range of all of our websites.
- Optimised company websites for mobile and tablet devices.
- Online retailers added to flexecash®.

04

Expand our customer base



Grow market share by increasing the number of customers using our products and continue to improve and develop our offering in the UK and Eurozone.

- Developed products for new markets within the UK.
- Digital solution to support new markets and reach new customers.
- Strategic initiative to provide world wide distribution.

Future plans

- Continue to enhance the retailer proposition.
- Provide solutions for a broad spectrum of consumer products; from everyday essentials to luxury brands.
- Enhance digital proposition.

- Develop new service offerings that utilise our existing infrastructure in new markets.
- Develop new applications to support market opportunities.
- Engage strategic partners to facilitate capability and growth.

- Provide improved online spending power in the consumer and corporate market.
- Explore and develop mobile delivery of our products and services.
- Grow market share.

- Increase marketing activity and identify new opportunities.
- Identify potential new market opportunities for flexecash®, voucher and e-code products.
- Identify opportunities in new markets.

Key performance indicators

Corporate



Number of businesses served by Love2shop Business Services and e-commerce

34,601

(2017 – 31,199)

2018	34,601
2017	31,199
2016	28,674
2015	28,509
2014	23,924



Billings (£m)

£188.2m

(2017 – £187.7m)

2018	188.2
2017	187.7
2016	176.7
2015	176.1
2014	154.5



Internet derived revenue (£m)

£107.8m

(2017 – £91.7m)

2018	107.8
2017	91.7
2016	75.7
2015	47.6
2014	29.1

Consumer



Number of customers UK & Ireland (000's)

436

(2017 – 431)

2018	436
2017	431
2016	429
2015	424
2014	412



Average order value (£)

£521

(2017 – £508)

2018	521
2017	508
2016	489
2015	463
2014	440



Christmas order book (£m)

£222.8m

(2017 – £214.8m)

2018	222.8
2017	214.8
2016	206.1
2015	193.3
2014	177.3



Another solid set of results

Our culture & values

As the company continues to evolve, the board feel that it is important to communicate what our core values as a company are. The Executive Management Board and non-executive directors have developed the acronym **IRIS**. This stands for:

Integrity

Towards our customers, colleagues, suppliers, community, Government, shareholders – we foster an open, honest and transparent environment.

Respect

We behave with respect and trust towards all our stakeholders; we build and reward team work and collaboration; we have 'treating our customers fairly' embedded in what we do and how we do it.

Innovation

We know we need to innovate and develop our products and services on a continuous basis to succeed.

Service Excellence

Quality is never taken for granted; we recognise that we are in business to serve our customers beyond their expectations.

Laura Carstensen
Non-Executive Chairman



"As a group we are at an exciting point in our development and have some great opportunities to build on our legacy."

Introduction

As a group we are at an exciting point in our development and have some significant opportunities to build on our legacy and on the success of another solid set of results, with billings and pre-tax profits both continuing to increase along with total dividends (paid and proposed).

At Park we are used to adapting to and capitalising on fast-changing markets and we are ambitious under a strong and refreshed leadership team to continue to grow by winning still more consumers and businesses over to the Park way of saving, motivating and rewarding - everything prepaid.

Financial performance and dividends

Park Group's profit before taxation rose by 4.1 per cent in the year to 31 March 2018, reaching £12.9m (2017 – £12.4m) while operating profit grew to £11.6m (2017 – £10.9m). Total billings increased by 2.0 per cent to £412.8m (2017 – £404.5m) while revenue was £296.2m (2017 – £310.9m).



These are all behaviours which we all currently display, and areas in which we strive to achieve.

Billings is a more meaningful measure of the level of activity of the group than revenue. This is due to our revenue from prepaid cards being reported on a 'net' basis and our Love2shop vouchers on a 'gross' basis. This year we have had some one off costs associated with the changes to our senior management, but following an extensive recruitment process and well executed transition, we are confident we have the right people in place with the resources and experience to drive our continued growth.

Park is a cash generative business with a strong, debt free balance sheet.

In light of yet another solid year, the board is recommending raising the final dividend to 2.05p per share (2017 – 1.95p) making a total dividend for the year of 3.05p per share (2017 – 2.90p) up 5.2 per cent.

It is noteworthy that the total dividend has more than doubled over the last eight years, reflecting the board's confidence in the business' performance and the position and success of Park's offering in each market. As our investors know, Park Group's dividend policy is linked to the cash we generate, as well as business performance.

Shareholder approval will be sought at the Annual General Meeting (AGM) to be held on 25 September 2018 to pay the final dividend on 1 October 2018 to shareholders on the register on 24 August 2018. The ordinary shares will be marked ex-dividend on 23 August 2018 as a consequence.

Chief Executive Officer succession

During the year under review, following the announcement that our former Chief Executive Officer (CEO) Chris Houghton was to retire after more than 30 years at Park Group, we embarked on a rigorous nationwide search to help us fulfil our ambitions for the group.

Our new CEO, Ian O'Doherty, brings with him a wealth of experience and knowledge from blue-chip business, and I know from our close collaboration so far that he brings strategic and operational excellence, as well as sharing our values as a group.

I am confident that Ian and the team he is building will help us continue to deliver Park Group's diverse range of services with the IRIS core values (see page 14) our customers have come to expect, whilst committing to innovation and service excellence in everything we do.

As a group, a team, we are all focused on making Park Group an exemplar group in its field and that means being a business that people respect, want to work for and do business with.

This means we will not compromise on our integrity, and we will continue to ensure that people trust us as a business that does what it says it does, and delivers on its promises.

It also means being known for the positive influence we have as a business on people's lives whether that be our employees, customers, shareholders, trading partners or the many communities in which we operate.

Other board changes

Gary Woods stepped down from the board in March 2018 after 38 years' service whilst Martin Stewart will also leave the company in August 2018. Martin will be replaced by Mr Tim Clancy as Group Finance Director, who will join us in August 2018. The board would like to thank Gary and Martin for their excellent contribution in building the Park business.

Our business and our people

'Seamless transition' is easy to say but can often be difficult to deliver. However, I believe the outstanding collaboration of our former and current leadership team during this year and the dedicated and committed way in which our leadership – old and new – have transitioned responsibilities has been genuinely inspiring. It gives the board confidence – and it has given our stakeholders, partners and people confidence – that we are in a strong, secure position as a group. Not only to ensure continuity, but to drive better, new ways of working and to innovate and improve the way we deliver our class-leading products and services.

As a business we're expecting to make a lot more noise about the services we're delivering to consumer and corporate clients in 2018 and beyond, to champion our successes in business performance and innovation, and to showcase the contribution we're making to the northwest regional economy.

As well as focusing on making us the very best business we can be, one of Ian O'Doherty's strengths is galvanising a business around a clear strategy, rooted in a supportive culture and a set of core values. And this is something we as a board are excited about helping to deliver.

There's no doubt that we have dedicated and loyal people right through our teams and having everyone pulling together for our shared, common goals can only help us with our growth ambitions. I would like to pass on the thanks of the board to everyone who makes Park the group that it is.

Our social responsibility

Charitable causes and social responsibility – for our people, stakeholders, customers and communities – will remain high on our list of priorities, and we will continue to find ways to give back to the region that has given us a 'licence to operate' and enabled us to be successful.

As well as contributing to very important local projects here on the Wirral, like 'The Hive', a local youth zone helping young people to learn, to flourish and to grow, as well as a range of other projects, we still feel we have much to do in terms of our social responsibility.

Our outlook

Our commitment to growth is as strong as ever and we have started the year well by ensuring we're delivering against our strategies, focusing on customer service excellence and working closely together.

Laura Carstensen

Non-Executive Chairman

12 June 2018

An exciting time for the group

Ian O'Doherty
Chief Executive Officer



"Together, we remain committed to keeping Park Group a business that people are proud to work for and want to do business with."

Introduction

Park has a rich legacy of innovation, business achievement and strong financial performance. This year has seen progress in all three of these areas. Building on the success of these latest results, we remain in a position for growth and we have continuing ambitions to lead the markets in which we operate.

The year under review has seen considerable change in our leadership team, including my own appointment as CEO, the appointment of a new Group Finance Director to succeed Martin Stewart in August 2018, and the appointment, to a newly created position, of a Chief Information Officer (non-board). These changes, we believe, will provide an opportunity for the group to build on the successes of those who have driven the business to this point.

Without doubt, this is an exciting time for the group.

Business performance

Solid billings, profits and cash generation have been the cornerstone of our business for many years, and our focus on delivering these continues. The overall financial position of the group remains solid, with cash balances and order books again ahead of their positions at the same time last year.

We're also delivering in many other areas, including innovation. For example downloads of the Park Savings app, launched last year, continue to grow as the number of consumer customers using this new functionality rises. Innovations like this – centred on making things better and simpler for our customers – remain an important part of our growth plans.

Our Consumer business

Park's legacy of helping families prepare and budget for Christmas has been well-regarded for decades and, yet again, we've seen continued positive momentum and performance in the Consumer business this year as we celebrated another solid Christmas period. As well as allowing our customers to save in a secure, controlled and structured way, free of last minute financial concerns, our Consumer business remains a robust revenue driver for our business.

The increasing consumer use of the internet and mobile devices, coupled with our focus on the development of technology and digital channels, continues to revolutionise ordering behaviour. The number of new accounts ordering online in the year was 72.2 per cent of the total new accounts (2017 – 65.7 per cent).

Billings within the Consumer business increased by 3.6 per cent to £224.5m (2017 – £216.8m), while operating profit increased by 6.1 per cent to £6.9m (2017 – £6.5m). Customer numbers increased to 436,000 (2017 – 431,000), while the average customer order value improved 2.6 per cent to £521 (2017 – £508).

Park's relationship with Mastercard continues to strengthen. Park's 'Your Choice' card (formerly the 'Anywhere' card) is a Mastercard which offers the freedom to shop at an expanded number of outlets. Customers are prepared to pay a premium for a preloaded 'Your Choice' card and this is proving popular, with 40,000 customers utilising this innovative, new product over the period.

Social media continues to be a significant and growing component of our communication with customers and visitors to our web sites. Facebook remains the most popular channel and we now have over 127,000 followers compared with 100,000 12 months ago. Facebook provides an effective communication tool while also providing excellent market research as we monitor, review and respond to user comment and reaction. During the year, approximately £4m of orders were generated by Park's Facebook page alone and we will continue to develop social media channels to build on this success.

We want to build on the success of this period in our Consumer business, and we will put even more focus on our growing customer base – hundreds of thousands of families and companies – by committing ourselves to delivering excellent service through digital, self-serve and traditional channels.

Our Corporate business

The Corporate business, under the brand Love2shop Business Services, remains the UK's largest provider of multi-redemption gift cards, vouchers and digital reward propositions, principally to the incentive and reward markets. It now serves over 34,000 organisations, supplying programmes and products to reward and incentivise staff and customers alike. Love2shop Business Services offers businesses, from major corporations to SMEs, an innovative and sophisticated range of reward solutions and on-line programme management systems that are used to motivate, retain, reward and recognise employees and customers. Incentives and rewards for businesses is an ever-growing multibillion pound market, and we will work to ensure we're front of mind for organisations when it comes to these types of propositions. We believe our flexibility, scale, product suite and capabilities, particularly through our own flexecash® processing network, set us apart from our competitors.

During the year, the Corporate business delivered an increase in billings to £188.2m (2017 – £187.7m) and operating profit also rose to £7.4m (2017 – £7.2m). Our highstreetvouchers.com website had a good year with sales topping £30m (2017 – £26m) and with the full integration of FMI, which has continued to progress during the year, we have an exciting opportunity to build out our Corporate operations.

Product development within the Corporate business concentrates on devising new, sophisticated applications to meet increasing customer demand. Our 'Evolve' platform, the client-branded digital reward platform we launched in 2016, continues to drive traction in our corporate markets, with more than 317 clients using the web portal to date.

During this period, we have leveraged the 'Evolve' capabilities still further, by beginning to offer our reward products to a global audience via 'Love2shop Worldwide'. This capability is now being used by over 40 UK based businesses that may have employees or customers in other countries. Thousands of redemptions have already been processed for individuals based in UK, India, Germany, Italy, France and Spain to name a few.

A number of large new organisations were recruited during the year, with more in the pipeline.

Investing in new technology

Park's annual capital expenditure on IT is approximately £0.7m with a total spend, including technical support, in the region of £3.8m. This is a significant investment and commitment for a business of our size. One of the most significant technological advances in Park's history was the introduction in 2010 of the flexecash® prepaid card. This innovative product represented a major step forward for the business and moved it into areas which previously had not been accessible. Since launch, flexecash® cards have had over £652m of value loaded, with 97 brands accepting the card through more than 14,000 UK outlets. The card is available alongside the Love2shop voucher, which is supported by 175 brands at 20,000 outlets.

Park has capitalised further on the latest advances in this space to expand the capabilities of the flexecash® concept by developing e-codes, which provide a digital representation of a flexecash® card. These 14 character digital codes deliver a totally encrypted and unique path to provide customers with the means to make instant purchases from our website. Digital products are the fastest growing product area in the UK gift card and voucher market and in 2017 9 per cent of reported sales were attributable to these products. In the B2B market, they are growing at an even faster rate and now represent 16 per cent of the market with further significant growth anticipated.

Aside from the benefits our technological innovations are bringing to our corporate and consumer customers and the increasing levels of business this generates, a further advantage of Park's transition into a modern, digital business, has been in allowing us to operate much more efficiently and keep tighter control of costs.

Our people

We will focus on doing the very best for our people; providing them with the necessary tools and support to succeed. We want engaged employees, working together with clarity, purpose and drive to contribute to our growth plans.

Having spent the last six months reviewing the business, I can say that the experience and ambition of our people is impressive, and, through them, we have the capabilities to grow and to achieve more. Add to that an ambitious, motivated and strategic new leadership team, and we're confident of building on the great history of this group. Our focus now is on structuring our team to succeed, and on building a culture that enables us to deliver on – and hopefully exceed – our customers' expectations every single time.

Our future

Park's focus on enhancing retailer propositions; growing multi-channel offerings; expanding our customer base and exploiting our scale and infrastructure, remain key to ensuring our business retains its buoyancy and market position. We have the tools and resources to go about our business with confidence. Together, we remain committed to keeping Park Group a business that people are proud to work for and want to do business with and a business that delivers for the many thousands of customers that place their trust in us.

Ian O'Doherty
Chief Executive Officer
12 June 2018

Financial Review

Martin Stewart

Group Finance Director



Profit from operations

The group's operations are divided into two principal operating segments:

- Consumer – which represents sales to consumers, utilising its Christmas savings offering; and
- Corporate – comprising sales to businesses, offering primarily sales of the Love2shop voucher, flexecash® cards and e-codes in addition to other retailer vouchers. Sales are achieved via a direct sales force and online via the group's websites. These products are used as staff and customer rewards/incentives, marketing aids and prizes.

All other segments comprise central costs and property costs.

Billings have increased when compared to the prior year by 2.0 per cent to £412.8m. Revenue has fallen by 4.7 per cent to £296.2m reflecting the increasing popularity of prepaid cards (flexecash® and Mastercard) issued by us. Billings attributable to these cards total £130.1m in the year (2017 – £105.7m) whereas revenue in the year was £13.5m (2017 – £12.1m).

Revenue earned from the sale of prepaid cards issued by Park is recognised differently from all other customer billings, as explained in our accounting policies.

Revenue and margin from sales of Love2shop vouchers and flexecash® cards/codes are generated from both operating segments. Operating profit increased by £0.7m to £11.6m and is detailed below:

	2018 £'000	2017 £'000	Change £'000
Consumer	6,851	6,460	391
Corporate	7,366	7,231	135
All other segments	(2,628)	(2,810)	182
Operating profit	11,589	10,881	708

Consumer

In the Consumer business, customer billings have increased by 3.6 per cent to £224.5m. Revenue has decreased by 3.4 per cent to £168.3m, primarily due to increased value loaded onto prepaid cards, principally our own Mastercard products which totalled £20.7m.

The increase in billings of £7.8m primarily reflects the higher level of customer prepayment orders fulfilled for Christmas 2017 at £222.2m (Christmas 2016 – £214.1m). Billings in respect of flexecash® cards totalled £40.8m (2017 – £43.8m).

Operating profit at £6.9m has increased by £0.4m from that achieved in the prior year. This is due to the increased level of billings and a marginal improvement in margin earned as a result of a change in the mix of products sold.

Corporate

In the Corporate business customer billings have increased once more, by £0.5m in the year to £188.2m. Revenue is down by 6.5 per cent to £127.9m and this was also due to increased value loaded onto prepaid cards (flexecash® and Mastercard), which totalled £69.2m (2017 – £61.9m).

Operating profit improved by 1.9 per cent to £7.4m (2017 – £7.2m) reflecting the higher level of billings and an improved mix of products sold, principally flexecash® cards.

During 2018 and beyond, we will embark with renewed focus on plans to drive growth in billings in the incentive sector, which was marginally below expectations at £116.2m predominantly due to the later than expected roll out of a significant contract with a client in our Corporate business.

All other segments

The reduction in costs reported in other segments, of £0.2m, is mainly attributable to a reduction in the cost of management incentives recorded in the statement of profit or loss of £0.4m. This has been offset by £0.2m of costs associated with the changes to the senior management team and directors in the year.

Finance income

Finance income declined slightly to £1.27m from £1.47m. Average total cash held by the group, including cash held in trust during the year increased by over 6 per cent to £165m (2017 – £155m), however the yield achieved on this higher cash balance continued to decline in spite of the increase in base rates, due to deposits placed prior to this increase being reflected in bank deposit rates.

Taxation

The effective tax rate for the year was 19.1 per cent (2017 – 19.9 per cent) of profit before tax. The decrease in tax rate is due to the reduction in the basic rate of corporation tax from 20 per cent to 19 per cent in the year.

Earnings per share

Basic earnings per share (EPS) increased to 5.62p from 5.38p in 2017, up 4.5 per cent.

Dividends

The board has recommended a final dividend of 2.05p per share. An interim dividend of 1.00p per share was paid on 6 April 2018. Subject to approval of the final dividend at the AGM, the total dividend for 2018 will be 3.05p per share representing an increase of 5.2 per cent over the prior year.

Cash flows

Cash flows from operating activities, at £10.5m, were £0.6m higher than the prior year. There was a slight deterioration in working capital due to increased stock levels of £1.2m and receivables of £1.8m. In addition, the prior year cash inflows were boosted by £2m of cash received in April 2016 from the Park Prepayment Trustee Company Limited in respect of Christmas 2015. Growth in the Park Card Services Limited E money Trust (PCSET) and ring fenced funds was £2.9m (2017 – £4.9m).

At the end of March 2018 £40.3m (2017 – £34.2m) of cash and cash equivalents was held by the group. This was £2.8m higher than the prior year.

In addition, £60.0m (2017 – £59.0m) was held by the Park Prepayments Trustee Company Limited. The trust holds payments

received in respect of orders for delivery the following Christmas. The conditions for the release of this money to the group are detailed in the trust deed, which is available at www.getpark.co.uk.

Also, at 31 March 2018, the group held £25.9m (2017 – £24.0m) of cash in the PCSET to support the e-money float in accordance with regulatory requirements and held £1.0m of other ring fenced funds (2017 – £nil).

The total amount of cash and deposits net of any overdraft position held by the group, combined with the monies held in trust, has increased in the year by 5.9 per cent to £121.4m from £114.6m. These total balances peaked at just under £229m in the year, representing an increase of over £12m from last year. This was principally due to the higher level of cash receipts into the Park Prepayments Protection Trust (PPPT) in respect of the Consumer business.

Provisions

At 31 March 2018, provisions had increased to £48.0m from £46.2m. This was mainly due to an increase in the amounts provided in respect of flexecash® cards of £1.2m and for unspent vouchers of £0.6m. The value of unspent vouchers included in the provision, arises primarily from sales in the Corporate business.

Accounting policies

Revenue recognition

Revenue from prepaid cards is recorded differently to revenue from paper vouchers and comprises the fees earned based on customer billings, recognised when the value loaded on the card has been redeemed.

Where cards are sold to businesses for onward gifting to consumers with no right of redemption, revenue also includes an estimate of projected balances remaining on the card at expiry.

Pensions

The group continues to operate two defined benefit pension schemes, where pensions at retirement are based on service and final salary. These schemes are now closed to future accrual of benefit arising from service with the group. These schemes have a net pension surplus of £2.7m based on the valuation under IAS19 performed at 31 March 2018 (2017 – surplus of £0.9m).

The group has recognised interest income of £32,000 (2017 – £1,000) in the statement of profit or loss in respect of the pension schemes. In addition, the group has recognised a re-measurement gain in the statement of comprehensive income (SOCl) of £0.9m (2017 – £0.5m) net of tax.

In the year ended 31 March 2018, contributions by the group to the schemes totalled £0.7m (2017 – £0.7m). The latest triannual scheme funding reports, performed as at 31 March 2016, indicated that one scheme had a technical provisions deficit (reflecting the liabilities to pay pension benefits in relation to past service as they fall due) of £1.9m and one had a surplus on the same basis of £0.9m. Future group contributions to the scheme that is in deficit have been agreed with the Trustee at £0.4m for 2018/19, with no further contributions to the scheme after that date. The next triannual valuation will be undertaken as at 31 March 2019 when the positions will be reassessed.

Martin Stewart

Group Finance Director
12 June 2018

Risk Factors

Financial risks

Risk area	Potential impact	Mitigation
Group funding	The group, like many other companies, depends on its ability to continue to service its debts as they fall due and to have access to finance where this is necessary.	<p>The group manages its capital to safeguard its ability to operate as a going concern. The group has access to funds for working capital from the PPPT for a defined period in the year, although the group has not used this facility in either of the last two years. This enables it to operate without bank borrowings.</p> <p>In addition the group has a high level of visibility of future revenue streams from its Consumer business. The funding requirements of the business are continually reforecast to ensure that sufficient liquidity exists to support its operations and future plans.</p>
Treasury risks	The group has significant funds on deposit and as such is exposed to interest rate risk, counterparty risk and exchange rate movements.	The group treasury policy ensures that funds are only placed with and spread between high quality counterparties and where appropriate any exchange rate exposure is managed, utilising forward contracts, to minimise any potential impact. Some funds are placed on fixed term deposits to mitigate interest rate fluctuations.
Banking system	Disruption to the banking system would adversely impact on the group's ability to collect payments from customers and could adversely affect the group's cash position.	The group seeks wherever possible to offer the widest possible range of payment options to customers to reduce the potential impact of failure of a single payment route.
Pension funding	The group may be required to increase its contributions to cover any funding shortfalls.	The group's pension schemes are closed to future benefit accrual related to service. Funding rates are in accordance with the agreements reached with the trustees after consultation with the scheme actuary.
Financial services and other market regulation	The business model may be compromised by changes in existing regulation or by the introduction of new regulation. Possible new regulation could include a requirement to ring fence funds for vouchers sold to consumers. This would adversely affect the group's cash position.	The group has a regulatory team that monitors and enforces compliance with existing regulations and keeps the group up to date with impending regulation. The group shares the objectives of Government in treating customers fairly and in the protection of customer prepayments. The group operates a number of trusts to safeguard funds held on behalf of customers. In the event of new regulation being introduced that requires additional cash to be segregated, the group potentially has access to other sources of funds, if required.
Credit risks	Failure of one or more customers and the risk of default by credit customers due to reduced economic activity.	<p>Customers are given an appropriate level of credit based on their trading history and financial status, a prudent approach is adopted towards credit control.</p> <p>Credit insurance is used in the majority of cases where customers do not pay in advance.</p>

Operational risks

Risk area	Potential impact	Mitigation
Business continuity and IT systems	<p>Failure to provide adequate service levels to customers, retail partners or other suppliers, resulting in a failure to maintain services that generate revenue.</p> <p>There is a risk that an attack on our infrastructure by an individual or group could be successful and impact the availability of critical systems.</p>	<p>The group plans and tests its business continuity procedures in preparation for catastrophic events and for the existence of counterfeit vouchers or cards.</p> <p>Our focus is on the elimination of any single point of failure in our IT systems. Our critical infrastructure has been designed to prevent unauthorised access and reduce the likelihood and impact of a successful attack.</p> <p>The group maintains three separate data centres in relation to its core infrastructure to ensure that service is maintained in the event of a disaster at its primary data centre. Developed software is extensively tested prior to implementation. We also manage the risk of malicious attacks on our infrastructure by continuously monitoring our systems.</p> <p>The General Data Protection Regulations (GDPRs) came into force on 25 May 2018. The group had a project to review its policies and procedures in the light of the requirements of the GDPRs and make changes accordingly.</p>
Loss of key management	The group depends on its directors and key personnel. The loss of the services of any directors or other key employees could damage the group's business, financial condition and results.	Existing key appointments are rewarded with competitive remuneration packages including long term incentives linked to the group's performance and shareholder return.
Relationships with high street and online retailers	The group is dependent upon the success of its Love2shop voucher and flexecash® card. These products only operate provided the participating retailers continue to accept them as payment for goods or services provided. The failure of one or more participating retailers could make these products less attractive to customers.	The group has a dedicated team of managers whose role it is to ensure that the group's products have a full range of retailers. They also work closely with all retailers to promote their businesses to Park's customers who utilise Park's vouchers and cards to drive forward incremental sales to their retail outlets. Contracts which provide minimum notice periods for withdrawal are in place with all retailers and are designed to mitigate any potential impact on Park's business.
Failure of the distribution network	The failure of the distribution network during the Christmas period, for example a Post Office strike, road network disruption or fuel shortages could adversely impact the results and reputation of Park's brands.	Wherever possible the group seeks to utilise a wide range of geographically spread carriers to mitigate the failure of a single operator.
Brand perception and reputation	Adverse market perception in relation to the group's products or services, for example, following the collapse of a competitor. This could result in a downturn in demand for its products and services.	<p>Ongoing investment in television advertising. Operation of a process of continual review of all marketing material and websites to promote transparency to customers.</p> <p>Extensive testing and rigorous internal controls exist for all group systems to maintain continuity of online customer service.</p>
Promotional activity	The success of the group's annual promotional campaign is essential to ensure the continued recruitment of customers. Failure to recruit would result in loss of revenue to the group. Promotional activity must also be cost effective.	Detailed management processes that are designed to optimise the cost of recruiting are in place. The effectiveness of each individual television advert is assessed separately and future plans amended where appropriate.
Competition	Loss of margins or market share arising from increased activity from competitors.	<p>The group has a broad base of customers and no single customer represents more than 3 per cent of total customer billings.</p> <p>Significant resources are dedicated to developing and maintaining strong relationships with customers and to developing new and innovative products which meet their precise needs.</p>

Page 12 to 21 of the annual report form the Strategic Report. The Strategic Report was approved by the board and signed on its behalf on 12 June 2018.

Ian O'Doherty
Chief Executive Officer

Board of directors



Laura Carstensen
Non-Executive Chairman

Laura was appointed to the board as a non-executive director on 23 September 2013 and became Non-Executive Chairman on 3 June 2016. She has a service agreement with the company entered into on 13 September 2013 which requires three months' notice of termination by either party. She is a former partner in city law firm Slaughter and May, a former member and deputy chairman of the UK Competition Commission (now the Competition and Markets Authority) and a former commissioner of the Equality and Human Rights Commission. She is a non-executive director and chair of the values and ethics committee of The Co-operative Bank plc and a trustee of National Museums Liverpool. She was educated at Withington Girls School in Manchester and read English at St Hilda's College, Oxford. Mrs Carstensen is chairman of the group's nomination committee and a member of the audit and remuneration committees.

Committee membership



Ian O'Doherty
Chief Executive Officer

Ian was appointed to the board and became Chief Executive Officer (CEO) on 1 February 2018. He has a strong background in financial services, specifically in banking, payments and card services, having worked at MBNA for 26 years, most recently as Chairman and CEO of MBNA Limited in the UK, a position he held from 2008 to 2017. From 2015 to 2017, he was deputy chair of the UK Cards Association, having been a board member since 2008, and he was a member of the interim main board of UK Finance (New Trade Association) from 2016 to 2017. He has an MBA from Carroll Graduate School of Management, Boston College, USA, and is a fellow of the Institute of Bankers in Ireland. He is a non-executive director of Chester Race Company Limited and is a governor on the board of the King's School, Chester. He has a service agreement with the company entered into on 14 November 2017 which requires 6 months' notice of termination by either party.

Committee membership



Michael de Kare-Silver
Non-Executive Director

Michael was appointed to the board as a non-executive director on 23 September 2013 and is the group's Senior Independent Director. He has a service agreement with the company entered into on 14 September 2013 which requires three months' notice of termination by either party. He is an advisor to the digital, e-commerce and mobile communications sectors. He is also chairman of Coats plc Global Services. He has previously served as a main board director at a number of companies including FTSE 100 GUS plc and FTSE 250 Thus Group plc. He headed up Argos.co.uk, Experian.com and Burberry online as CEO of GUSco.com and founded successful start-ups born2learn.com and MyFaveShop.com. Mr de Kare-Silver was chairman at WIN plc and Breeze Tech Mobile. Early in his career he gained valuable experience at both Procter & Gamble and McKinsey & Company. Mr de Kare-Silver is chairman of the group's remuneration committee and a member of the audit and nomination committees.

Committee membership



John Gittins
Non-Executive Director

John was appointed to the board as a non-executive director on 22 September 2016. He is a graduate of the London School of Economics and is a Chartered Accountant. He has a service agreement with the company entered into on 22 September 2016 which requires three months' notice of termination by either party. He serves as independent non-executive director and chairman of the audit committee on the board of Nichols plc, the AIM listed international soft drinks business and as an independent non-executive director of international commercial law firm Hill Dickinson LLP. In addition, he is finance trustee of Claire House Children's Hospice. Previously, he worked for over 20 years in an executive capacity, operating as chief financial officer across a number of sectors within UK listed, multi-site, national and international businesses. Mr Gittins is chairman of the group's audit committee and a member of the remuneration and nomination committees.

Committee membership



Committee membership

- Audit Committee
- Nomination Committee
- Remuneration Committee
- Denotes Chairman



Martin Stewart
Group Finance Director

Martin was appointed to the board on 1 November 2004 and is the Group Finance Director. He is a Fellow of the Institute of Chartered Accountants in England and Wales and joined the group from Eddie Stobart Group PLC, where he was group finance director. Prior to this he was with UK Waste Management Limited from 1992 to 2000, from 1997 as group finance director, and earlier in his career held financial positions with The Littlewoods Organisation, ICI PLC and Price Waterhouse. His service agreement with the company was entered into on 1 November 2004. On 21 December 2017 the company announced that he had given notice of his intention to leave the company in August 2018.

Committee membership

N/A

Outgoing members

Chris Houghton
Chief Executive Officer to
1 February 2018

Chris was appointed to the board on 11 October 2000 and became Chief Executive Officer on 11 April 2012. Chris stepped down from both the board and as CEO on 1 February 2018.

Gary Woods
Managing Director,
Park Retail Limited to
27 March 2018

Gary was appointed to the board on 29 March 2001 and stepped down from the board on 27 March 2018.

Directors' Report

The directors submit their report for the year ended 31 March 2018 for Park Group plc, registration number 1711939 (the company).

Profit and dividend

The group profit for the financial year, after taxation, was £10.409m (2017 – £9.899m).

The directors have declared a dividend as follows:

	£m
Approved interim dividend of 1.00p per share (2017 – 0.95p)	1.856
Proposed final dividend of 2.05p per share (2017 – 1.95p)	3.804
Total ordinary dividend of 3.05p per share (2017 – 2.90p)	5.660

The directors have recommended that the final ordinary dividend be paid on 1 October 2018 to those shareholders on the register on 24 August 2018.

Principal activities

A statement describing the business activities of the company and its subsidiary undertakings is set out on pages 16 to 17 with comments on current and future developments in the Chairman's Statement on pages 14 to 15. The principal subsidiary undertakings and their activities are set out in note 8 to the accounts.

Business review

A review of the group's activities over the financial year is contained in the Chairman's Statement on pages 14 to 15 and in the Chief Executive's Review on pages 16 to 17.

Share capital

Issue of new ordinary shares

On 23 June 2017 the company made share awards to certain executive directors and senior employees under the 2009 long term incentive plan (LTIP). The number of shares issued under these awards totalled 1,190,362 ordinary shares awarded at nil cost utilising the employee benefit trust previously established which acquired the shares by way of subscription. The number of shares awarded to executive directors are shown in the Remuneration Report on page 32.

Grant of LTIP awards

On 2 October 2017, 1,483,583 provisional shares were awarded under the terms of the group's LTIP scheme. Share distributions may be made at the end of the plan cycle, which cannot be less than three consecutive years, and are subject to certain performance criteria.

Employee Share Save Scheme (SAYE)

The directors are eligible to participate in the SAYE, details of which are shown in the Remuneration Report on page 32.

Major shareholders

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	%
Schroder plc	21,880,250	11.79
BlackRock, Inc	18,730,883	10.09
Miton Group PLC	18,418,533	9.92
SFM UK Management LLP	15,660,000	8.44
Henderson Group plc	13,582,660	7.32
Unicorn Asset Management Limited	13,208,797	7.12
Artemis Investment Management LLP	11,311,000	6.10
Investec Asset Management Limited	7,250,000	3.91
Norges Bank	7,068,528	3.81
Cazenove Capital Management Limited	6,925,875	3.73

Directors and their interests

The directors who were in office during the year ended 31 March 2018, are shown on pages 22 and 23.

Details of directors' and connected persons' share interests in the company are shown in the Remuneration Report on page 32.

Going concern

The group's forecasts and projections, taking into account reasonably possible changes in trading performance and customer behaviour, show that the group has sufficient financial resources to fund the business for the foreseeable future. Whilst funds are available for working capital purposes as permitted under the terms of the PPPT the group does not envisage accessing these funds in the period covered by these forecasts. The group's working capital requirements are dependent upon a continuing level of prepaid sales to corporate customers. The group's positive cash flow from its ongoing customer base enables it to operate without reliance on any external funding, and the ability to drawdown funds from the PPPT at certain times of the year provides further headroom. The group continues to trade profitably and early indications for growth in the current year are positive. Accordingly, the directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Employee involvement

Employees are kept informed of the performance and objectives of the group through personal briefings, regular meetings and email.

Market value of land and buildings

As at 31 March 2018, 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 2018 the group contributed to charity £29,000 (2017 – £23,000). These donations were made primarily to local charities supporting local communities. There were no political contributions.

Financial instruments

The company's financial risk management policies and objectives, including the exposure to market risk, credit risk and liquidity risk are set out in note 26 to the accounts.

Creditor payment policy

For all trade creditors, it is the group's policy to:

- agree the terms of payment at the start of business with that supplier;
- ensure that suppliers are aware of the terms of payment; and
- pay in accordance with its contractual and other legal obligations.

As at 31 March 2018 the number of days of parent company purchases outstanding was 4 days (2017 – 30 days).

Directors' liabilities

During the year the company had in place appropriate insurance cover in favour of one or more directors of the company, against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006.

Post balance sheet events

There have been no important events affecting the group which have occurred since the end of the financial year.

Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Auditors

In accordance with section 489 of the Companies Act 2006, a resolution for the reappointment of Ernst & Young LLP as auditors of the group is to be proposed at the forthcoming AGM.

By order of the board.

R Fairbrother

Company Secretary

Birkenhead
12 June 2018

Corporate Governance

The board

The group is controlled through its board of directors. The board's main roles are:

- to provide entrepreneurial leadership of the group;
- to set the group's strategic objectives and to ensure that the necessary financial and human resources are in place to enable them to meet those objectives;
- to review management performance;
- to set the company's standards and values; and
- to ensure that the company's obligations to its shareholders and others are understood and met.

The board, which meets at least five times a year, has a schedule of matters reserved for its approval. It meets on other occasions as necessary.

The board has appropriate insurance cover in respect of legal action against its directors.

The specific responsibilities reserved to the board include:

- setting group strategy and approving an annual budget and medium-term projections;
- overseeing the implementation of the agreed strategies and policies of the group;
- monitoring the liquidity risk of the business and the going concern basis of preparation;
- reviewing operational and financial performance;
- approving entering into financing arrangements;
- approving major acquisitions, divestments and capital expenditure;
- reviewing the group's systems of financial control and risk management;
- ensuring that appropriate management development and succession plans are in place;
- developing and implementing risk management systems;
- reviewing the environmental, health and safety performance of the group;
- approving appointments to the board and the Company Secretary;
- approving policies relating to directors' remuneration and the severance of directors' contracts; and
- ensuring a satisfactory dialogue takes place with shareholders.

Committees of the board

Nomination committee

During the year the nomination committee comprised Laura Carstensen (Chairman), Michael de Kare-Silver, John Gittins, Chris Houghton (to 1 February 2018) and Ian O'Doherty (from 1 February 2018). The nomination committee met formally four times during the year.

The nomination committee's terms of reference are available from the Company Secretary and are displayed on the group's website.

The nomination committee meets if a vacancy arises or need is identified to alter the mix of skills and experience on the board and to review succession planning.

The nomination committee's policy on diversity is encapsulated by the values set out in the company's policy on equality and diversity.

Remuneration committee

During the year the remuneration committee comprised Michael de Kare-Silver (Chairman), Laura Carstensen and John Gittins. The remuneration committee met formally four times during the year.

The remuneration committee's principal responsibilities are:

- setting, reviewing and approving individual remuneration packages for executive directors and the Chairman including terms and conditions of employment and any changes to the packages;
- recommend and monitor the level and structure of remuneration for senior management;
- approving the rules, and launch, of any group share, share option or cash based incentive scheme; and
- the grant, award, allocation or issue of shares, share options or payments under such scheme.

In addition the remuneration committee periodically reviews the group's remuneration policy in relation to:

- its competitors and industry norms;
- compensation commitment; and
- contract periods.

The remuneration for the non-executive directors is determined by the executive directors.

The remuneration committee's terms of reference are available from the Company Secretary and are displayed on the group's website. The directors' Remuneration Report is set out on pages 30 to 33 of the annual report.

Audit committee

During the year the audit committee comprised our non-executive directors. These were John Gittins (Chairman), Laura Carstensen and Michael de Kare-Silver. Chris Houghton, Martin Stewart, Ian O'Doherty and the group's internal and external auditors attend meetings of the audit committee by invitation.

The audit committee met five times during the year.

The audit committee usually reviews its terms of reference annually and recommends to the board any changes required as a result of the review.

The audit committee's terms of reference are available from the Company Secretary and are displayed on the group's website.

In the financial year to 31 March 2018 the audit committee discharged its responsibilities by:

- reviewing the group's draft financial statements and interim results statement prior to board approval and reviewing the external auditors' detailed reports thereon;
- reviewing the appropriateness of the group's accounting policies;
- reviewing regularly the potential impact in the group's financial statements of certain matters;
- reviewing and approving the audit fee and reviewing non-audit fees payable to the group's external auditors;
- reviewing the external auditors' plan for the audit of the group's accounts, which included key areas of audit focus, key risks on the accounts, confirmations of auditor independence and the proposed audit fee and approving the terms of engagement for the audit;
- reviewing the plan for internal audit work and reviewing the reports arising from this work;
- reviewing post-acquisition reports on integration and performance of any significant recent acquisitions; and
- reviewing the processes for managing risks associated with major business programmes.

The audit committee, at least annually, meets the external auditors, without management, to discuss matters relating to its remit and any issues arising from the audit.

Under its terms of reference, the audit committee monitors the integrity of the group's financial statements and any formal announcements relating to the group's financial performance, reviewing any significant financial reporting judgements contained in them.

The audit committee is responsible for monitoring the external auditor's independence and objectivity, the effectiveness of the external audit process and making recommendations to the board in relation to the appointment, reappointment and remuneration of the external auditor. It is responsible for ensuring that an appropriate relationship between the group and the external auditors is maintained, including reviewing non-audit services and fees.

The audit committee reviews arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters referred to as 'Whistle-blowing'. The audit committee's objective is to ensure that arrangements are in place for the proportionate and independent investigation of such matters and for appropriate follow-up action.

The audit committee monitors regularly the non-audit services being provided to the group by its external auditors in line with its policy on non-audit work performed by the auditors. The policy prohibits the external auditors from undertaking certain work and provides that other categories of non-audit work must be submitted to the audit committee for approval prior to engagement.

The audit committee keeps under informal review the need for the group to have an internal audit function. Due to the size and scope of the business the audit committee has recommended to the board that it does not currently consider it appropriate for the group to have an internal audit function.

Over the year the management team continued to utilise BDO LLP to carry out internal audit reviews to examine areas of management and control risks. These reviews are part of an ongoing programme of internal audit work. The subsequent reports were considered by the board. The board continues to keep under review the need for a more formally constituted internal audit programme.

Risk management committee

During the year the risk management committee comprised Chris Houghton (Chairman to 1 February 2018), Gary Woods, Martin Stewart, Russell Fairbrother, Steve Lock (head of IT) and Ian O'Doherty (Chairman from 1 February 2018). The risk management committee met five times during the year.

The risk management committee's 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; and
- continuous assessment and reporting to the board.

The audit committee considers any matters in relation to the principal risks, as determined by the risk management committee.

The following table sets out the number of scheduled meetings of the board and its committees during the year and individual attendance by board members at these meetings. Attendance at the meetings by non-member directors is not shown:

	Group board	Audit committee	Remuneration committee	Nomination committee
Executive directors				
Chris Houghton	6			
Ian O'Doherty	1			
Martin Stewart	5			
Gary Woods	6			
Non-executive directors				
Laura Carstensen (Chairman)	6	5	4	4
Michael de Kare-Silver	6	5	4	4
John Gittins	6	5	4	4
Scheduled meetings	6	5	4	4

Senior Independent Director

The board appointed Michael de Kare-Silver as Senior Independent Director on 29 November 2016. He is always available to meet shareholders on request and to ensure that the board is aware of any shareholder concerns not resolved through the existing mechanisms for investor communication.

Directors and directors' independence

The board currently comprises of the independent Non-Executive Chairman, two independent non-executive directors and two executive directors. The names of the directors, together with their biographical details, are set out on pages 22 and 23.

The board includes independent non-executive directors who constructively challenge and help develop proposals on strategy and bring independent judgement, knowledge and experience to the board's deliberations. The independent directors are of sufficient calibre and number that their views carry significant weight in the board's decision making. The board considers its non-executive directors to be independent in character and judgement.

The independent Non-Executive Chairman and the independent non-executive directors have confirmed that, except for as noted below, none of them:

- has been an employee of the company or group within the last five years;
- has, or has had within the last three years, a material business relationship with the group apart from a director's fee, participates in the company's share option or performance related pay scheme or is a member of the group's pension scheme, except as noted below;
- has close family ties with any of the group's advisers, directors or senior employees;
- holds cross-directorships or has significant links with other directors through involvement in other companies or bodies, other than those disclosed in the directors' biographical details on pages 22 and 23;
- represents a significant shareholder; or
- has served on the board for more than nine years.

The directors are given access to independent professional advice at the group's expense, when the directors deem it is necessary in order for them to carry out their responsibilities.

Professional development

On appointment, directors take part in an induction programme when they receive information about the structure and practices of the group together with the group's latest financial information. This is supplemented by meetings with key senior executives and advisers. Throughout their period in office the directors are continually updated on the group's business, the competitive and regulatory environments in which it operates and other changes affecting the group and the industry it operates in as a whole, by written briefings, meetings with senior executives and attendance at external courses.

Performance evaluation

There is a formal process for the annual evaluation of the directors and the Chairman. The remuneration committee considers individual director's performance when it determines their forthcoming annual remuneration. Directors' performance is under continual review and is measured against targets. The non-executive directors are subject to evaluation. The board considers its arrangements for evaluation or appraisal are adequate to ensure effective governance given the size of the company and its board.

Re-election

Subject to the company's articles of association, the Companies Acts and satisfactory performance, non-executive directors are appointed for an initial period of three years. Before the third and sixth anniversary of the non-executive director's first appointment, the director discusses with the board whether it is appropriate for a further three year term to be served.

The company's articles of association require that any director who was not elected or re-elected at either of the two preceding AGMs will retire from office and be eligible for re-election.

Company Secretary

The Company Secretary is responsible for advising the board through the Chairman on all governance matters. The directors have access to the advice and services of the Company Secretary who is responsible to the board for ensuring board procedures are complied with. The company's articles of association provide that the appointment and removal of the Company Secretary is a matter for the full board.

Information

Regular reports and papers are circulated to the directors in a timely manner in preparation for board and committee meetings. These papers are supplemented by information specifically requested by the directors from time to time. All executive directors receive monthly management accounts and regular management reports and information which enable them to scrutinise the group's and management's performance against agreed objectives. The board periodically invites executives to present on specific topics to allow the board to take a more in-depth view.

Relations with shareholders

The Chairman gives feedback to the board on issues raised by major shareholders.

The AGM is attended by all directors, and shareholders are invited to ask questions during the meeting and to meet with directors after the formal proceedings have ended.

The group maintains a corporate website containing a wide range of information of interest to investors.

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.

Risk and internal control

The board is responsible for the group's system of internal control and for reviewing its effectiveness. There is an ongoing process for identifying, evaluating and managing the significant risks faced by the group. These may be strategic, operational, reputational, financial or environmental. The process is reviewed regularly by the board. The directors have continued to review the effectiveness of the group's system of financial, operational and compliance controls against significant risk.

The principal elements of the group's established control 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;
- an ongoing programme of internal audit work performed by BDO LLP; and
- the appointment of a risk management sub-committee.

The risk management sub-committee's terms of reference are shown on page 27.

A risk management system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide 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.

Statement of directors' responsibilities in respect of the annual report and the financial statements

The directors are responsible for preparing the annual report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

The directors have decided to prepare voluntarily a directors' Remuneration Report, adopting some of the best practice provisions in connection with preparation of such reports. The directors have also decided to prepare voluntarily a Corporate Governance statement.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The directors believe that due to the nature of our business 'slavery' is unlikely to be an issue for our suppliers. We deal with reputable suppliers in the UK or the EU only. Nevertheless we are, as part of an ongoing process, amending our standard supplier agreements to insist upon compliance with the Modern Slavery Act 2015 (or its EU equivalent). As a group we believe we are in compliance with this Act.

This report sets out the remuneration policy of Park Group plc. As a company listed on AIM, the company is not required by the Companies Act 2006 to prepare a directors' Remuneration Report. The board has, however, voluntarily adopted some of the best practice provisions in connection with the preparation of such reports and these are referred to in the report below.

Unaudited information
Remuneration committee

Details of the remuneration committee are given on page 26.

In undertaking its responsibilities the committee seeks independent external advice as necessary. The principal external advisers to the committee are PricewaterhouseCoopers LLP.

Executive remuneration policy

The aim of the group's remuneration policy is to adopt levels of remuneration which should be sufficient to attract, motivate and retain high calibre executives. The policy is to reward directors with competitive salaries and benefit packages which are linked to both individual and business performance. 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, annual bonus (linked to performance), long term incentives (share options and LTIP – linked to performance), car allowance, medical and permanent health insurance cover. Certain executive directors enjoy benefits in kind such as contributions to pension arrangements and the payment of certain professional subscriptions.

Basic salaries

Basic salaries for executive directors are reviewed by the remuneration committee each year.

Short-term performance related payments

Executive directors can earn performance related bonus payments, subject to the achievement of predetermined business unit and group profit targets over one financial year. Bonuses do not form part of pensionable earnings.

Long-term incentives

The directors participate in the group's LTIP and SAYE as shown on page 32.

The 2014 LTIP was adopted by the remuneration committee on 5 February 2015. The 2015 LTIP was adopted by the remuneration committee on 10 March 2016. The 2016 LTIP was adopted by the remuneration committee on 2 June 2016. The 2017 LTIP was adopted by the remuneration committee on 2 October 2017.

All LTIP awards (with the exception of LTIP 2014) incorporate a market condition (TSR), which is taken into account in the grant date measurement of fair value. LTIP 2014 awarded under the amended plan, did not incorporate a market condition, but included a non-market condition of aggregate profit before tax (PBT) generated over a three year performance period.

Executive directors are also eligible to participate in the SAYE scheme, full details of which are shown in note 20b.

Contracts

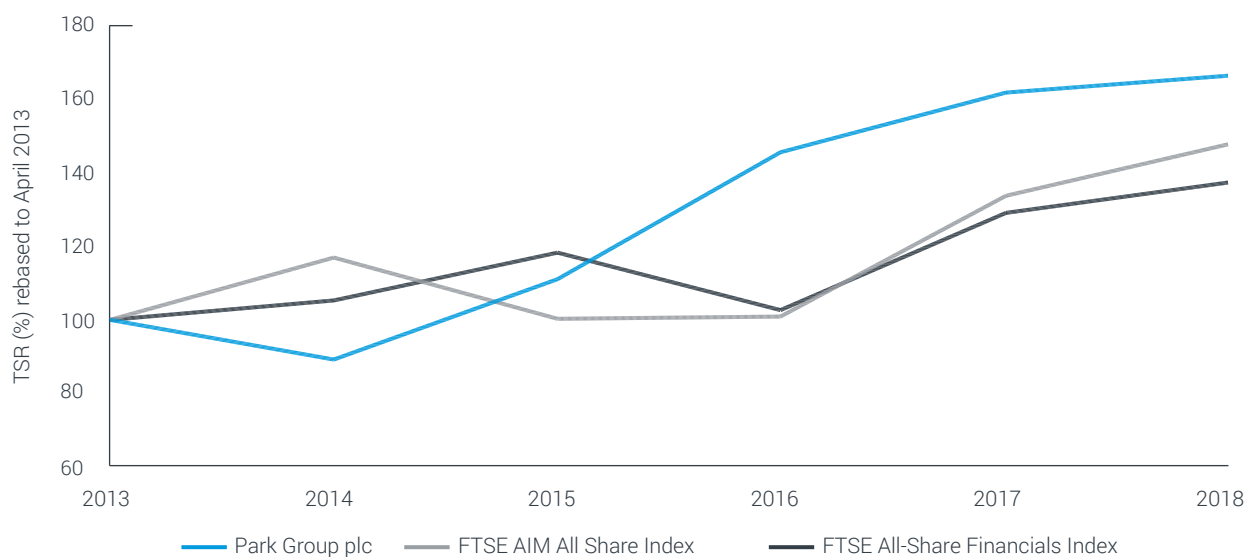
Details of executive directors' service contracts are given on pages 22 and 23. No contract provides for compensation payments on loss of office.

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 their own remuneration.

Total shareholder return (TSR)

The following graph charts the total cumulative shareholder return of the company since 1 April 2013, compared with the AIM all share index and the all shares financials 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.



Audited information

Directors' emoluments

The emoluments of directors for the year ended 31 March 2018 were:

	Salary or fees £'000	Performance related payments £'000	Benefits £'000	Total 2018 £'000	2017 £'000	Pension costs 2018 £'000	2017 £'000
Executive							
I O'Doherty	80	—	16	96	—	—	—
C Houghton	207	25	70	302	336	—	—
M R Stewart	210	50	72	332	276	—	—
G A Woods	198	20	71	289	278	—	—
	695	95	229	1,019	890	—	—
Non-executive							
L Carstensen	72	—	—	72	65	—	—
M de Kare-Silver	44	—	—	44	43	—	—
J Gittins	41	—	—	41	21	—	—
P R Johnson	—	—	—	—	11	—	—
J Dembitz	—	—	—	—	37	—	—
	157	—	—	157	177	—	—
	852	95	229	1,176	1,067	—	—

Remuneration Report continued

In addition to this, Chris Houghton received salary and benefits of £55,000 during the year ending 31 March 2018 after his resignation as a director of Park Group plc on 1 February 2018.

Ian O'Doherty commenced employment with the company on 2 January 2018, and was appointed a director of Park Group plc on 1 February 2018 on an initial basic salary of £325,000 per annum and is eligible for the company's bonus scheme.

The performance related payments number above does not include the value of LTIP awards vesting in the period.

Directors' share interests

The beneficial interests in the share capital of the company of the directors in office at 31 March 2018 and connected persons were as follows:

	Beneficial shareholding	
	31 March 2018	31 March 2017
I O'Doherty	–	–
M R Stewart	1,183,858	977,719
J Gittins	–	–
L Carstensen	9,200	9,200
M de Kare-Silver	5,000	5,000

Directors' share options

The individual interests of the executive directors under the SAYE is as follows:

	SAYE – options over ordinary shares			
	31 March 2018	Exercise price	Date exercisable	Expiry date
C Houghton	28,219	56.7p	01.08.18	01.02.19
M R Stewart	31,746	56.7p	01.08.18	01.02.19
G A Woods	31,746	56.7p	01.08.18	01.02.19

Directors' LTIPs

The individual interests for the executive directors which represent the maximum aggregate number of shares to which each individual could become entitled are as follows:

	LTIP – provisional share awards					
	31 March 2018	Granted in the year	Exercised in the year	Lapsed/ forfeited in the year	31 March 2017	Year ⁵ exercisable
C Houghton	–	53,911	(472,146)	–	418,235	2017 ¹
	98,000	–	–	–	98,000	2018 ²
	–	–	–	(98,000)	98,000	2019 ³
	–	311,558	–	(311,558)	–	2020 ⁴
	98,000	365,469	(472,146)	(409,558)	614,235	
M R Stewart	–	44,410	(388,942)	–	344,532	2017 ¹
	81,000	–	–	–	81,000	2018 ²
	81,000	–	–	–	81,000	2019 ³
	248,356	248,356	–	–	–	2020 ⁴
	410,356	292,766	(388,942)	–	506,532	
G A Woods	–	44,410	(388,942)	–	344,532	2017 ¹
	81,000	–	–	–	81,000	2018 ²
	–	–	–	(81,000)	81,000	2019 ³
	–	248,356	–	(248,356)	–	2020 ⁴
	81,000	292,766	(388,942)	(329,356)	506,532	

1 subject to performance criteria as set out in LTIP plan dated 05 Feb 2015.

2 subject to performance criteria as set out in LTIP plan dated 10 Mar 2016.

3 subject to performance criteria as set out in LTIP plan dated 02 June 2016.

4 subject to performance criteria as set out in LTIP plan dated 02 October 2017.

5 awards are exercisable after 10 consecutive dealing days commencing on the date of the announcement by the group of its results in each year.

The value of aggregate gains made by the directors on the vesting of LTIP awards in the year amounted to £1,008,000. Further details of the awards made in the year are provided in note 20b of the financial statements.

On behalf of the board

M de Kare-Silver

Chairman of the Remuneration Committee

Birkenhead

12 June 2018

Independent Auditor's Report to the Members of Park Group plc

Opinion

In our opinion:

- Park Group plc's group financial statements and parent company financial statements (the 'financial statements') give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2018 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Park Group plc which comprise:

Group	Parent company
Consolidated statement of financial position as at 31 March 2018	Statement of financial position as at 31 March 2018
Consolidated statement of profit or loss for the year then ended	Statement of changes in equity for the year then ended
Consolidated statement of comprehensive income for the year then ended	Statement of cash flows for the year then ended
Consolidated statement of changes in equity for the year then ended	Related notes 7 to 26 to the financial statements, including a summary of significant accounting policies
Consolidated statement of cash flows for the year then ended	
Related notes 1 to 26 to the financial statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and; as regards to the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the group and parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least 12 months from the date when the financial statements are authorised for issue.

Overview of our audit approach

Key audit matters	<ul style="list-style-type: none">• Revenue recognition – occurrence of revenue during the last six months of the year.• Completeness of provisions for redemption of vouchers and corporate gifted cards, including measurement of income resulting from estimates of non-redemption.
Audit scope	<ul style="list-style-type: none">• We performed an audit of the complete financial information of six components and audit procedures on specific balances for one further component.• The components where we performed full or specific audit procedures accounted for 100 per cent of profit before tax, 99 per cent of revenue and 99 per cent of total assets.
Materiality	<ul style="list-style-type: none">• Overall group materiality of £643,000 which represents 5 per cent of profit before tax.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Risk	Our response to the risk	Key observations communicated to the audit committee
<p>Revenue recognition – occurrence of revenue during the last six months of the year £296m (2017 – £311m)</p> <p><i>Refer to the accounting policies (page 47); and note 1 of the consolidated financial statements (pages 52 and 53)</i></p> <p>With the seasonal nature of the group's business, three-quarters of the group's revenue is earned during the second half of the year. As a result, we have identified a significant risk over the manipulation of revenue in the second half of the year. We focus on the manipulation of revenue through the override of management controls. This is most likely to be achieved through topside manual journals used to record fictitious revenue.</p> <p>Revenue includes breakage ('non-redemption income') in respect of corporate gifted cards. Our risk in respect of this element of revenue is described below.</p> <p>This risk is unchanged from the previous year.</p>	<p>We understood and assessed the design of key controls around the revenue recognition process. We did not seek to obtain reliance on the control framework.</p> <p>We performed testing of journal entries to identify and test manual journals to revenue, with a heightened focus around journals posted in the last six months or from unexpected sources.</p> <p>We inspected evidence relating to journals recorded as part of the year-end financial statement close process to understand their purpose and test their calculation. We performed a comparison of such journals to those recorded in the previous year to identify new or non-recurring journals that might have been recorded by group management.</p> <p>We extended our cut-off testing period to one month prior to the year-end and tested a sample of recorded sales to evidence of despatch.</p> <p>We performed a reconciliation between the value of sales orders received for Christmas 2017 and the revenue reported by the Consumer segment. We performed substantive audit procedures in respect of revenues recorded after December 2017 by which time we expected all revenues related to Christmas 2017 to have been recognised.</p> <p>We tested a sample of transactions from throughout the year to invoice and evidence of despatch or payment.</p> <p>We tested the service fee recognised as revenue in respect of corporate gifted cards and the fees recognised in cost of sales in respect of vouchers. We did this by predicting service fee income using contracted rates and redemption volumes and comparing this to the amounts recorded in the accounting records.</p> <p>We analysed gross margin on a daily basis in March 2018 to identify days in which the margin was higher than expected; we investigated whether the margin was as a result of routine sales transactions or whether there were unexpected transactions or adjustments.</p>	<p>Based on the procedures performed we did not identify evidence of material misstatement in the revenue recognised in the year.</p>

Independent Auditor's Report to the Members of Park Group plc continued

Risk	Our response to the risk	Key observations communicated to the audit committee
<p>Completeness of provisions for redemption of vouchers and corporate gifted cards £48m (2017 – £46m) including measurement of income resulting from estimates of non-redemption.</p> <p><i>Refer to the accounting policies (pages 47 and 50); and note 17 of the consolidated financial statements (page 68)</i></p> <p>The group records a provision in respect of unredeemed vouchers and corporate gifted flexecash® cards for the anticipated amounts payable to retailers on redemption.</p> <p>The estimated value of vouchers and corporate gifted cards not expected to be redeemed is calculated at the year-end based on historical data regarding patterns of redemption and expiry. Movements in the provision are recognised in the statement of profit or loss ('non-redemption income'). We focused on this area due to the significance of the carrying values of the provisions being assessed and the sensitivity of these balances to changes in the estimated rates of non-redemption which could lead to manipulation by management.</p> <p>This risk is unchanged from the previous year.</p>	<p>We understood and assessed the design of key controls relating to the completeness of the provisions for vouchers and corporate gifted cards and the measurement of non-redemption income.</p> <p>We tested and relied upon the operation of controls relating to the processing of card transactions. We did not seek to rely on controls relating to voucher transactions.</p> <p>We compared the card provision to the total obligation reported by the group's flexecash® application and investigated any large reconciling items.</p> <p>We obtained from management a reconciliation of the movement in the gross provision for unredeemed vouchers (before adjustments for service fees, non-redemption and discounting) to the value of vouchers despatched in the period and the amounts that were redeemed. We tested the value of vouchers despatched and redeemed by agreeing a sample of these transactions to sales invoices and customer payments and to retailer settlements respectively.</p> <p>We assessed the estimates regarding the service fees that will be deducted from the payments to retailers on redemption by testing the assumed service fee rates for the largest retailers to signed contracts. We compared the participation by retailers in 2018 to the prior year and evaluated whether any significant changes had been appropriately reflected in the measurement of the voucher and card provisions and liability.</p> <p>We tested for manual journal entries recorded against the provision for unredeemed vouchers and corporate gifted cards.</p> <p>We performed cut-off procedures to ensure that vouchers and cards related to sales orders processed by the entity's IT application one day before and one day after the year-end were included in the provision as appropriate.</p> <p>We tested a sample of sales orders processed in March 2018 to ensure that the vouchers or cards were recorded in the liability at year-end.</p> <p>We re-performed the calculation of vouchers and cards that will not be redeemed to ensure that it had been computed accurately when applying management's assumptions.</p> <p>We tested the integrity of historic data used by management to calculate the forecast of vouchers and corporate gifted cards that will not be redeemed.</p> <p>We assessed management's assumptions relating to non-redemption by:</p> <ul style="list-style-type: none"> • making enquiries of management to understand changes in non-redemption rates since prior year and their rationale; • considering the accuracy of management's forecasts applied in previous years by comparing them to actual rates of expiry; • comparing the trends in historic non-redemption rates that have now crystallised to the rates forecast by management on open vouchers and cards; and • using the knowledge gained from our analysis of historic rates of expiry to form our own estimates of non-redemption and conclude whether management's estimates were within an acceptable range. <p>We sought input from valuation specialists in determining the discount rate which we applied in our calculation of discounted future cash flows relating to the settlement of vouchers and corporate gifted cards. We compared our discounted cash flows to the calculations performed by management.</p> <p>We reviewed for reasonableness the disclosure in the financial statements of policies and judgements regarding voucher and card provisions.</p>	<p>Based on the procedures performed, we concluded that:</p> <ul style="list-style-type: none"> • the provision for the redemption of vouchers and corporate gifted cards are not materially misstated; and • the estimates relating to the non-redemption of vouchers and corporate gifted cards have been prepared on a reasonable basis.

An overview of the scope of our audit

Tailoring the scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each entity within the group. Taken together, this enables us to form an opinion on the consolidated financial statements. We take into account size, risk profile, the organisation of the group and effectiveness of group-wide controls and changes in the business environment when assessing the level of work to be performed at each entity.

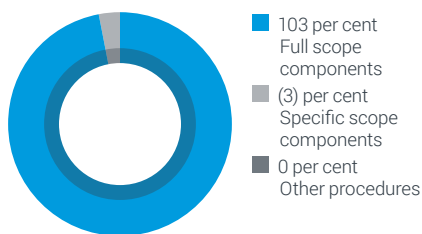
In assessing the risk of material misstatement to the group financial statements, and to ensure we had adequate quantitative coverage of significant accounts in the financial statements, we selected 11 components which represent the principal business units within the group.

Of the 11 components selected, we performed an audit of the complete financial information of six components ('full scope components') which were selected based on their size or risk characteristics. We selected one component ('specific scope components') where we performed audit procedures on specific accounts within that component that we considered had the potential for the greatest impact on the significant accounts in the financial statements either because of the size of these accounts or their risk profile. The reporting components where we performed audit procedures accounted for 100 per cent (2017 – 100 per cent) of the group's profit before tax, 99 per cent (2017 – 99 per cent) of the group's revenue and 99 per cent (2017 – 100 per cent) of the group's total assets. For the current year, the full scope components had a positive contribution of 103 per cent (2017 – 103 per cent) to the group's profit before tax and contributed 99 per cent (2017 – 99 per cent) of the group's revenue and 96 per cent (2017 – 96 per cent) of the group's total assets. The specific scope component had a negative contribution of 3 per cent (2017 – 2 per cent) to the group's profit before tax, and contributed 0 per cent (2017 – 0 per cent) of the group's revenue and 4 per cent (2017 – 4 per cent) of the group's total assets. The audit scope of these components may not have included testing of all significant accounts of the component but will have contributed to the coverage of significant accounts tested for the group.

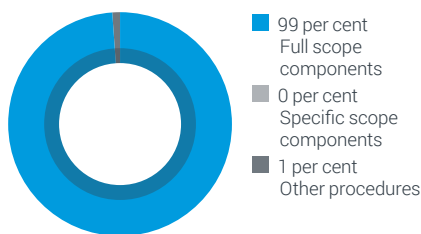
Of the remaining four components ('review scope components') that together represent 0 per cent of the group's profit before tax, none are individually greater than 1 per cent of the group's profit before tax. For these components, we performed other procedures, including analytical review, testing of manual journals, testing of consolidation journals and intercompany eliminations to respond to any potential risks of material misstatement to the group financial statements.

The charts below illustrate the coverage obtained from the work performed by our audit teams.

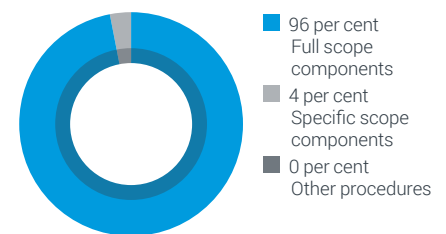
Profit before tax



Revenue



Total assets



Independent Auditor's Report to the Members of Park Group plc continued

Changes from the prior year

In the previous year we identified three components as being out of scope based on their risk and size. In the current year we classified them as being review scope engagements as described above.

Involvement with component teams

All audit work performed for the purposes of the audit was undertaken by the group audit team.

Our application of materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the group to be £643,000 (2017 – £618,000), which is 5 per cent (2017 – 5 per cent) of profit before tax. We believe that profit before tax provides us with a consistent year on year basis for determining materiality and is the most relevant performance measure to the stakeholders of the entity.

Our initial materiality was based on forecast profit before tax. We reassessed initial materiality as actual profit before tax was lower than forecast.

Performance materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the group's overall control environment, our judgement was that performance materiality was 75 per cent (2017 – 75 per cent) of our planning materiality, namely £482,000 (2017 – £463,000). We have set performance materiality at this percentage due to our past experience of the audit where we have concluded that there was a lower risk of misstatements, both corrected and uncorrected.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at that component. In the current year, the range of performance materiality allocated to components was £96,000 to £362,000 (2017 – £36,000 to £461,000).

Reporting threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the audit committee that we would report to them all uncorrected audit differences in excess of £32,000 (2017 – £31,000), which is set at 5 per cent of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

Other information

The other information comprises the information included in the annual report set out on pages 1 to 33, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters as per the terms of our engagement letter with the company

In our opinion, the part of the directors' Remuneration Report to be audited has been properly prepared in accordance with the basis of preparation described therein.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on pages 28 and 29, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

Jennifer Hazlehurst (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor
Liverpool
12 June 2018

Notes:

1. The maintenance and integrity of the Park Group plc website is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.
2. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Statement of Profit or Loss

For the year to 31 March 2018

	Notes	2018 £'000	2017 £'000
Billings	1	412,786	404,512
Revenue	1	296,188	310,927
Cost of sales		(264,490)	(280,758)
Gross profit		31,698	30,169
Distribution costs		(3,002)	(2,940)
Administrative expenses		(17,107)	(16,348)
Operating profit		11,589	10,881
Finance income	3	1,274	1,472
Finance costs	3	(4)	(2)
Profit before taxation	1,2	12,859	12,351
Taxation	4	(2,450)	(2,452)
Profit for the year attributable to equity holders of the parent		10,409	9,899
Earnings per share	5		
– basic		5.62p	5.38p
– diluted		5.60p	5.29p

All activities derive from continuing operations.

Consolidated Statement of Comprehensive Income

For the year to 31 March 2018

	Notes	2018 £'000	2017 £'000
Profit for the year		10,409	9,899
Other comprehensive income			
Items that will not be reclassified to profit or loss:			
Remeasurement of defined benefit pension schemes	18	1,142	572
Deferred tax on defined benefit pension schemes	4	(194)	(97)
		948	475
Items that may be reclassified subsequently to profit or loss:			
Foreign exchange translation differences		(20)	(28)
Other comprehensive income for the year net of tax		928	447
Total comprehensive income for the year attributable to equity holders of the parent		11,337	10,346

Statements of Financial Position

As at 31 March 2018

		Group		Company	
	Notes	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Assets					
Non-current assets					
Goodwill	6	2,185	2,202	–	–
Other intangible assets	7	2,278	2,682	70	58
Investments	8	–	–	8,904	8,904
Property, plant and equipment	9	7,684	7,688	554	613
Deferred tax assets	10	–	–	–	85
Retirement benefit asset	18	2,721	1,827	1,619	1,827
		14,868	14,399	11,147	11,487
Current assets					
Inventories	11	3,808	2,632	–	–
Trade and other receivables	12	10,872	9,096	9,952	7,464
Tax receivable		–	–	81	12
Other financial assets	13	200	200	–	–
Monies held in trust	14	86,992	83,018	–	–
Cash and cash equivalents	15	40,311	34,236	39,010	33,255
		142,183	129,182	49,043	40,731
Total assets		157,051	143,581	60,190	52,218
Liabilities					
Current liabilities					
Trade and other payables	16	(89,816)	(82,602)	(41,348)	(33,269)
Tax payable		(704)	(1,272)	–	–
Provisions	17	(48,012)	(46,164)	–	–
		(138,532)	(130,038)	(41,348)	(33,269)
Non-current liabilities					
Deferred tax liability	10	(662)	(194)	(78)	–
Retirement benefit obligation	18	–	(924)	–	–
		(662)	(1,118)	(78)	–
Total liabilities		(139,194)	(131,156)	(41,426)	(33,269)
Net assets		17,857	12,425	18,764	18,949
Equity attributable to equity holders of the parent					
Share capital	20a	3,711	3,687	3,711	3,687
Share premium		6,137	6,137	6,137	6,137
Retained earnings		8,320	2,912	8,916	9,125
Other reserves		(311)	(311)	–	–
Total equity		17,857	12,425	18,764	18,949

The company reported a profit for the financial year ended 31 March 2018 of £5,932,000 (2017 – £8,489,000).

The financial statements were approved and authorised for issue by the board of directors on 12 June 2018 and were signed on its behalf by:

I O'Doherty
Chief Executive Officer

Consolidated Statement of Changes in Equity

	Notes	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2017		3,687	6,137	(311)	2,912	12,425
Total comprehensive income for the year						
Profit		–	–	–	10,409	10,409
Other comprehensive income						
Remeasurement of defined benefit pension schemes	18	–	–	–	1,142	1,142
Tax on defined benefit pension schemes	4	–	–	–	(194)	(194)
Foreign exchange translation adjustments		–	–	–	(20)	(20)
Total other comprehensive income		–	–	–	928	928
Total comprehensive income for the year		–	–	–	11,337	11,337
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	20b	–	–	–	(620)	(620)
Tax on equity settled share-based payment transactions	4	–	–	–	85	85
LTIP shares awarded	20a	24	–	–	(24)	–
Dividends	21	–	–	–	(5,370)	(5,370)
Total contributions by and distribution to owners		24	–	–	(5,929)	(5,905)
Balance at 31 March 2018		3,711	6,137	(311)	8,320	17,857
Balance at 1 April 2016		3,674	6,132	(311)	(3,070)	6,425
Total comprehensive income for the year						
Profit		–	–	–	9,899	9,899
Other comprehensive income						
Remeasurement of defined benefit pension schemes	18	–	–	–	572	572
Tax on defined benefit pension schemes	4	–	–	–	(97)	(97)
Foreign exchange translation adjustments		–	–	–	(28)	(28)
Total other comprehensive income		–	–	–	447	447
Total comprehensive income for the year		–	–	–	10,346	10,346
Transactions with owners, recorded directly in equity						
Equity settled share-based payment transactions	20b	–	–	–	670	670
Tax on equity settled share-based payment transactions	4	–	–	–	31	31
Exercise of share options		–	5	–	–	5
LTIP shares awarded		13	–	–	(13)	–
Dividends	21	–	–	–	(5,052)	(5,052)
Total contributions by and distribution to owners		13	5	–	(4,364)	(4,346)
Balance at 31 March 2017		3,687	6,137	(311)	2,912	12,425

Other reserves relate to the acquisition of the minority interest in a subsidiary.

Company Statement of Changes in Equity

	Notes	Share capital £'000	Share premium £'000	Retained earnings £'000	Total parent equity £'000
Balance at 1 April 2017		3,687	6,137	9,125	18,949
Total comprehensive income for the year					
Profit		–	–	5,932	5,932
Other comprehensive income					
Remeasurement of defined benefit pension scheme	18	–	–	(256)	(256)
Tax on defined benefit pension scheme		–	–	44	44
Total other comprehensive income		–	–	(212)	(212)
Total comprehensive income for the year		–	–	5,720	5,720
Transactions with owners, recorded directly in equity					
Equity settled share-based payment transactions	20b	–	–	(620)	(620)
Tax on equity settled share-based payment transactions	4	–	–	85	85
LTIP shares awarded	20a	24	–	(24)	–
Dividends	21	–	–	(5,370)	(5,370)
Total contributions by and distribution to owners		24	–	(5,929)	(5,905)
Balance at 31 March 2018		3,711	6,137	8,916	18,764
Balance at 1 April 2016		3,674	6,132	4,677	14,483
Total comprehensive income for the year					
Profit		–	–	8,489	8,489
Other comprehensive income					
Remeasurement of defined benefit pension scheme	18	–	–	389	389
Tax on defined benefit pension scheme		–	–	(66)	(66)
Total other comprehensive income		–	–	323	323
Total comprehensive income for the year		–	–	8,812	8,812
Transactions with owners, recorded directly in equity					
Equity settled share-based payment transactions	20b	–	–	670	670
Tax on equity settled share-based payment transactions	4	–	–	31	31
Exercise of share options		–	5	–	5
LTIP shares awarded		13	–	(13)	–
Dividends	21	–	–	(5,052)	(5,052)
Total contributions by and distribution to owners		13	5	(4,364)	(4,346)
Balance at 31 March 2017		3,687	6,137	9,125	18,949

Statements of Cash Flows

For the year to 31 March 2018

	Notes	Group		Company	
		2018 £'000	2017 £'000	2018 £'000	2017 £'000
Cash flows from operating activities					
Cash generated from/(used in) operations	22	10,540	9,903	3,922	(2,358)
Interest received		1,271	1,540	138	150
Interest paid		(4)	(1)	(4)	(1)
Tax paid		(2,537)	(2,258)	(2,535)	(2,309)
Net cash generated from/(used in) operating activities		9,270	9,184	1,521	(4,518)
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		1	1	–	–
Dividends received from group companies		–	–	10,000	12,500
Purchase of intangible assets		(361)	(370)	(38)	(28)
Purchase of property, plant and equipment		(659)	(347)	(231)	(239)
Purchase of investments in subsidiaries		–	(876)	–	(876)
Net cash (used in)/generated from investing activities		(1,019)	(1,592)	9,731	11,357
Cash flows from financing activities					
Proceeds of exercise of share options		–	5	–	5
Dividends paid to shareholders		(5,370)	(5,052)	(5,370)	(5,052)
Net cash used in financing activities		(5,370)	(5,047)	(5,370)	(5,047)
Net increase in cash and cash equivalents		2,881	2,545	5,882	1,792
Cash and cash equivalents at beginning of period		31,362	28,817	33,128	31,336
Cash and cash equivalents at end of period		34,243	31,362	39,010	33,128
Cash and cash equivalents comprise:					
Cash	15	40,311	34,236	39,010	33,255
Bank overdrafts	16	(6,068)	(2,874)	–	(127)
		34,243	31,362	39,010	33,128

Accounting Policies

Basis of preparation

The financial statements have been prepared in accordance with IFRSs as adopted by the EU including International Financial Reporting Interpretations Committee (IFRIC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Park Group plc is a company limited by shares and is incorporated and domiciled in the United Kingdom. It is listed on AIM and details of the registered office and registration number are given on page 80.

The financial statements have been prepared under the historical cost convention, as modified by the accounting for financial instruments at fair value where required by IAS 39 Financial Instruments: Recognition and Measurement. The group and company financial statements are presented in sterling, which is also the functional currency of the parent company. All values are rounded to the nearest thousand (£'000) except where otherwise stated.

The accounting policies have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and by all group entities.

Going concern

The group's business activities, together with factors likely to affect its future development, performance and position, are set out on pages 16 to 17 of the Strategic Report. The financial position of the group, its cash flows, liquidity and solvency position and financial risks are described on pages 18 to 21 of the Strategic Report. In addition notes 26, 13, 14 and 15 of the consolidated financial statements include the group's objectives, policies and processes for financial risk management, details of monies held in trust, deposits and cash and cash equivalents.

The group's forecasts and projections, taking into account reasonably possible changes in trading performance and customer behaviour, show that the group has sufficient financial resources to fund the business for the foreseeable future. Whilst funds are available for working capital purposes as permitted under the terms of the PPPT, the group does not envisage accessing these funds in the period covered by these forecasts. The group's working capital requirements are dependent upon a continuing level of prepaid sales to corporate customers. The group's positive cash flow from its ongoing customer base enables it to operate without reliance on any external funding, and the ability to drawdown funds from the PPPT at certain times of the year provides further headroom. The group continues to trade profitably and early indications for growth in the current year are positive. Accordingly, the directors continue to adopt the going concern basis in preparing the consolidated financial statements.

Changes to International Financial Reporting Standards *Interpretations and standards which became effective during the year*

The following accounting standards and interpretations, that are relevant to the group, became effective during the year:

		Effective from:
IAS 7	Disclosure Initiative (amendment)	1 Jan 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (amendment)	1 Jan 2017

Adoption of these amendments and interpretations to standards has not had a material impact upon the group's financial performance or position.

Interpretations and standards which have been issued and are not yet effective

The following standards have been adopted by the EU but are not yet effective for the year ended 31 March 2018 and have not been applied in preparing the financial statements. Those standards that have relevance to the group are mentioned below:

		Effective from accounting period beginning on or after:
IFRS 2	Classification and measurement of share based payment transactions (amendments)	1 Jan 2018
IFRIC 22	Foreign currency transactions and advances considerations	1 Jan 2018
IFRIC 23	Uncertainty over Income Tax Treatment	1 Jan 2019
IFRS 9	Financial Instruments	1 Jan 2018
IFRS 15	Revenue from Contracts with Customers	1 Jan 2018
IFRS 16	Leases	1 Jan 2019

The directors anticipate that the adoption of IFRS2, IFRIC22 and IFRIC23 in future periods will not have a material impact on the financial statements when the relevant standards and interpretations come into effect. The directors are still currently assessing the impact of IFRS9 and IFRS16.

IFRS 15 Revenue from Contracts with Customers

IFRS15 introduces a new five-step approach to measuring and recognising revenue from contracts with customers and has been adopted by the group with effect from 1 April 2018. Under IFRS15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

Management are continuing to assess the impact of IFRS15 and have reached initial conclusions on all key implementation issues. Based on the work completed to date the key impacts are expected to be as follows:

Accounting Policies continued

Changes to International Financial Reporting Standards continued

Principal and Agent

Under IFRS15, an entity is a principal (and records revenue on a gross basis) if it controls the promised good or service before transferring it to the customer. An entity is an agent (and records as revenue the net amount that it retains for its agency services) if its role is to arrange for another entity to provide the good or service.

The group earns fees from redeemers of its vouchers and cards and as such acts as an agent of the redeemer. Under IFRS15 these fees will be shown as revenue. Under current accounting policies the group records its revenue gross for vouchers, based on the face value of the voucher less any rebates or discounts.

Timing of revenue recognition

Under IFRS15, the group will recognise revenue from its vouchers and cards at the point at which the customer has fully exercised its right to future goods and services. This is usually when the voucher or card has been redeemed with another entity. Under current accounting policies the group recognises revenue for vouchers at the date on which the voucher is received by customers.

Vouchers and cards may be partially or fully redeemed, and the unused amount (ie the amount attributable to a customer's unexercised rights to future goods or services) is often referred to as breakage. Under IFRS15 where the group expects to be entitled to a breakage amount, it will recognise the expected breakage as revenue in proportion to the pattern of rights exercised by the customer. Under current accounting policies the group recognises breakage at the date on which the voucher or card is received by customers, except where the customer has the right of redemption for cash, where no breakage is recognised until the card has expired and the right of redemption has lapsed. Because breakage amounts represent a form of variable consideration, when estimating any breakage amount, an entity considers the constraint on variable consideration. That is, the group will not recognise any estimated breakage amounts until it is highly probable that a significant revenue reversal will not occur. If the group cannot determine whether breakage will occur, it will not recognise any amounts as breakage until the likelihood of the customer exercising its rights becomes remote. This may be the case when the group first begins to sell gift cards and has no history of breakage patterns.

Presentation and disclosure

The presentation and disclosure requirements of IFRS15 represent a significant change from current practice and will increase the volume of disclosures required in the notes to the financial statements.

The changes to presentation, disclosures and timing of recognition that are expected, are shown below:

		Revenue recognition						
		2018 Billings	Gross or net		Point of revenue recognition		Breakage recognised	
		£m	Existing	IFRS15	Existing	IFRS15	Existing	IFRS15
Principal revenue streams impacted by IFRS15								
					Date on which voucher is received by customer	Date on which voucher is redeemed by customer	Date on which voucher is received by customer	Date on which voucher is redeemed by customer
Love2shop vouchers		212.2	Gross	Net				
					When amounts are deducted from card (when customer spends card)	When amounts are deducted from card (when customer spends card)		When amounts are deducted from card (when customer spends card)
flexecash® prepaid card	End user has no right of redemption	44.0	Net	Net			When value is loaded onto card	
Principal revenue streams where IFRS15 has no impact								
					When amounts are deducted from card (when customer spends card)	When amounts are deducted from card (when customer spends card)	When end users right of redemption for cash ceases	When end users right of redemption for cash ceases
flexecash® and Mastercard prepaid card	End user has right of redemption	86.2	Net	Net				
Third party issued vouchers/cards		54.9	Gross	Gross	Date on which goods received by customer	Date on which goods received by customer	N/a	N/a
Hampers/other		15.5	Gross	Gross	Date on which goods received by customer	Date on which goods received by customer	N/a	N/a

Changes to International Financial Reporting Standards *continued*

The group plans to apply the full retrospective approach when transitioning to the new standard which will result in restated comparatives for prior years on the basis that IFRS15 had always applied.

The group is in the process of quantifying the financial impacts of the above adjustments which are expected to result in the reporting of significantly lower revenues, an immaterial reduction in operating profit and a reduced net asset position at transition.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and its subsidiaries made up to 31 March each year.

Subsidiaries are entities controlled by the investor. Control is achieved when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The results of a subsidiary undertaking are included in the consolidated financial statements from the date that control commences until the date that control ceases. All subsidiaries share the same reporting date and are based on consistent accounting policies. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests, even if doing so causes the non-controlling interests to have a deficit balance.

Intra-group balances, and any unrealised gains or losses or income and expenses arising from intra-group transactions, are eliminated on consolidation.

As permitted by section 408 of the Companies Act 2006, the income statement of the parent company has not been separately presented. The profit of the parent company is shown in a footnote to its statement of financial position.

Business combinations

A business combination is recognised where separate entities or businesses have been acquired by the group.

The acquisition method of accounting is used to account for the business combinations made by the group. The cost of a business combination is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Where the consideration includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition date fair value and included as part of the cost of the acquisition. Acquisition related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in the business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the group's share of the identifiable net assets of the subsidiary acquired, the difference is taken immediately to the income statement.

Segmental reporting

An operating segment is a distinguishable component of an entity about which separate financial information is available that is evaluated regularly by management in deciding how to allocate resources and in assessing performance. Provided certain quantitative and qualitative criteria are fulfilled, IFRS 8 Operating Segments permits the aggregation of those components into reportable segments for the purposes of disclosure in the group's financial statements. In assessing the group's reportable segments, the directors have had regard to the nature of the products offered and the client bases amongst other factors. The operating segments as set out in note 1 are consistent with the internal reporting provided to the chief operating decision maker. For the purposes of IFRS8 the chief operating decision maker has been identified as the Executive Management Board. All inter-segment transfers are carried out at arms length prices.

The group operates in one geographical segment, being the UK. The group operations in the Eurozone are immaterial to the results and assets of the group in the year ended 31 March 2018.

Income recognition

Love2shop vouchers, third party retailer vouchers, cards and e-codes and other goods and services – revenue is based on values invoiced to external customers for goods and services and is recorded net of VAT, rebates and discounts after eliminating intra-group sales. Revenue is recognised when the significant risk and rewards have passed to the customer. This is usually the date on which vouchers, other goods and services are received by customers. For vouchers and other goods, this is normally shortly after despatch. At the point of revenue recognition for Love2shop vouchers, a provision is made for the amounts payable to retailers, net of service fee, based on the vouchers that are expected to be redeemed, and is charged against cost of sales.

flexecash® cards and e-codes – revenue is the fees charged to cardholders and service fees receivable from retailers/redemption partners. Where the cardholder has the right of redemption, revenue is recognised when amounts are deducted from values held on cards, ie when cards are redeemed at retailers/redemption partners or when charges are levied. Where there is no right of redemption for cash, revenue also includes an estimate of projected balances remaining on the card at expiry, often referred to as breakage.

Mastercard – revenue represents the fees charged to customers and deducted from cards or levied when the card is issued. Where service fees are receivable from redeemers or Mastercard, these are recognised in revenue upon receipt.

Revenue is recorded net of VAT, rebates and discounts.

Accounting Policies continued

Billings

Billings represents the value of vouchers, flexecash® cards and other goods and services shipped and invoiced to customers during the year and are recorded net of VAT, rebates and discounts. Billings is a more meaningful measure of the level of activity of the group than revenue due to revenue from prepaid cards being reported on a 'net' basis and our Love2shop vouchers on a 'gross' basis.

Finance income and costs

Finance income comprises the returns generated on cash and cash equivalents, other financial assets and monies held in trust and is recognised as it accrues. Finance costs comprise the interest on external borrowings and are recognised as they accrue.

Goodwill

Goodwill arising on acquisition represents the difference between the consideration and the fair value of net assets acquired. Goodwill is not amortised, but is reviewed annually for impairment and whenever events or changes in circumstances indicate that the carrying value of the goodwill may not be recoverable. Goodwill in existence at 1 April 2004, the date of transition to IFRS for the group, is carried in the statement of financial position as deemed cost less accumulated impairment losses at that date.

Impairment of property, plant and equipment and intangibles

At each reporting date the group reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. Intangible assets with indefinite lives, such as goodwill, are tested annually for impairment. All other assets subject to amortisation are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised to the extent that the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. Value in use is calculated using cash flows derived from budgets and projections approved by the board which are discounted at the group's risk adjusted weighted cost of capital calculated from equity market data and borrowing rates.

Testing is performed at the level of a cash generating unit (CGU) in order to compare the CGU's recoverable amount against its carrying value. Goodwill and intangible assets, ie customer lists, are allocated to CGUs based on past acquisitions of Christmas savings club brands and customer lists. Whilst these are not operating segments, as management do not manage and review the business at this level, information is available to enable the assets to be tested for impairment at this level.

Any impairment is recognised immediately through the income statement. Impairment losses are reversed if there is evidence of an increase in the recoverable amount of a previously impaired asset, but only to the extent that the recoverable amount does not exceed the carrying amount that would have been determined if no impairment loss had been recognised. Impairments in respect of goodwill are not subsequently reversed.

Other intangible assets

Purchased software

Acquired software licences are capitalised at cost and are amortised on a straight-line basis over their anticipated useful life, which is 3-5 years.

Software development

Costs that are directly associated with the creation of identifiable software, which meet the development asset recognition criteria as laid out in IAS 38 Intangible Assets, are recognised as intangible assets. Direct costs include the employment costs of staff directly involved in specific software development projects and external consultancy fees.

All other software development and maintenance costs are recognised as an expense as incurred.

Computer software development costs recognised as assets are amortised over their anticipated useful lives of between 3 and 10 years on a systematic straight-line basis.

Customer lists

Customer lists acquired are included at cost less accumulated amortisation and impairment. They are amortised over their useful life of up to 10 years based on the pattern of forecast cash flows to be generated.

Investments

Investments are stated at cost less any provision for impairment in their value. Impairment is calculated based on lower of cost or recoverable amount, determined with reference to the higher of fair value less cost of disposal and value in use.

Property, fixtures and equipment

Property, fixtures and equipment is stated at cost less accumulated depreciation and impairment losses. Cost represents expenditure that is directly attributable to the purchase of the asset. At the date of transition to IFRS on 1 April 2004, land and buildings previously held at cost under UK GAAP less accumulated depreciation were revalued and the fair values derived have been taken as their deemed cost as at that date in accordance with the exemption available under IFRS 1 First time Adoption of International Financial Reporting Standards. The parent company's date of transition to IFRS was 1 April 2006, however it did not revalue its land and buildings at that date.

Property, fixtures and equipment continued

Depreciation is charged on a straight-line basis, so as to write off the costs of assets less their residual values over their estimated useful lives, on the following basis:

Freehold land	Nil
Freehold buildings	2–2.5 per cent
Short leasehold	over unexpired term of lease
Fixtures and equipment	10–20 per cent
Motor vehicles	25 per cent

The assets' estimated useful lives, depreciation rates and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying value is written down immediately to its recoverable amount if its carrying value is greater than its recoverable amount.

The gain or loss arising on disposal of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

Inventories

Inventories are stated 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 and work in progress includes attributable production overheads. Net realisable value is based on estimated selling price in the ordinary course of the business less cost of disposal having regard to the age, saleability and condition of the inventory.

Financial instruments

Financial assets and liabilities are recognised in the group's statement of financial position when the group becomes party to the contractual provisions of the instrument.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The group's loans and receivables comprise trade receivables, other receivables, cash and cash equivalents and monies held in trust. Loans and receivables are carried at amortised cost using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all the risks and rewards of ownership.

Non-derivative financial liabilities are classified as other financial liabilities. The group's other financial liabilities comprise borrowings, trade and other payables. Other financial liabilities are carried at amortised cost using the effective interest method. A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

Trade and other receivables

Trade and other receivables are recognised initially at the fair value of the amount receivable and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. A provision for impairment is established when there is objective evidence that there is a difference between the carrying value and the recoverable amount.

Monies held in trust

On 13 August 2007 a declaration of trust constituted the PPPT to hold agents' prepayments. Park Prepayments Trustee Company Limited, as trustee of the trust, holds this money on behalf of agents. The conditions of the release of this money to the group are detailed in the trust deed, which is available at www.getpark.co.uk.

On 16 February 2010 a declaration of trust constituted the PCSET to hold the e-money float in accordance with regulatory requirements. The e-money float represents the value of the obligations of the company to card holders and redeemers. The liability in respect of deposits received on flexecash® cards is held within trade payables and provisions.

Ring fenced funds represent amounts segregated from group cash balances and are in respect of monies held on cards which are not subject to regulatory requirements.

Monies held under the declaration of trust with the PPPT and the PCSET on behalf of customers, card holders and redeemers, and ring fenced funds are recognised on the statement of financial position as the group has access to the interest on these monies and can, having met certain conditions, withdraw the funds. However, given the restrictions over these monies, the amounts held in trust are not included in cash and cash equivalents for the purposes of the statement of cash flows.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand and deposits held with banks with short maturities of say three months or less, however, the deposits can be accessed immediately if required. It is therefore considered appropriate that these deposits be classed as cash and cash equivalents. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position. Cash balances and overdrafts are offset where the group has the ability and intention to settle these balances on a net basis. For cash flow purposes, bank overdrafts are shown within cash and cash equivalents.

Accounting Policies continued

Financial instruments continued

Trade and other payables

Trade and other payables are initially recorded at fair value and subsequently measured at amortised cost using the effective interest method. The unspent balances on flexecash® cards and e-codes where the cardholder has the right of redemption for cash are accounted for as a financial liability as required under IAS39, and are reported separately under trade and other payables.

Provisions

Unredeemed vouchers and cards

Unredeemed vouchers and unspent balances on flexecash® cards and e-codes where the cardholder does not have the right of redemption for cash (corporate gifted cards), are included at their present value at the date of recognition. This comprises the anticipated amounts payable to retailers on redemption, after applying an appropriate discount rate to take into account the expected timing of payments. Anticipated payments to retailers are assessed by reference to historical data as to voucher and card redemption rates and timings. The key estimates used in deriving the provision include the future service fees paid by retailers, interest rates used for discounting and the timing and amount of the future redemption of vouchers and cards. The future cash payments are discounted as required under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, as the amounts are considered to be material.

Payment protection insurance

An amount is provided to cover existing and future potential settlements in relation to claims made in respect of mis-selling this insurance. These policies were sold as part of the closed loan broking business. The future cash payments are not discounted as required under IAS37 as the amounts are not considered to be material.

Employee benefits

Retirement benefit obligation

The group has both defined benefit and defined contribution pension plans. The assets of the defined benefit pension plans are held in separate trustee administered funds.

Defined benefit plan

The fair value of the plan assets less the present value of the defined benefit obligation is recognised in the statement of financial position as the retirement benefit asset, after applying the asset ceiling test. The limit on the recognition of a defined benefit pension asset is measured as the value of economic benefit available to the company in the form of refunds or reductions in future contributions, in accordance with the rules of the pension schemes.

Regular valuations are prepared by independent professionally qualified actuaries on the projected unit credit method. The valuations are carried out every three years and updated on a yearly basis for accounting purposes. These determine the level of contribution required to fund the benefits set out in the rules of the plans and allow for the periodic increase of pensions in payment.

The schemes are closed to future accrual for years' service but pensions are still dependent on actual final salaries. Consequently the group may have an amendment in future where salary rises differ from those projected. For any related plan amendment, these are recognised immediately in the income statement.

Remeasurements comprise actuarial gains and losses on the obligations and the return on scheme assets (excluding interest). They are recognised immediately in other comprehensive income in the SOCI. Net interest cost is calculated by applying the discount rate on liabilities to the net pension liability or asset (adjusted for cash flows over the accounting period) and is recognised within administrative expenses.

Defined contribution plans

For defined contribution plans, the group pays contributions to privately administered pension plans on a contractual basis. The contributions are recognised as an employee benefit expense as they fall due.

Holiday pay

Provision is made for any holiday pay accrued by employees to the extent that the holiday entitlements accrued have not been taken at the period end.

Share-based payments

The group operates a number of equity settled share-based payment plans.

The expense is calculated as the fair value of the share options at the date of grant, using monte-carlo simulation and the binomial method. A corresponding amount is recorded as an increase in equity. This expense is recognised on a straight-line basis over any relevant vesting period and is adjusted on a prospective basis at each period end for any changes in assumptions or estimates that relate to non-market conditions, taking into account the conditions existing at each year end. Where an employee fails to complete a specified service period, including termination of employment, the awards are considered to have been forfeited and the cumulative expense is reversed.

Own shares

The group has an employee benefit trust used for the granting of shares to executives and certain employees. Own shares held are recognised at cost as a deduction from shareholders' equity. Subsequent consideration received for the sale of such shares is also recognised in equity, with any difference between the sales proceeds and original cost being taken to equity.

Leases

Operating lease rentals are charged to the income statement on a straight-line basis over the period of the lease.

Foreign currency

Transactions in foreign currencies are recorded at the rates of exchange at the date the transactions occur. Amounts recognised in the SOCI are translation differences. Monetary assets and liabilities are restated at the prevailing exchange rate at each year end. Differences arising on restatement are included in the SOCI for the year.

Taxation

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

Current tax is the expected tax payable on the taxable result for the year using tax rules enacted or substantively enacted at the year end, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. The following temporary differences are not provided for: when the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transition, affects neither the accounting profit nor taxable profit or loss. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the year end and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

Taxation is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Dividends

In accordance with IAS 10 Events After the Balance Sheet Date, dividends are recognised in the financial statements in the period in which they are approved by shareholders in the case of the final dividends and when paid in the case of the interim dividends.

Key judgements and estimates

The preparation of financial statements in conformity with IFRS requires the use of estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

Judgements

In applying the accounting policies, management has made the following judgements:

Pensions (£2.72m surplus)

The group has two defined benefit pension schemes, as described in note 18, where the fair value of plan assets exceeds the present value of the scheme liabilities. The group has determined, based on an evaluation of the rules of each of the pension schemes and legal advice, that it has a right to a refund during the life of the plan or when the plan is settled, that is not conditional upon factors beyond the entity's control.

Estimates

The key assumptions and other sources of estimation uncertainty at the reporting date are described below:

Provisions (£48.01m unredeemed vouchers and corporate gifted cards) Unredeemed vouchers and cards

A provision is made in respect of unredeemed vouchers and cards of £48.01m. The provision is calculated by estimating anticipated amounts payable to retailers on redemption and the expected timing of payments. Historical data over a number of years and current trends are regularly reviewed and are used to prepare the estimates detailed above. Any differences to the above estimates may necessitate a material adjustment to the level of the provision held in the statement of financial position. Management have considered the sensitivities of the key estimates and do not foresee that any likely change in these estimates will have a material impact on the size of the provision.

Goodwill (£2.19m)

Goodwill arising on acquisition represents the difference between the consideration and the fair value of net assets acquired. Goodwill is not amortised, but is reviewed annually for impairment and whenever events or changes in circumstances indicate that the carrying value of the goodwill may not be recoverable. The impairment review relies on a number of assumptions (see note 6 for details). Any differences to the assumptions made may necessitate a material adjustment to the level of goodwill held in the statement of financial position.

Notes to the Accounts

1 Segmental reporting

Details of operating segments can be found on page 18 of the Financial Review.

All other segments are those items relating to the corporate activities of the group which it is felt cannot be reasonably allocated to either business segment.

The amount included within the elimination column reflects vouchers sold by the Corporate vouchers segment to the Consumer segment. They have been included in elimination so as to show the total revenue for both segments.

Finance income, finance costs and taxation are not allocated to individual segments as they are managed on a group basis.

The group operates in only one geographical segment, being the UK. The group's operations in Ireland were immaterial to the results and assets of the group for the year ended 31 March 2018.

	Consumer £'000	Corporate £'000	All other segments £'000	Elimination £'000	Group £'000
2018					
Billings					
External billings	224,542	188,244	–	–	412,786
Inter-segment billings	–	140,751	–	(140,751)	–
Total billings	224,542	328,995	–	(140,751)	412,786
Revenue					
External revenue	168,319	127,869	–	–	296,188
Inter-segment revenue	–	140,751	–	(140,751)	–
Total revenue	168,319	268,620	–	(140,751)	296,188
Results					
Segment operating profit/(loss)	6,851	7,366	(2,628)		11,589
Finance income					1,274
Finance costs					(4)
Profit before taxation					12,859
Taxation					(2,450)
Profit					10,409

All other segments loss comprises primarily of staff costs and professional fees.

An analysis of the group's external revenue by goods and services is as follows:

	Consumer £'000	Corporate £'000	Group £'000
Revenue			
Goods	162,164	113,825	275,989
Services	6,155	14,044	20,199
	168,319	127,869	296,188

Service fees and breakage on cards are recorded under services.

	Consumer £'000	Corporate £'000	All other segments £'000	Group £'000
Segment assets	80,618	33,879	42,554	157,051
Segment liabilities	70,404	62,858	5,932	139,194
Other segment items				
Capital expenditure	270	389		659
Depreciation	381	282		663
Impairment of goodwill	17	–		17
Other intangible asset additions	40	321		361
Amortisation of other intangible assets	268	497		765

1 Segmental reporting continued

All other segment assets comprise primarily of cash and cash equivalents. All other segments liabilities comprise primarily of bank overdraft and trade and other payables.

2017	Consumer £'000	Corporate £'000	All other segments £'000	Elimination £'000	Group £'000
Billings					
External billings	216,771	187,741	–	–	404,512
Inter-segment billings	–	148,066	–	(148,066)	–
Total billings	216,771	335,807	–	(148,066)	404,512
Revenue					
External revenue	174,184	136,743	–	–	310,927
Inter-segment revenue	–	148,066	–	(148,066)	–
Total revenue	174,184	284,809	–	(148,066)	310,927
Results					
Segment operating profit/(loss)	6,460	7,231	(2,810)		10,881
Finance income					1,472
Finance costs					(2)
Profit before taxation					12,351
Taxation					(2,452)
Profit from continuing operations					9,899

All other segments loss comprises primarily of staff costs and professional fees.

An analysis of the group's external revenue by goods and services is as follows:

	Consumer £'000	Corporate £'000	Group £'000
Revenue			
Goods	171,308	122,875	294,183
Services	2,876	13,868	16,744
	174,184	136,743	310,927

Service fees and breakage on cards are recorded under services.

	Consumer £'000	Corporate £'000	All other segments £'000	Group £'000
Segment assets	78,859	28,282	36,440	143,581
Segment liabilities	69,990	57,967	3,199	131,156
Other segment items				
Capital expenditure	153	194		347
Depreciation	387	294		681
Goodwill acquisitions	–	817		817
Other intangible asset additions	106	264		370
Amortisation of other intangible assets	256	468		724

All other segment assets comprise primarily of cash and cash equivalents. All other segments liabilities comprise primarily of bank overdraft and trade and other payables.

Notes to the Accounts continued

2 Profit before taxation

The following items have been included in arriving at profit before taxation:

	2018 £'000	2017 £'000
Staff costs (see note 19)	13,839	13,544
Cost of inventories recognised as an expense (included in cost of sales)	60,250	70,240
Write down of inventories recognised as an expense (included in cost of sales)	41	2
Pension interest cost/(income)	(32)	(1)
Depreciation of property, plant and equipment	663	681
Amortisation of other intangibles (included in cost of sales and administrative expenses)	765	724
Impairment loss on goodwill	17	–
Other operating leases payable:		
– plant and machinery	41	44
– property	83	74
Repairs and maintenance on property, plant and equipment	765	418

Services provided by the group's auditor

During the year the group obtained the following services from the group's auditor at costs as detailed below:

	2018 £'000	2017 £'000
Fees payable to the company's auditor for the audit of:		
– company's annual accounts	73	66
– subsidiaries pursuant to legislation	106	94
Fees payable to the company's auditor and its associates for other services:		
– other services pursuant to legislation	12	12
– expenses	2	2
	193	174

Fees paid for non-audit services to the company itself are not disclosed in the individual accounts of Park Group plc because the company's consolidated accounts are required to disclose such fees on a consolidated basis.

3 Finance income and costs

	2018 £'000	2017 £'000
Finance income:		
Bank interest receivable	1,274	1,470
Other interest receivable	–	2
	1,274	1,472
Finance costs:		
Other interest payable	4	2

4 Taxation

	2018		2017	
	£'000	£'000	£'000	£'000
Analysis of income statement charge in period				
Current tax	2,228		2,564	
Adjustments to current tax in respect of prior periods	(28)		(4)	
		2,200		2,560
Deferred tax	211		(112)	
Adjustments to deferred tax in respect of prior periods	39		4	
		250		(108)
Taxation		2,450		2,452
Tax charged directly to other comprehensive income				
Deferred tax on actuarial losses on defined benefit pension plans		194		97
Tax charged/(credited) directly to equity				
Corporation tax on share options		(109)		(55)
Deferred tax on share options		24		24
		(85)		(31)

The tax for the period is higher (2017 – lower) than the standard rate of corporation tax in the UK of 19 per cent (2017 – 20 per cent). The differences are explained below:

	2018 £'000	2017 £'000
Profit on ordinary activities before tax	12,859	12,351
Expected tax charge at 19 per cent (2017 – 20 per cent)	2,443	2,470
Effects of:		
Adjustments to tax in respect of prior periods	11	–
Amounts not taxable/expenses not deductible for tax purposes	(2)	2
Effect of rate change on current year deferred tax	(2)	(20)
Total taxation	2,450	2,452

Notes to the Accounts continued

5 Earnings per share

Basic EPS is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding during the year.

For diluted EPS, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares.

The calculation of basic and diluted EPS is based on the following figures:

	2018 £'000	2017 £'000
Earnings		
Total earnings for year	10,409	9,899
	2018	2017
Weighted average number of shares		
Basic EPS – weighted average number of shares	185,268,587	183,905,844
Diluting effect of employee share options and LTIP awards	601,293	3,331,939
Diluted EPS – weighted average number of shares	185,869,880	187,237,783
	2018	2017
Basic EPS		
Weighted average number of ordinary shares in issue	185,268,587	183,905,844
EPS (p)	5.62	5.38
	2018	2017
Diluted EPS		
Weighted average number of ordinary shares	185,869,880	187,237,783
EPS (p)	5.60	5.29

6 Goodwill Group

	£'000
Cost – Actual or deemed At 31 March 2017 and 2018	5,048
Impairment	
At 1 April 2017	2,846
Impairment in year	17
At 31 March 2018	2,863
Net book amount At 31 March 2018	2,185
At 31 March 2017	2,202
	£'000
Cost – Actual or deemed	
At 1 April 2016	4,166
Acquisitions through business combinations	882
At 31 March 2017	5,048
Impairment	
At 31 March 2016 and 2017	2,846
Net book amount	
At 31 March 2017	2,202
At 31 March 2016	1,320

6 Goodwill continued

Goodwill allocation to CGUs

Goodwill is allocated to the following CGUs and is tested for impairment at this level:

CGUs	Goodwill at 1 April 2017 £'000	Additions £'000	Impairment £'000	Goodwill at 31 March 2018 £'000
Consumer	1,320	–	(17)	1,303
Corporate	882	–	–	882
Net book amount	2,202	–	(17)	2,185

The group tests annually for impairment of goodwill. The recoverable amounts of CGUs are determined using value in use calculations.

Consumer – Family (£1,173,000) & Country Hampers Franchisee (£130,000)

The key assumptions in the value in use calculations were as follows:

- The final order position for the previous Christmas.
- The budgeted gross margins. These margins are forecast to be maintained going forward.
- Average agent retentions forecast. These are based on historical performance of agent retention achieved. Historically, such forecasts have been materially correct.
- Budgeted revenue. This is based on average historical order value and average agent retention rates which have been extrapolated forward 10 years. The generally high retention values for customers supports the adoption of a 10 year customer life cycle value as being appropriate for the business. No revenue growth has been factored into the data used in the calculation (2017 – nil).

The resulting cash flows were discounted using a pre-tax discount rate of 6 per cent (2017 – 6 per cent).

The above assumptions have been used as the businesses are profitable and stable. It is therefore appropriate to use historical data.

Corporate – Fisher Moy International (£882,000)

The key assumptions in the value in use calculations were as follows:

- The budgeted gross margins. These are based on current performance. These margins are forecast to be maintained going forward.
- Budgeted revenue. This is based on average historical order value and average customer retention rates which have been extrapolated forward 10 years post acquisition. The generally high retention values for customers supports the adoption of a 10 year customer life cycle value as being appropriate for the business. Revenue growth of 5 per cent pa has been factored into the data used in the calculation.

The resulting cash flows were discounted using a pre-tax discount rate of 6 per cent (2017 – 6 per cent).

The above assumptions have been used as the business is profitable and stable. It is therefore appropriate to use historical data for gross margins.

The goodwill for FMI includes a contingent consideration of £65,000 which is the maximum amount that the group will have to pay under the arrangement. The contingent consideration arrangement required certain profit targets to be met in the second year following acquisition. The amount is shown within other payables in notes 16 and 26.

7 Other intangible assets
Group

	Computer software £'000	Agency customer lists £'000	Total £'000
Cost			
At 1 April 2017	9,164	2,350	11,514
Additions – internally developed assets	211	–	211
Additions – externally purchased assets	150	–	150
At 31 March 2018	9,525	2,350	11,875
Amortisation and impairment			
At 1 April 2017	6,644	2,188	8,832
Amortisation charge for the year	722	43	765
At 31 March 2018	7,366	2,231	9,597
Net book amount			
At 31 March 2018	2,159	119	2,278
At 31 March 2017	2,520	162	2,682
Cost			
At 1 April 2016	8,794	2,350	11,144
Additions – internally developed assets	174	–	174
Additions – externally purchased assets	196	–	196
At 31 March 2017	9,164	2,350	11,514
Amortisation and impairment			
At 1 April 2016	5,967	2,141	8,108
Amortisation charge for the year	677	47	724
At 31 March 2017	6,644	2,188	8,832
Net book amount			
At 31 March 2017	2,520	162	2,682
At 31 March 2016	2,827	209	3,036

The agency customer lists relate to lists of 30,000 agents nationwide acquired from FHSC Limited on 15 February 2006, 7,500 agents nationwide acquired from Findel PLC on 7 March 2007, 4,000 agents in the Republic of Ireland acquired from Dublin based Celtic Hampers and Family Hampers on 25 October 2010 and 388 agents nationwide acquired from I and J L Brown Limited, who operated a Country Christmas Savings Club franchise, on 3 December 2012. Customer lists are amortised over their useful life of up to 10 years based on the pattern of forecast cash flows expected to be generated. On an annual basis, management review the expected cash flows to be generated and make appropriate provision for impairment.

7 Other intangible assets continued

Company

	Computer software £'000
Cost	
At 1 April 2017	2,292
Additions	38
At 31 March 2018	2,330
Amortisation and impairment	
At 1 April 2017	2,234
Amortisation charge for the year	26
At 31 March 2018	2,260
Net book amount	
At 31 March 2018	70
At 31 March 2017	58
Cost	
At 1 April 2016	2,265
Additions	27
At 31 March 2017	2,292
Amortisation and impairment	
At 1 April 2016	2,202
Amortisation charge for the year	32
At 31 March 2017	2,234
Net book amount	
At 31 March 2017	58
At 31 March 2016	63

8 Investments

Company

	Shares in subsidiary undertakings £'000
Cost	
At 31 March 2017 and 2018	9,465
Provisions	
At 31 March 2017 and 2018	561
Net book amount	
At 31 March 2017 and 2018	8,904

Notes to the Accounts continued

8 Investments continued

At 31 March 2018 the parent company's subsidiary undertakings included in the consolidation were:

Name of company	Nature of business
Park Group UK Limited ¹	Holding company
Park Retail Limited ²	Mail order and cash savings operations
Fisher Moy International Limited ¹	Brand engagement
Budworth Properties Limited ²	Property management
Park Direct Credit Limited ²	Cash lending and debt collection services
Park Financial Services Limited ²	Insurance broking services
Park Card Services Limited ¹	Electronic money issuer
Park Card Marketing Services Limited ¹	Card administration support services
Country Christmas Savings Club Limited ²	Dormant company – trading name used by Park Retail Limited
Family Christmas Savings Club Limited ¹	Dormant company – trading name used by Park Retail Limited
Handling Solutions Limited ²	Dormant company – trading name used by Park Retail Limited
High Street Vouchers Limited ²	Dormant company – trading name used by Park Retail Limited
Park Christmas Savings Club Limited ²	Dormant company – trading name used by Park Retail Limited
Park Travel Service Limited ¹	Dormant company – trading name used by Park Retail Limited
Agency Administration Limited ²	Dormant company
Cheshire Bank Limited ²	Dormant company
Cheshire Securities Limited ²	Dormant company
Christmas Moneybox Limited ¹	Dormant company
Country Hampers Limited ¹	Dormant company
Family Hampers Limited ¹	Dormant company
Flexesaver Limited ¹	Dormant company
Getaway Club Limited ¹	Dormant company
Heritage Hampers Limited ²	Dormant company
Home Farm Hampers Limited ³	Dormant company
Last Minute Cash Limited ¹	Dormant company
Low Cost Cover Limited ¹	Dormant company
MaximB2B Limited ³	Dormant company
Online Solutions Limited ¹	Dormant company
Opal Finance Limited ¹	Dormant company
Opal Loans Limited ⁴	Dormant company
Park.com Limited ¹	Dormant company
Park Connect Limited ⁵	Dormant company
Park Direct Insurance Services Limited ¹	Dormant company
Park Food (Warrington) Limited ¹	Dormant company
Park Group Secretaries Limited ¹	Dormant company
Park Hamper Company Limited ¹	Dormant company
Park Marketing Services Limited ¹	Dormant company
Park Online Limited ¹	Dormant company
Park Premier Services Limited ²	Dormant company
Premier Credit Services Limited ¹	Dormant company
Premier Direct Credit Limited ¹	Dormant company
Premier Fast Cash Limited ¹	Dormant company
The Perfect Hamper Co. Limited ²	Dormant company
Wirral Cold Store Limited ²	Dormant company

¹ Wholly owned subsidiary undertakings of Park Group plc

² Wholly owned subsidiary undertakings of Park Group UK Limited

³ Wholly owned subsidiary undertakings of Park Retail Limited

⁴ Park Group UK Limited direct holding represents 70 per cent and subsidiary undertakings direct holdings represent 30 per cent of issued share capital

⁵ Park Group plc direct holding represents 1 per cent and Park Group UK Limited direct holdings represent 99 per cent of issued share capital

All of the above companies are registered in England. Details of the registered office for all companies are given on page 80.

9 Property, plant and equipment Group

	Land and buildings £'000	Fixtures and equipment £'000	Vehicles £'000	Total £'000
Cost or valuation				
At 1 April 2017	15,636	7,607	22	23,265
Additions at cost	–	654	5	659
Disposals	–	–	(7)	(7)
At 31 March 2018	15,636	8,261	20	23,917
Accumulated depreciation				
At 1 April 2017	8,942	6,613	22	15,577
Charge in year	234	428	1	663
Disposals	–	–	(7)	(7)
At 31 March 2018	9,176	7,041	16	16,233
Net book amount				
At 31 March 2018	6,460	1,220	4	7,684
At 31 March 2017	6,694	994	–	7,688
Cost or valuation				
At 1 April 2016	15,636	7,245	22	22,903
Additions at cost	–	347	–	347
Acquisition on business combination	–	19	–	19
Disposals	–	(4)	–	(4)
At 31 March 2017	15,636	7,607	22	23,265
Accumulated depreciation				
At 1 April 2016	8,708	6,170	22	14,900
Charge in year	234	447	–	681
Disposals	–	(4)	–	(4)
At 31 March 2017	8,942	6,613	22	15,577
Net book amount				
At 31 March 2017	6,694	994	–	7,688
At 31 March 2016	6,928	1,075	–	8,003

Notes to the Accounts continued

9 Property, plant and equipment continued Company

	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost or valuation			
At 1 April 2017	31	5,415	5,446
Additions at cost	–	231	231
At 31 March 2018	31	5,646	5,677
Accumulated depreciation			
At 1 April 2017	31	4,802	4,833
Charge in year	–	290	290
At 31 March 2018	31	5,092	5,123
Net book amount			
At 31 March 2018	–	554	554
At 31 March 2017	–	613	613
Cost or valuation			
At 1 April 2016	31	5,175	5,206
Additions at cost	–	240	240
At 31 March 2017	31	5,415	5,446
Accumulated depreciation			
At 1 April 2016	31	4,483	4,514
Charge in year	–	319	319
At 31 March 2017	31	4,802	4,833
Net book amount			
At 31 March 2017	–	613	613
At 31 March 2016	–	692	692

10 Deferred tax Group

	2018 £'000	2017 £'000
Deferred tax asset	120	334
Deferred tax liability	(782)	(528)
Net deferred tax liability	(662)	(194)

IAS 12 Income Taxes requires the offset of deferred tax balances meeting the offset criteria in the standard. All deferred tax liabilities were available for offset against deferred tax assets.

The rate of corporation tax was reduced to 19 per cent from 1 April 2017 in the Budget of July 2015 and the rate change was substantively enacted on 26 October 2015. It was reduced to 17 per cent from 1 April 2020 in the Budget of March 2016 and this rate change was substantively enacted on 6 September 2016. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19 per cent or 17 per cent depending on when the temporary differences are expected to reverse (2017 – 19 per cent or 17 per cent).

10 Deferred tax continued

The movement on the deferred tax account is shown below:

	2018 £'000	2017 £'000
At 1 April	(194)	(181)
Income statement (charge)/credit	(250)	108
Statement of comprehensive income charge	(194)	(97)
Amounts charged directly to equity	(24)	(24)
At 31 March	(662)	(194)

Deferred tax assets have been recognised in respect of other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered. Deferred tax assets have not been provided on trading losses of £20,624,000 (2017 – £20,624,000) and on capital losses of £2,038,000 (2017 – £2,038,000) as, at the year end, the group do not believe it is probable that they will be able to be utilised against future taxable income.

There are no deferred tax liabilities arising on temporary differences associated with subsidiaries.

The movements in deferred tax assets and liabilities are shown below:

	Retirement benefit obligation £'000	Property, plant and equipment £'000	Total £'000
Deferred tax liabilities			
At 1 April 2017	(153)	(375)	(528)
(Charged)/credited to income statement	(115)	55	(60)
Charged to statement of comprehensive income	(194)	–	(194)
At 31 March 2018	(462)	(320)	(782)

At 1 April 2016	–	(503)	(503)
Credited to income statement	–	128	128
Transferred from assets	(153)	–	(153)
At 31 March 2017	(153)	(375)	(528)

	Retirement benefit obligation £'000	Share options £'000	Total £'000
Deferred tax assets			
At 1 April 2017	–	334	334
Charged to income statement	–	(190)	(190)
Charged to equity	–	(24)	(24)
At 31 March 2018	–	120	120

At 1 April 2016	56	266	322
(Charged)/credited to income statement	(112)	92	(20)
Charged to statement of comprehensive income	(97)	–	(97)
Charged to equity	–	(24)	(24)
Transferred to liabilities	153	–	153
At 31 March 2017	–	334	334

Company

	2018 £'000	2017 £'000
Deferred tax asset	197	394
Deferred tax liability	(275)	(309)
Net deferred tax (liability)/asset	(78)	85

Notes to the Accounts continued

10 Deferred tax continued

IAS12 requires the offset of deferred tax balances meeting the offset criteria in the standard. All deferred tax liabilities were available for offset against deferred tax assets.

The rate of corporation tax was reduced to 19 per cent from 1 April 2017 in the Budget of July 2015 and the rate change was substantively enacted on 26 October 2015. It was reduced to 17 per cent from 1 April 2020 in the Budget of March 2016 and this rate change was substantively enacted on 6 September 2016. Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 19 per cent or 17 per cent depending on when the temporary differences are expected to reverse (2017 – 19 per cent or 17 per cent).

The movement on the deferred tax account is shown below:

	2018 £'000	2017 £'000
At 1 April	85	62
Income statement (charge)/credit	(183)	113
Statement of comprehensive income credit/(charge)	44	(66)
Amounts charged directly to equity	(24)	(24)
At 31 March	(78)	85

Deferred tax assets have been recognised in respect of other temporary differences giving rise to deferred tax assets where it is probable that these assets will be recovered. Deferred tax assets have not been provided on capital losses of £440,000 (2017 – £440,000) as, at the year end, the company does not believe it is probable that they will be able to be utilised against future taxable income.

The movements in deferred tax assets and liabilities are shown below:

			Retirement benefit obligation £'000
Deferred tax liabilities			
At 1 April 2017			(309)
Charged to income statement			(10)
Credited to statement of comprehensive income			44
At 31 March 2018			(275)
At 1 April 2016			(249)
Credited to income statement			6
Charged to statement of comprehensive income			(66)
At 31 March 2017			(309)
	Property, plant and equipment £'000	Share options £'000	Total £'000
Deferred tax assets			
At 1 April 2017	60	334	394
Credited/(charged) to income statement	17	(190)	(173)
Charged to equity	–	(24)	(24)
At 31 March 2018	77	120	197
At 1 April 2016	45	266	311
Credited to income statement	15	92	107
Charged to equity	–	(24)	(24)
At 31 March 2017	60	334	394

11 Inventories

Group

	2018 £'000	2017 £'000
Raw materials	135	190
Finished goods	3,673	2,442
	3,808	2,632

The cost of inventories recognised as an expense in the year is £60,250,000 (2017 – £70,240,000).

The write down of inventories recognised as an expense in the period is £41,000 (2017 – write down of inventories recognised as an expense in the period £2,000).

12 Trade and other receivables

Group

	2018 £'000	2017 £'000
Current assets		
Trade receivables	7,209	6,506
Less: Provision for impairment of receivables	(5)	(5)
Trade receivables – net	7,204	6,501
Other receivables	2,393	1,556
Prepayments	1,275	1,039
	10,872	9,096

Of the trade receivables net balance above, £6,954,000 is due within one month, with the remaining £250,000 falling due in more than one but less than three months. Other receivables are due within one month.

	2018 £'000	2017 £'000
Credit quality of trade receivables		
Neither past due nor impaired	5,333	5,127
Past due but not impaired	1,871	1,374
Past due and impaired	5	5
Total	7,209	6,506

The group has charged £nil in respect of the provision for impairment of receivables during the year (2017 – £5,000).

The movement in the provision for impairment of trade receivables is as follows:

	2018 £'000	2017 £'000
At 1 April	(5)	–
Additional provisions	–	(5)
Amounts used	–	–
At 31 March	(5)	(5)

Company

	2018 £'000	2017 £'000
Receivables from subsidiaries	8,444	6,285
Other receivables	816	413
Prepayments	692	766
	9,952	7,464

Other receivables are due within one month.

13 Other financial assets Group

	2018 £'000	2017 £'000
Bank deposit	200	200

This comprises a deposit with a bank which has a maturity date of 23 November 2018 (2017 – maturity date 20 November 2017). The deposit will be held to maturity and will generate a fixed interest income to the group. The carrying value may be affected by changes in the credit risk of the counterparty.

14 Monies held in trust Group

	2018 £'000	2017 £'000
Park Prepayments Protection Trust	60,046	58,982
E money Trust	25,900	24,036
Ring fenced funds	1,045	–
Monies held in trust	86,991	83,018

On 13 August 2007 a declaration of trust constituted PPPT to hold customer prepayments. Park Prepayments Trustee Company Limited, as trustee of the trust, holds this money on behalf of the agents.

The conditions of the trust that allow the release of money to the group are summarised below:

1. Purchase of products to be supplied to customers.
2. Supply of products to customers less any amounts already received under condition 1 (above).
3. Amounts required as a security deposit to any credit card company or other surety.
4. Amounts payable for VAT.
5. Amount equal to any bond required by the Christmas Prepayments Association (CPA).
6. Amounts to meet its working capital requirements.
7. Residual amounts upon completion of despatch of all orders in full.

Products for this purpose means goods, vouchers, prepaid cards or other products ordered by customers.

Prior to any such release of monies under condition 6 above, the trustees of PPPT require a statement of adequacy of working capital from the directors of Park Retail Limited, stating that it will have sufficient working capital for the year. Releases can be requested from the trust between 1 February and 31 May of each year and shall not exceed 50 per cent of the cumulative balance of prepayments made by customers.

A summary of the main provision of the deeds and a copy of the trust deed is available at www.getpark.co.uk.

On 16 February 2010 a declaration of trust constituted the PCSET to hold the e-money float in accordance with regulatory requirements. The e-money float represents the value of the obligations of the company to card holders and redeemers.

The ring fenced funds represent amounts segregated from group cash balances and are in respect of monies held on cards which are not subject to regulatory requirements. As a result the amounts are not held within the E money Trust.

Monies held in trust are invested in deposit accounts with maturity dates of up to two years. The timing of the release of the monies to the group from PPPT is as detailed above and is expected to be within 12 months of the year end. The release of monies from the E money Trust and ring fenced funds occurs as the obligations fall due.

15 Cash and cash equivalents

Group

	2018 £'000	2017 £'000
Cash at bank and in hand	40,311	24,236
Short term deposits	–	10,000
	40,311	34,236

All cash held at bank at 31 March 2018 was held in instant access accounts (2017 – short term deposits had maturity dates of less than three months).

Company

	2018 £'000	2017 £'000
Cash at bank and in hand	39,010	23,255
Short term deposits	–	10,000
	39,010	33,255

All cash held at bank at 31 March 2018 was held in instant access accounts (2017 – short term deposits had maturity dates of less than three months).

16 Trade and other payables

Group

	2018 £'000	2017 £'000
Bank overdraft	6,068	2,874
Trade payables	62,475	60,846
Payables in respect of cards and vouchers	16,264	13,585
Other taxes and social security payable	857	1,633
Other payables	2,232	1,938
Accruals and deferred income	1,920	1,726
	89,816	82,602

The bank overdraft is a cashbook balance that has arisen due to the timing of unrepresented cheques.

Trade payables and payables in respect of cards and vouchers fall due as follows:

	2018 £'000	2017 £'000
Not later than one month	78,115	73,654
Later than one month and not later than three months	624	777
	78,739	74,431

Payables in respect of cards and vouchers include balances due to both customers (£7.2m (2017 – £6.0m)) and retailers in respect of flexecash® cards, and amounts due to retailers for Love2shop vouchers.

Trade payables include savers' prepayments for products that will be supplied prior to Christmas 2018. Payables in respect of cards and vouchers include balances due to both customers and retailers for flexecash® cards and amounts due to retailers for Love2shop vouchers.

Other payables are due within one month.

Company

	2018 £'000	2017 £'000
Bank overdraft	–	127
Trade payables	33	257
Other taxes and social security payable	149	119
Payables to subsidiaries	40,670	32,354
Other payables	185	177
Accruals and deferred income	311	235
	41,348	33,269

Trade payables and other payables are due within one month.

17 Provisions Group

	Vouchers			Corporate gifted cards			Payment protection insurance £'000	Total £'000
	Gross £'000	Impact of discounting £'000	Net £'000	Gross £'000	Impact of discounting £'000	Net £'000		
At 1 April 2017	35,447	(255)	35,192	11,038	(75)	10,963	9	46,164
Arising on vouchers/cards despatched in period at date of despatch	32,338	(280)	32,058	11,119	(87)	11,032	–	43,090
Increase in provision arising from the unwind of the discount recorded on initial recognition	–	225	225	–	52	52	–	277
Increase in payment protection insurance provision in period	–	–	–	–	–	–	4	4
Vouchers/cards issued in prior periods, utilised in current period	(31,649)	–	(31,649)	(9,874)	–	(9,874)	–	(41,523)
At 31 March 2018	36,136	(310)	35,826	12,283	(110)	12,173	13	48,012

The voucher provision is made in respect of unredeemed vouchers which are included at the present value of expected redemption amounts. This comprises the anticipated amounts payable to retailers on redemption after applying an appropriate discount rate to take into account the expected timing of payments. The anticipated amounts payable to retailers are arrived at by reference to historical data as to voucher redemption patterns. Whilst the voucher redemption provision covers a number of years of expected redemptions, typically the great majority of vouchers issued are redeemed within 12 months of issue.

Provision is made for redemption of corporate gifted cards where the cardholder does not have the right of redemption for cash.

The unwinding of the discount recorded on initial recognition in respect of vouchers and cards is included within cost of sales in the income statement.

The payment protection insurance provision is in respect of future expected settlements of claims arising from the mis-selling of payment protection insurance. The group ceased to sell this insurance in 2007 when it closed its loan broking business. The timing of the outflows are uncertain but the group expect the majority of outstanding claims to be settled within the next 12 months.

18 Retirement benefit obligation

Group and Company Defined Benefit Plan:

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. Both schemes are closed to future accrual of benefit based on service. 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.

The company operates the PF defined benefit scheme.

Both schemes are subject to the funding legislation which came into force on 30 December 2005, outlined in the Pensions Act 2004. This, together with documents issued by the Pensions Regulator, the Guidance Notes adopted by the Financial Reporting Council, set out the framework for funding defined benefit occupational pension plans in the UK. The trustees of the schemes are required to act in the best interests of the schemes' beneficiaries and are responsible for setting the investment, funding and governance policies of the fund. The schemes are administered by an independent trustee appointed by the group. Appointment of the trustees is determined by the schemes' trust documentation.

The group and company has applied IAS 19 Employee Benefits (revised 2011) and the following disclosures relate to this standard. The present value of the scheme liabilities is measured by discounting the best estimate of future cashflows to be paid out of the scheme using the projected unit credit method. All actuarial gains and losses have been recognised in the period in which they occur in other comprehensive income. There have been no scheme amendments, curtailments or settlements in the year.

For the purposes of IAS19 the actuarial valuations at 31 March 2016, for both schemes, which were carried out by a qualified independent actuary, have been updated on an approximate basis to 31 March 2018. There have been no changes in the valuation methodology adopted for this year's disclosures compared to the previous year.

The schemes typically expose the group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk.

18 Retirement benefit obligation continued

The amounts recognised in the statement of financial position are as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Present value of pension obligation	(21,041)	(21,404)	(1,847)	(1,739)
Fair value of scheme assets	23,762	22,307	3,466	3,566
Net pension surplus	2,721	903	1,619	1,827
– comprising schemes in asset surplus	2,721	1,827	1,619	1,827
– comprising schemes in asset deficit	–	(924)	–	–

The amounts recognised in the income statement are as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Net interest cost	(32)	(1)	(47)	(50)
Components of defined benefit costs recognised in the income statement	(32)	(1)	(47)	(50)

In line with the latest actuarial valuation performed as at 31 March 2016, the company has agreed with the trustees that it will aim to eliminate the deficit over a period of 1 year and 5 months from 1 July 2017 by the payment of annual contributions of £643,000 in respect of the deficit.

The costs are all recognised within administration expenses in the income statement.

Analysis of amount to be recognised in the SOCI:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Return on scheme assets	794	4,222	(93)	538
Experience gains and (losses) arising on the defined benefit obligation	(264)	261	(214)	20
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	273	465	31	66
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	339	(4,376)	20	(235)
Remeasurements of defined benefit schemes recognised in the SOCI	1,142	572	(256)	389

Scheme assets:

It is the policy of the trustees of the company to review the investment strategy at the time of each funding valuation. The trustees' investment objectives and the processes undertaken to measure and manage the risks inherent in the scheme's investment strategy are documented in the scheme's Statement of Investment Principles.

Fair value of scheme assets:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Equities	–	12,000	–	–
Diversified growth assets (DGA)	5,257	2,900	–	–
Gilts	3,436	3,513	3,436	3,513
Liability driven investment (LDI)	5,723	2,353	–	–
Loan fund	2,215	–	–	–
Multi asset credit	2,907	–	–	–
Index linked gilts	4,148	–	–	–
Property	–	1,400	–	–
Cash and other	76	143	30	55
Total assets	23,762	22,309	3,466	3,568

None of the fair values of the assets shown above include any of the company's own financial instruments or any property occupied by, or other assets used by, Park Group plc. All of the schemes' assets have a quoted market price in an active market with the exception of the property and the trustee's bank account balance.

Notes to the Accounts continued

18 Retirement benefit obligation continued

The movement in the fair value of scheme assets is as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Fair value of scheme assets at the start of the period	22,307	17,360	3,568	3,021
Interest income	581	627	91	107
Return on scheme assets	796	4,220	(93)	538
Contributions by employer	643	643	–	–
Contributions by employees	–	–	–	–
Benefits paid	(565)	(543)	(100)	(98)
Fair value of plan assets at the end of the period	23,762	22,307	3,466	3,568

Actual return on scheme assets for the year to 31 March 2018 was £1,377,000 for the PG scheme and (£2,000) for the PF scheme.

Present value of obligations:

The movement in the present value of the defined benefit obligation is as follows:

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Opening defined benefit obligation	21,404	17,670	1,739	1,631
Interest cost	549	626	44	57
Actuarial (gains)/losses due to scheme experience	264	(261)	214	(20)
Actuarial gains due to changes in demographic assumptions	(273)	(465)	(31)	(66)
Actuarial (gains)/losses due to changes in financial assumptions	(338)	4,376	(19)	235
Benefits paid	(565)	(542)	(100)	(98)
Closing defined benefit obligation	21,041	21,404	1,847	1,739

The average duration of the defined benefit obligation at 31 March 2018 is 19 years for the PG scheme and 10 years for the PF scheme.

Significant actuarial assumptions:

The following are the principal actuarial assumptions at the reporting date (expressed as weighted averages):

The following information relates to both the PG and PF schemes unless otherwise stated.

	2018 % per annum	2017 % per annum
Financial and related actuarial assumptions:		
Discount rate	2.60	2.60
Inflation (RPI)	3.40	3.50
Inflation (CPI)	2.40	2.50
Future salary increases*	2.40	2.50
Allowance for revaluation of deferred pensions of CPI or 8.5% pa if less**	3.40	3.50
Allowance for revaluation of deferred pensions of CPI or 5% pa if less*	2.40	2.50
Allowance for revaluation of deferred pensions of CPI or 2.5% pa if less*	2.40	2.50
Allowance for pension in payment increases of CPI or 5% pa if less*	2.40	2.50
Allowance for pension in payment increases of CPI or 3% pa if less*	2.40	2.50
Allowance for pension in payment increases of CPI or 2.5% pa if less*	2.40	2.50
Allowance for commutation of pension for cash at retirement	100% of Post A Day	100% of Post A Day

* relates to the PG scheme only

** relates to the PF scheme only

The mortality assumptions adopted are 100% of the standard tables S2PxA, year of birth, no age rating for males and females, projected using Continuous Mortality Investigation (CMI) – 2017 converging to 1% pa. These imply the following life expectancies:

	2018 Years	2017 Years
Life expectancy at age 65 for:		
Male – retiring in 2018	21.8	22.0
Female – retiring in 2018	23.7	24.0
Male – retiring in 2038	22.8	23.3
Female – retiring in 2038	24.9	25.5

18 Retirement benefit obligation continued**Sensitivity analysis on significant actuarial assumptions:**

The following table summarises the impact on the defined benefit obligation at the end of the reporting period, if each of the significant actuarial assumptions above were changed, in isolation. The inflation sensitivity includes the impact of changes to the assumptions for revaluation, pension increases and salary growth. The sensitivities shown below are approximate.

	Change in assumption	Change in liabilities
PG scheme:		
Discount rate	increase of 0.10% pa	decrease by 1.9%
Rate of inflation	increase of 0.10% pa	increase by 1.6%
Rate of salary growth	increase of 0.10% pa	increase by 0.3%
Rate of mortality	increase in life expectancy of 1 year	increase by 2.6%
PF scheme:		
Discount rate	decrease of 0.25% pa	increase by 2.6%
Rate of inflation	increase of 0.25% pa	increase by 2.5%
Rate of mortality	increase in life expectancy of 1 year	increase by 5.1%

The schemes typically expose the group to actuarial risks such as investment risk, interest rate risk, salary growth risk, mortality risk and longevity risk. A decrease in corporate bond yields, a rise in inflation or an increase in life expectancy would result in an increase to the schemes' liabilities. This would detrimentally impact on the statement of financial position and may give rise to increased charges in future income statements. This effect would be partially offset by an increase in the value of the schemes' bond holdings. Additionally, caps on inflationary increases are in place to protect the scheme against extreme inflation.

Funding:

The group expects to contribute a fixed amount of £429,000 to the PG scheme for the accounting period commencing 1 April 2018 up to 30 November 2018. This is based upon the current schedule of contributions following the actuarial valuation carried out as at 31 March 2016. In addition to this, Park has committed to pay life assurance premiums of £20,000 in the year. The best estimate of contributions to be paid to the PF scheme is £nil per annum.

Defined contribution plan:

The group makes contributions to a defined contribution pension scheme which is insured with Friends Life. It also makes contributions to a defined contribution stakeholder pension plan, insured with NEST, for employees who are not eligible to join the Friends Life defined contribution scheme, as well as to individual personal pension plans for certain employees.

The total pension charge for the year to 31 March 2018 was £734,000 (2017 – £717,000) for the defined contribution pension schemes. At 31 March 2018, contributions of £61,000 (2017 – £60,000) were outstanding, which represented the contributions for the month of March.

19 Employees and directors**Group****Employee benefit expense for the group during the year (including executive directors)**

	2018 £'000	2017 £'000
Wages and salaries	11,431	10,910
Social security costs	1,409	1,135
Other pension costs	702	771
Share-based payments	231	669
Other benefits	66	59
	13,839	13,544

Average monthly number of people (including executive directors) employed

	2018 Number	2017 Number
Consumer	166	183
Corporate	153	146
All other segments	10	10
Average number employed	329	339

19 Employees and directors continued

Key management compensation

	2018 £'000	2017 £'000
Salaries and short term employee benefits	1,176	1,067
Gain on exercise of share options and LTIPs	1,008	256
Share-based payments	91	343
	2,275	1,666

Key management are deemed to be the group's executive and non-executive directors.

Details of directors' emoluments (including those of the highest paid), pension contributions and details of share awards (including options) can be found in the Remuneration Report on pages 31 to 33.

20a Share capital

Group and Company

	No of shares	£'000
Authorised: Ordinary shares of 2p each		
At 31 March 2017 and 2018	195,000,000	3,900
Allotted, called up and fully paid		
At 1 April 2017	184,368,478	3,687
LTIP shares awarded	1,190,362	24
At 31 March 2018	185,558,840	3,711

20b Share-based payments

Park Group plc 2009 LTIP:

In June 2010, an LTIP was adopted by the remuneration committee ('2009 LTIP'). This plan was for the benefit of certain employees selected at the discretion of the committee. The awards consist of allocations of shares, the final distribution of which is dependent on market performance targets. Each participating employee can be awarded shares up to a maximum value of 100 per cent of salary.

On 5 February 2015 the LTIP was amended ('2009 LTIP as amended'), allowing eligible employees to be awarded options to acquire, at nil cost, shares up to a maximum equivalent of 150 per cent of salary. In addition, awards can be subject to new performance targets using aggregate PBT generated over a three year performance period.

SAYE:

This scheme is open to all employees. Under this scheme employees enter into a savings contract for a period of three years and agree to save a regular amount each month between £5 and £500. Options are granted on commencement of the contract and exercisable using the amount saved under the contract at the time it terminates. Options under the scheme are granted at a discount of 10 per cent to the market price at the start of the contract and are not subject to performance conditions.

Exercise of options is subject to continued employment. Options lapse if an individual leaves the company by resigning or if they choose to stop paying into their savings accounts. In either instance they can withdraw their money they have already saved but cannot exercise their options. Options must be exercised within six months after the end of the three year savings period.

The tables below summarise the outstanding options and awards:

LTIP:

	2018		2017	
	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)
Outstanding at 1 April	2,935,518	—	3,771,049	—
Granted	1,740,032	—	473,000	—
Expired	—	—	(654,266)	—
Forfeited	(1,296,170)	—	—	—
Exercised	(2,245,967)	—	(654,265)	—
Outstanding at 31 March	1,133,413	—	2,935,518	—
Exerciseable at 31 March	—	—	—	—

20b Share-based payments continued

	2018		2017	
	Number of shares	Weighted average share price at date of exercise (p)	Number of shares	Weighted average share price at date of exercise (p)
Shares awarded in respect of LTIP awards exercised in the financial period	1,190,362	80.63	654,265	69.00
LTIP awards outstanding at end of period	2018		2017	
Weighted average remaining contractual life	1.2 years		0.2 years	

SAYE:

	2018		2017	
	Number	Weighted average exercise price (p)	Number	Weighted average exercise price (p)
Outstanding at 1 April	651,725	12.90	673,309	12.90
Forfeited	(11,110)	12.40	(13,648)	13.40
Exercised	–	–	(7,936)	13.40
Outstanding at 31 March	640,615	13.00	651,725	12.90
Exercisable at 31 March	–	–	–	–
SAYE awards outstanding at end of period	2018		2017	
Weighted average remaining contractual life	0.8 years		1.8 years	

Details of the weighted average fair value of the awards made in the year, together with how this value was calculated, can be found below.

The fair values of awards under the LTIP and the SAYE are calculated at the date of grant using the monte-carlo simulation model and the binomial option pricing model respectively. The significant inputs into the model and assumptions used in the calculations are as follows:

	LTIP 2014-17	SAYE 2015-18	LTIP 2015-18	LTIP 2016-19	LTIP 2017-20
Grant date	05.02.15	10.07.15	10.03.16	09.12.16	02.10.17
Share price at grant date	60.37p	65.00p	74.00p	69.00p	82.00p
Exercise price	Nil	56.70p	Nil	Nil	Nil
Number of shares under option or provisionally awarded	1,989,518	751,086	473,000	473,000	1,483,583
Option/award life (years)	2.33	3	2.29	2.56	2.69
Expected volatility	28%	32.72%	35%	35%	33%
Risk free rate	1.08%	1.50%	0.92%	1.51%	0.76%
Expected dividend yield	4.00%	4.10%	4.00%	4.00%	4.00%
Forfeiture rate	0%	0%	0%	0%	0%
Fair value per option/award	55.01p	12.89p	33.00p	26.20p	42.80p

The expected volatility of the share price was based on historical movements in the share price, calculated as the standard deviation of percentage returns on the shares in the period since 2006. The risk free interest rate is based on the yield available on zero coupon UK Government bonds of a term consistent with the assumed option life. Projected dividend yield was based on historical dividend payments in the three years prior to the dates of the awards, relative to the average annual share prices in that period. A forfeiture rate of nil is assumed on the basis that awards are granted to senior management.

The scheme rules for the LTIP includes a provision which gives the remuneration committee the discretion to settle up to 50 per cent of the value of shares to be awarded in cash. On the assumption that Park intends to settle the entire obligation in shares, there is considered to be no present obligation and so these awards have been valued and accounted for as equity settled share-based payments.

All LTIP awards (with the exception of LTIP 2014-17) incorporate a market condition (TSR), which is taken into account in the grant date measurement of fair value. LTIP 2014-17 awarded under the amended plan, does not incorporate a market condition, but includes a non-market condition of aggregate PBT generated over a three year performance period.

Notes to the Accounts continued

20b Share-based payments continued

The group recognised a total charge of £230,000 (2017 – £669,000) related to equity settled share-based transactions during the year ended 31 March 2018. This charge was split across the schemes as follows:

	2018 £'000	2017 £'000
LTIP 2013 – 16	–	17
LTIP 2014 – 17	88	541
LTIP 2015 – 18	68	68
SAYE 2015 – 18	28	28
LTIP 2016 – 19	6	15
LTIP 2017 – 20	40	–
	230	669

In June 2017, 2,245,967 LTIP awards were exercised. The company issued 1,190,362 shares and withheld 1,055,605 in return for the company settling the counter-parties' tax liabilities relating to the share-based payment. The fair value of these awards at the date of settlement, of £851,000, had been debited to equity.

21 Dividends

Amounts recognised as distributed to equity holders in the year:

	2018 £'000	2017 £'000
Interim dividend for the year ended 31 March 2017 of 0.95p (2016 – 0.85p)	1,752	1,562
Final dividend for the year ended 31 March 2017 of 1.95p (2016 – 1.90p)	3,618	3,490
	5,370	5,052

An interim dividend of 1.00p per share in respect of the financial year ended 31 March 2018 was paid on 6 April 2018 and absorbed £1,856,000 of shareholders' funds. In addition, the directors are proposing a final dividend in respect of the financial year ended 31 March 2018 of 2.05p per share which will absorb an estimated £3,804,000 of shareholders' funds. The final dividend will be paid on 1 October 2018 to shareholders who are on the register of members at the close of business on 24 August 2018. Neither of these dividends were paid or provided for in the year.

22 Reconciliation of net profit to net cash inflow/(outflow) from operating activities

	Group		Company	
	2018 £'000	2017 £'000	2018 £'000	2017 £'000
Net profit	10,409	9,899	5,932	8,489
Adjustments for:				
Tax	2,450	2,452	(942)	(1,002)
Interest income	(1,274)	(1,472)	(240)	(209)
Interest expense	4	2	4	1
Research and development tax credit	(121)	–	–	–
Dividend from related party	–	–	(10,000)	(12,500)
Depreciation and amortisation	1,428	1,405	316	351
Impairment of goodwill	17	–	–	–
Profit on sale of other intangibles and property, plant and equipment	(1)	–	–	–
Decrease in other financial assets	–	300	–	–
Increase in inventories	(1,176)	(448)	–	–
(Increase)/decrease in trade and other receivables	(1,773)	12	(326)	(143)
Increase/(decrease) in trade and other payables	4,020	4,153	(111)	264
Movement in balances with related parties	–	–	9,957	1,791
Increase/(decrease) in provisions	1,848	1,397	–	(20)
Increase in monies held in trust	(3,974)	(7,797)	–	–
Decrease in retirement benefit obligation	(676)	(641)	(47)	(49)
Translation adjustment	(20)	(28)	–	–
Taxes paid on share-based payments	(851)	–	(851)	–
Share-based payments	230	669	230	669
Net cash inflow/(outflow) from operating activities	10,540	9,903	3,922	(2,358)

23 Operating lease commitments – minimum lease payments

Group

	2018		2017	
	Property £'000	Vehicles, plant and equipment £'000	Property £'000	Vehicles, plant and equipment £'000
Non-cancellable operating lease rentals are payable as follows:				
Within one year	54	39	61	39
Later than one year and less than five years	96	7	2	46
After five years	–	–	–	–
	150	46	63	85

The group leases additional properties for its businesses not based at the head office site, under non-cancellable operating lease agreements. The leases have an average term of between three and ten years. One of the leases contains a break clause at the three and six year anniversary of entering into the lease. The disclosed commitment has been calculated up to that point.

The group leases plant and machinery under non-cancellable operating lease agreements. The leases have an average life of between five and six years.

24 Capital and other financial commitments

Group and Company

	2018 £'000	2017 £'000
Contracts placed for future capital expenditure not provided in the financial statements	60	19

25 Related party transactions

Group

Transactions between the group's wholly owned subsidiaries, which are related party transactions, have been eliminated on consolidation and are therefore not disclosed in this note.

There are no transactions with key management personnel other than those disclosed in the directors' Remuneration Report and note 19.

Company

The following transactions with subsidiaries occurred in the year:

	2018 £'000	2017 £'000
Dividends received	10,000	12,500

No purchases or sales transactions were entered into between the company and subsidiary companies.

Year end balances arising from transactions with subsidiaries

	2018 £'000	2017 £'000
Receivables from subsidiaries (note 12)	8,444	6,285
Payables to subsidiaries (note 16)	40,670	32,354

The payables to subsidiaries arise mainly due to cash collected on behalf of other subsidiaries. All balances are repayable on demand.

Provisions against inter company loans

The receivables balances stated above are shown net of the following provisions:

	2018 £'000	2017 £'000
Subsidiaries	11,303	11,247

Notes to the Accounts continued

26 Financial instruments

The group's activities expose it to a variety of risks: market risk (including interest rate and foreign currency risk), credit risk and liquidity risk. The group has in place risk management policies that seek to limit the adverse effect on the financial performance of the group by using various instruments and techniques.

The financial assets and financial liabilities of the group and the company are detailed below:

Group

	Notes	Carrying amount and fair value 2018 £'000	Carrying amount and fair value 2017 £'000
Financial assets			
Monies held in trust	14	86,991	83,018
Financial assets – deposit at bank	13	200	200
Cash at bank and in hand	15	40,311	24,236
Short term deposits	15	–	10,000
Trade receivables	12	7,204	6,501
Other receivables	12	2,393	1,556
		137,099	125,511
Financial liabilities			
Bank overdraft	16	6,068	2,874
Trade payables	16	62,475	60,846
Payables in respect of cards and vouchers	16	16,264	13,585
Other payables	16	2,232	1,938
		87,039	79,243

Company

Financial assets			
Cash at bank and in hand	15	39,010	23,255
Short term deposits	15	–	10,000
Receivables from subsidiaries	12	8,444	6,285
Other receivables	12	816	413
		48,270	39,953
Financial liabilities			
Bank overdraft	16	–	127
Trade payables	16	33	257
Payables to subsidiaries	16	40,670	32,354
Other payables	16	185	177
		40,888	32,915

For further details of each of the financial assets and financial liabilities, see note numbers as detailed above.

Due to their relatively short maturity, the carrying amounts of all financial assets and financial liabilities approximate to their fair values.

The provisions for unredeemed vouchers and corporate gifted cards are not a financial liability and are therefore excluded from the table above.

Interest rate risk

Due to the significant levels of cash and cash equivalents held by the group and in trust, the group has an exposure to interest rates. In respect of all other financial assets and liabilities, the group does not have any interest rate exposure.

A 0.5 per cent movement in the interest rate applied to cash and cash equivalents, monies held in trust and other current financial assets would change PBT by approximately £788,000 (2017 – 0.5 per cent movement would change PBT by approximately £745,000).

26 Financial instruments continued

Foreign currency risk

The group buys and sells goods denominated in non-sterling currencies, principally euros. As a result, movements in exchange rates can affect the value of the group's income and expenditure. The group's exposure in this area is not considered to be significant.

Credit risk

Credit risks arise principally from the group's cash and cash equivalents, monies held in trust and trade receivables.

The group gives careful consideration to which organisations it uses for its banking services in order to minimise credit risk. The group seeks to limit the level of credit risk on its cash balances by only placing funds with UK counterparties that have high credit ratings.

Credit evaluations are performed for all customers. Management has a policy in place and the exposure to credit risk is monitored on an ongoing basis. The majority of trade receivables are subject to credit insurance, which further reduces credit risk.

At the year end there were no significant concentrations of risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statement of financial position.

Liquidity risk

The group manages liquidity risk by continuously monitoring actual and forecast cash flows and by matching the maturity profiles of financial assets and liabilities. The group generates operational cash flows which enable it to meet its liabilities as they fall due. The group maintains an e-money float, regulated by the Financial Conduct Authority, to hold e-monies totally separate from group funds. The group is entitled to make limited draw downs from the PPPT subject to specific conditions being met as set out in the trust deed, available from www.getpark.co.uk. The group's positive cash position enables it to operate without reliance on any external funding.

Details of the maturity of financial liabilities can be found in note 16. Comments on the group's liquidity position and financial risk are set out on page 19 of the Financial Review and pages 20 and 21, the group's risk factors. Comments on provisions, an area of concentration of risk, can be found in note 17.

Capital management

The group's objectives in managing capital are to safeguard the group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The group's capital management focus is to ensure that it has adequate working capital including management of its draw down facility with the PPPT and the extent to which net cash inflows from prepaid corporate customers are available to meet the group's liabilities as they fall due.

The group as a whole is not subject to any external capital requirements (regulatory or funding). Park Financial Services Limited, a group subsidiary offering insurance broking services, and Park Card Services Limited, a group subsidiary operating as an electronic money issuer, are subject to Financial Conduct Authority capital requirements. Both companies report twice annually to the Financial Conduct Authority on the level of regulatory capital each company holds. The capital requirements were adhered to in the period. Voluntary trust arrangements are in place to provide some protection for the customers of our Christmas prepayment scheme. Further details of the trust are set out in note 14.

The group's capital base includes share capital, share premium account and retained earnings.

Capital is reported monthly as part of the internal management accounts and is also included in budgeting and forecasting exercises. The ability to pay dividends is dependent on the parent company having distributable profits. It is management's intention to manage the group's and the company's capital to maintain its ability to pay dividends.

Notice of Meeting

Notice is hereby given that the thirty fifth annual general meeting of Park Group plc ('Company') will be held in The Pulford Suite and Veranda, Thornton Hall Hotel & Spa, Neston Road, Thornton Hough, Wirral, CH63 1JF on 25 September 2018, at 11am for the following purposes:

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

1. To receive and adopt the Company's Annual Accounts, Strategic Report and Directors' and Auditor's Reports for the financial year ended 31 March 2018.
2. To declare a final dividend for the financial year ended 31 March 2018 of 2.05p per ordinary share in the capital of the Company, to be paid on 1 October 2018 to shareholders whose names appear on the register at the close of business on 24 August 2018.
3. To approve the Remuneration Report of the directors for the financial year ended 31 March 2018.
4. To re-appoint John Sullivan (Ian) O'Doherty who has been appointed by the board since the notice of the last annual general meeting was issued, as a director of the Company.
5. To re-appoint Tim Clancy, who has been appointed by the board since the notice of the last annual general meeting was issued, as a director of the Company.
6. To re-appoint Ernst & Young LLP as auditors of the Company.
7. To authorise the directors to determine the remuneration of the auditors.
8. That, pursuant to section 551 of the Companies Act 2006 ('Act'), the directors be and are generally and unconditionally authorised to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to an aggregate nominal amount of £1,237,058.93 provided that (unless previously revoked, varied or renewed) this authority shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 25 December 2019 (whichever is the earlier), save that the Company may make an offer or agreement before this authority expires which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after this authority expires and the directors may allot shares or grant such rights pursuant to any such offer or agreement as if this authority had not expired.

This authority is in substitution for all existing authorities under section 551 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

To consider and, if thought fit, to pass the following resolution as a special resolution:

9. That, subject to the passing of resolution 8 and pursuant to section 570 of the Act, the directors be and are generally empowered to allot equity securities (within the meaning of section 560 of the Act) for cash pursuant to the authority granted by resolution 8 as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
 - 9.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
 - 9.1.1 to holders of ordinary shares in the capital of the Company in proportion (as nearly as practicable) to the respective numbers of ordinary shares held by them; and
 - 9.1.2 to holders of other equity securities in the capital of the Company, as required by the rights of those securities or, subject to such rights, as the directors otherwise consider necessary,
 - 9.2 otherwise than pursuant to paragraph 9.1 of this resolution, up to an aggregate nominal amount of £185,558.84 and (unless previously revoked, varied or renewed) this power shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on 25 December 2019 (whichever is the earlier), save that the Company may make an offer or agreement before this power expires which would or might require equity securities to be allotted for cash after this power expires and the directors may allot equity securities for cash pursuant to any such offer or agreement as if this power had not expired.

This power is in substitution for all existing powers under section 570 of the Act (which, to the extent unused at the date of this resolution, are revoked with immediate effect).

By order of the board

R Fairbrother
Company Secretary
Valley Road
Birkenhead CH41 7ED
27 July 2018

Notes:**Entitlement to attend and vote**

1. The right to vote at the meeting is determined by reference to the register of members. Only those shareholders registered in the register of members of the Company as at 12.00pm on 21 September 2018 (or, if the meeting is adjourned, on the date which is two working days before the date of the adjourned meeting) shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries in the register of members after that time shall be disregarded in determining the rights of any person to attend or vote (and the number of votes they may cast) at the meeting.

Proxies

2. A shareholder is entitled to appoint another person as his or her proxy to exercise all or any of his or her rights to attend and to speak and vote at the meeting. A proxy need not be a shareholder of the Company.

A shareholder may appoint more than one proxy in relation to the meeting, provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. Failure to specify the number of shares each proxy appointment relates to or specifying a number which when taken together with the numbers of shares set out in the other proxy appointments is in excess of the number of shares held by the shareholder may result in the proxy appointment being invalid.

A proxy may only be appointed in accordance with the procedures set out in note 3 below and the notes to the proxy form.

The appointment of a proxy will not preclude a shareholder from attending and voting in person at the meeting.

3. A form of proxy is enclosed. When appointing more than one proxy, complete a separate proxy form in relation to each appointment. Additional proxy forms may be obtained by contacting the Company Secretary on 0151 653 1700 or the proxy form may be photocopied. State clearly on each proxy form the number of shares in relation to which the proxy is appointed.
4. To be valid, a proxy form must be received by post or (during normal business hours only) by hand at the offices of the Company Valley Road, Birkenhead CH41 7ED no later than 12.00pm on 21 September 2018 (or, if the meeting is adjourned, no later than 48 hours (excluding any part of a day that is not a working day) before the time of any adjourned meeting).

Corporate representatives

5. A shareholder which is a corporation may authorise one or more persons to act as its representative(s) at the meeting. Each such representative may exercise (on behalf of the corporation) the same powers as the corporation could exercise if it were an individual shareholder, provided that (where there is more than one representative and the vote is otherwise than on a show of hands) they do not do so in relation to the same shares.

Documents available for inspection

6. The following documents will be available for inspection during normal business hours at the registered office of the Company from the date of this notice until the time of the meeting. They will also be available for inspection at the place of the meeting from at least 15 minutes before the meeting until it ends.
 - 6.1 Copies of the service contracts of the executive directors.
 - 6.2 Copies of the letters of appointment of the non-executive directors.

Directors and Advisers

Directors: I O'Doherty [◇]
M R Stewart
L Carstensen (Non-executive Chairman) ^{**†}
M de Kare-Silver (Non-executive) ^{**†}
J Gittins (Non-executive) ^{**†}

Secretary: R Fairbrother

Registered office: Valley Road
Birkenhead
CH41 7ED
Registered in England No 1711939

Nominated adviser: Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Merchant bankers: N M Rothschild & Sons Limited
82 King Street
Manchester
M2 4WQ

Auditors: Ernst & Young LLP
20 Chapel Street
Liverpool
L3 9AG

Stockbrokers: Arden Partners plc
125 Old Broad Street
London
EC2N 1AR

Bankers: Barclays Bank PLC
3 Hardman Street
Manchester
M3 3AX

Registrars: Computershare Investor Services PLC
The Pavilions
Bridgwater Road
Bristol
BS99 6ZZ

* Member of the audit committee

† Member of the remuneration committee

◇ Member of the nomination committee

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