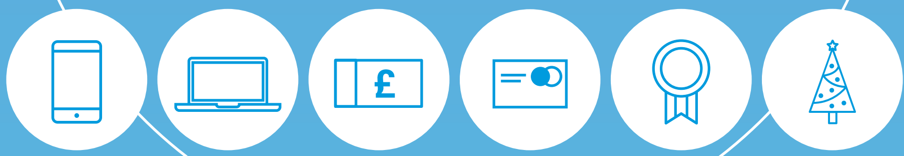
Park Group plc

Annual Report and Accounts **2017**

More Choice Channels Rewards

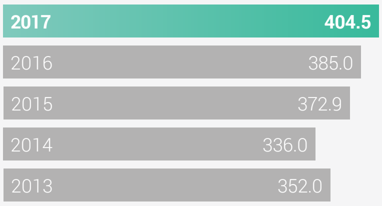


Park Group plc is the UK’s leading provider of prepaid gift cards, multi-retailer gift vouchers and digital rewards services, to corporate and consumer markets. Sales are delivered through innovative leading edge digital channels, a direct sales force and a network of agents.

Highlights

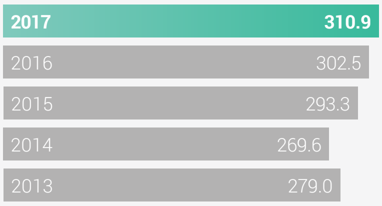
Group billings (£M)

£404.5m
(2016 – £385.0m)



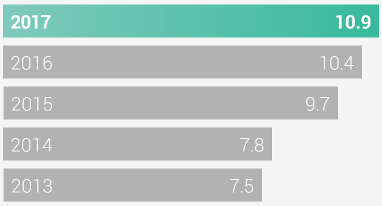
Group revenue (£M)

£310.9m
(2016 – £302.5m)



Operating profit (£M)

£10.9m
(2016 – £10.4m)

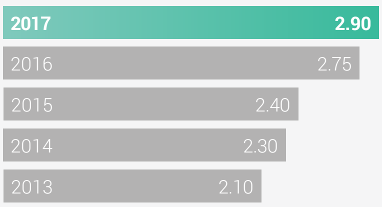


Profit before taxation (£M)

£12.4m
(2016 – £11.9m)

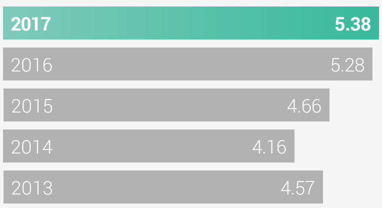
Dividends per share (p)

2.90p
(2016 – 2.75p)



Total basic earnings per share (p)

5.38p
(2016 – 5.28p)



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Customer Focused

Park's strategy is consistent and clear. Park is very close to its customers and regularly seeks feedback on its products and services. The company concentrates on broadening its product range to match customer needs while providing more options to existing customers. It also seeks to attract new customers by expanding into new areas through innovation and technology. High quality service is at the heart of Park's operations.

What we do

The company 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 brands

LOVE2SHOP

UK's No 1 multi-retailer gift voucher/card

Love2shop is the UK's leading multi-retailer gift voucher and prepaid gift card brand, accepted at over 168 major retailers with more than 20,000 stores across the UK and Ireland. Park tailors gift card schemes to individual customer needs, recognising and rewarding a range of performance attributes including loyalty, attendance, achieving targets and more.

Billings (£M)

£323m
(2016 – £320m)

www.love2shop.co.uk

Park Christmas Savings

UK's No 1 Christmas savings business

Park have been helping people across the UK budget for Christmas since 1967. The Park 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 431,000 families budget for Christmas with us each year so they can enjoy Christmas without worrying about credit card bills in the New Year.

Billings (£M)

£214m
(2016 – £205m)

www.getpark.co.uk

flexecash®

Regulated e-money prepaid card

The ground-breaking development of flexecash® saw the creation of Park Card Services Limited, a subsidiary which is authorised and regulated by the Financial Conduct Authority (FCA) to issue e-money. This infrastructure allows us to create flexible and cost-effective schemes to suit the requirements of an ever-expanding, diverse range of clients, using physical or digital cards.

Major high street brands such as Marks & Spencer, Debenhams, River Island, PC World and Toys 'R' Us are able to accept our Love2shop cards which are powered by flexecash®. In total flexecash® cards are currently accepted by 98 high street retailers and attractions.

Billings (£M)

£105m
(2016 – £91m)

LOVE2SHOP BUSINESS SERVICES

UK's No 1 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 31,000 businesses through 4 main markets mainly; reward and recognition, incentive and motivation, sales promotion and employee benefits.

Billings (£M)

£162m
(2016 – £152m)

www.love2shopbusiness.co.uk

UK's No 1 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.

Billings (£M)

£26m
(2016 – £24m)

www.highstreetvouchers.com

Innovative digital rewards platform

evolve
DEFINING THE FUTURE OF REWARD DELIVERY

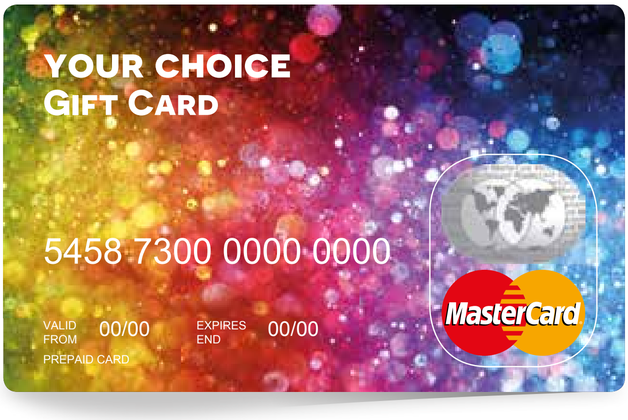
Evolve is an innovative digital rewards platform that empowers commercial organisations with a means to reward individuals in a quick, efficient and cost effective manner. With Evolve's market-leading digital technology, reward codes are distributed via email or SMS and can be exchanged by the intended recipient for a range of thousands of vouchers, gift cards, physical gifts, holidays, experiences, e-codes and much more.

This freedom to exchange electronic codes for such a wide range of reward types is truly unique and means that programme managers can be confident that their programme has maximum appeal to each individual participant.

Billings (£M)

£2m

Mastercard accreditation



On 9 January 2017 Park announced that, having met Mastercard's stringent processing and security requirements, they had gained a Mastercard issuing licence and are able to issue Mastercard prepaid cards.

The first product being offered is a digital card issued to customers for online redemption at a select number of retailers, including John Lewis, Argos and Debenhams. Later this year, the group will expand the offering to include physical cards at any retailers accepting Mastercards, both online and in-store.

The licence allows Park to be fully responsible for the end-to-end settlement with Mastercard, without the need for involvement from external programme managers or issuing banks. Previously Park's 'Anywhere' card was issued via third party providers. This direct relationship with Mastercard brings the capability in-house, giving Park greater control over the process, allowing it improved flexibility and speed in servicing its customers' requirements.

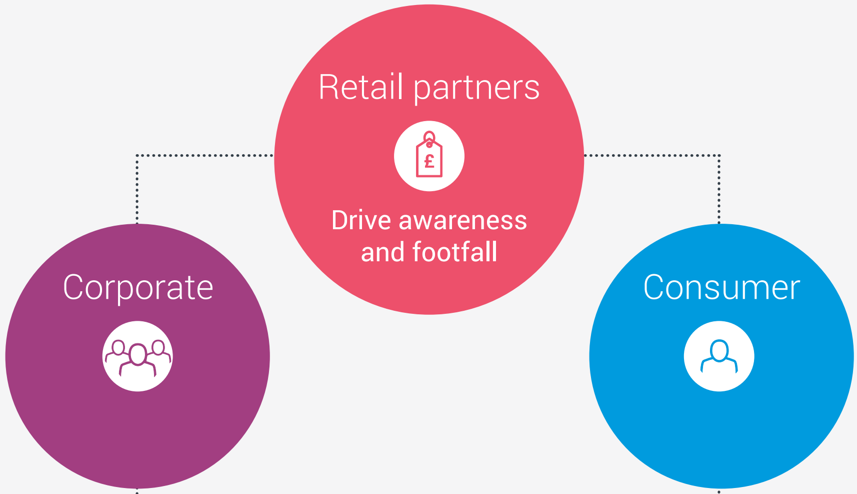
This is a new capability and milestone for Park, allowing us to react even more quickly to what our customers tell us that they want. It also enhances our ability to develop new products, opening new markets and opportunities for us.

Flexible **Model**

The company 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.

How we operate

Model

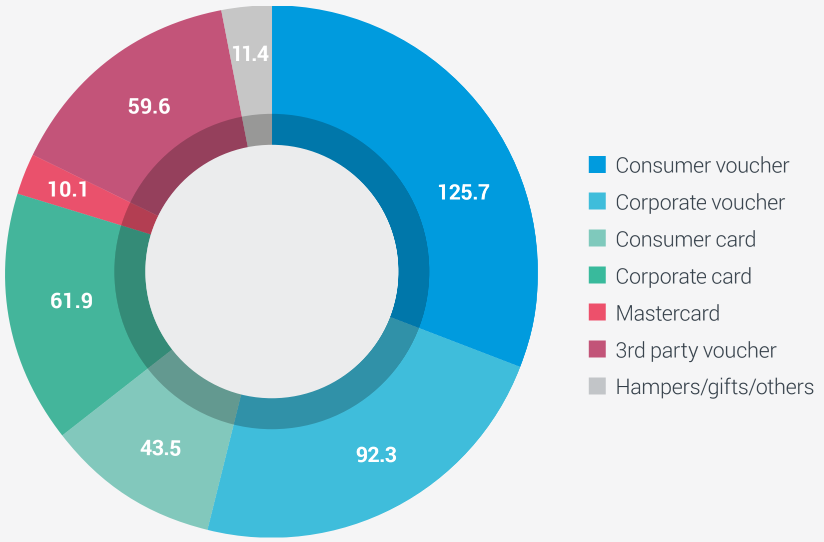


	Corporate	Consumer
Proposition	Gift cards, prepaid cards, vouchers and other employee rewards	Christmas savings scheme: Customers purchase vouchers, prepaid cards and gifts, on a 45-week prepaid instalment plan Gift cards and vouchers
Channels	Sales team • Online • Telephone • Mobile	Catalogue • Online • Telephone • Mobile
Client Benefits	Incentivise and reward employees and/or customers with standard or customised, multi or single retailer vouchers, gift cards and e-codes Administer on-going reward programmes effortlessly online	Maximise convenience in budgeting for and buying gifts for Christmas and other occasions
Brands	• Love2shop Business Services • highstreetvouchers.com • love2shop.co.uk • Engage • Evolve	• Park Christmas Savings Club

Enablers

- Vouchers
- e-codes
- flexecash®
- Mastercard

Billings by product



Key strengths

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.

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 & stable 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 31,000 customers while the consumer operation reaches some 431,000 customers.

Multiple Partnerships

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.

Consistent & clear strategy

Our strategic priorities

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 2017
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. • Launched digital reward platform. • Became issuer of Mastercard products.
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. • Developed digital card solution. • 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. • Added European brands to portfolio opening new markets. • 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

31,199

(2016 – 28,674)

2017	**31,199**
2016	28,674
2015	28,509
2014	23,924
2013	19,868

Billings (£m)

£187.7m

(2016 – £176.7m)

2017	**187.7**
2016	176.7
2015	176.1
2014	154.5
2013	166.1

Internet derived revenue (£m)

£91.7m

(2016 – £75.7m)

2017	**91.7**
2016	75.7
2015	47.6
2014	29.1
2013	26.8

Consumer

Number of customers UK & Ireland (000's)

431

(2016 – 429)

2017	**431**
2016	429
2015	424
2014	412
2013	433

Average order value (£)

£508

(2016 – £489)

2017	**508**
2016	489
2015	463
2014	440
2013	430

Christmas order book (£m)

£214.8m

(2016 – £206.1m)

2017	**214.8**
2016	206.1
2015	193.3
2014	177.3
2013	182.0

> Our objective is to be the pre-eminent provider of value-added prepaid gift, reward and savings products.

I am delighted to announce another good set of results from Park with pleasing performances from both the corporate and consumer businesses.

Park's corporate business has grown over a comparatively short period to be one of the UK's leading providers of multi-redemption gift cards, vouchers and digital reward propositions. This division supplies approximately 31,000 businesses with a range of products and services, often tailor-made. These are used to reward and motivate each client business' own employees and customers.

The consumer business provides customers with a reliable, effective and convenient way to budget for the festive season over a 45-week period. Today it offers its 431,000 customers a range of gifts and multi-retailer gift cards and vouchers, which can be used at thousands of high street outlets and online, as well as more traditional products, thereby helping to deliver a more stress-free Christmas to hundreds of thousands of families.

Our objective is to be the pre-eminent provider of value-added prepaid gift, reward and savings products to both the corporate and consumer markets, meeting customers' needs with high quality service and the products they want. In pursuit of this objective, Park has transformed itself over recent years, as it has seized the opportunities presented by technology, to innovate in line with changing markets and customer demands. Today, over 90 per cent of new customer orders for Christmas 2017 have been taken online, compared with 80 per cent last year and just 10 per cent in 2008. By ceaselessly investing in innovation and keeping pace with the digital revolution, Park is now well placed to reap the rewards of the world-class digital platforms it has developed.

The group's strategy has been to generate organic growth in its core businesses through innovation and excellent customer service, but alongside this strategy, Park also carefully examines potential best-fit acquisitions which can add capabilities to enhance its offering, or to open up new geographies or markets. This was demonstrated in October 2016, as Park successfully completed the cash purchase of Fisher Moy International, a specialist in employee and customer engagement products and programmes.

Financial performance

Park Group's profit before taxation rose by 4.2 per cent in the year to 31 March 2017, reaching £12.4m (2016 – £11.9m) while operating profit grew to £10.9m (2016 – £10.4m). Total billings increased by 5.1 per cent to £404.5m (2016 – £385.0m) while revenue was also ahead at £310.9m (2016 – £302.5m). Billings, as highlighted in previous reports, is a more appropriate measure of the level of activity of the group than revenue.

Park is a cash generative business with a strong, debt free balance sheet. The amount of cash held by the group increased, but returns from that cash were below last year's level as money market rates reduced. As a result, finance income was at a similar level to last year at £1.5m (2016 – £1.5m).

Dividend

The board is recommending raising the final dividend to 1.95p per share (2016 – 1.90p) making a total dividend for the year of 2.90p per share (2016 – 2.75p) up 5.5 per cent. Park has a progressive dividend policy with increases linked to cash generation and general business performance. It is noteworthy that the total dividend has more than doubled over the last seven years, reflecting the board's confidence in the business' performance and the position and success of Park's offering in each market. Shareholder approval will be sought at the Annual General

Meeting (AGM) to be held on 21 September 2017 to pay the final dividend on 2 October 2017 to shareholders on the register on 25 August 2017. The ordinary shares will be marked ex-dividend on 24 August 2017 as a consequence.

Corporate and social responsibility
Park is committed to the support and development of its local communities in Birkenhead and the Wirral and is proud to be a founder patron of the Wirral Youth Zone, which opened in April 2017 and is known locally as 'The Hive'. The Hive offers a wide range of activities for young people aged between eight and 19 years (25 for those with a disability) including: dance, sport, fitness, music, media, life skills and enterprise. In addition, the Hive has been approached with offers of work and personal development opportunities within Park. We offer apprenticeships to our local communities, remain a regular contributor to local charities and are a long-term supporter of All Together Now, a free newspaper for people with disabilities, from across the North West of England and North Wales.

During the year we have also implemented an employee intensive driver awareness course, which has garnered awards from Wirral Borough Council in 'Best Business' and 'Best Individual' categories, and implemented a cycle to work scheme to boost our employees' health and reduce our carbon footprint. During the period we have also taken steps to raise awareness of mental health issues and have implemented specialist training within our workforce.

Chief Executive Officer succession
After more than thirty years of service, leading the business through a successful evolution of its customer offering, Chris Houghton, our Chief Executive Officer, has indicated his intention to retire. A comprehensive process will begin immediately to appoint his successor and Chris has indicated that he will remain in the role until a suitable successor has been identified, appointed and is in place. Whilst there is no retirement date to report as yet, I can confirm that he will remain as Chief Executive Officer for at least a year from today. This timeframe allows the company to instigate a well-planned and orderly handover period.

People
Park's success depends on its people. They are motivated by a desire to be best in class, delivering excellence to customers and value to our shareholders, while building a business that holds integrity, respect, innovation and service excellence as its core values. Their commitment and dedication is greatly appreciated and I would like to thank them on behalf of the Park board.

Outlook
The current year has started well as we have, again, maintained the progress of the previous period. The outlook for our corporate and consumer businesses is positive, with order books ahead of their position at the same time last year.

We will continue to deliver against our strategy, focusing on excellent customer service and product innovation, to grow our customer bases and broaden the range of products and services we can offer to them.

Park has developed world-class, successful platforms which are digital, adaptive, scalable and growing in popularity. This gives us confidence in our ability to deliver another strong performance in the current year.

Laura Carstensen
Chairman
13 June 2017

Our 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:

I Integrity

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

R 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.

I Innovation

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

S Service Excellence

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

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

"

Park looks forward with confidence as we continue to develop exciting new products and platforms.

Introduction

This has been another year of progress across Park's wide range of specialist products and services. The company has maintained its growth record and delivered further steady increases in the key metrics of billings, profit and cash generation. Park's businesses, serving both the consumer and corporate sectors, have continued to expand their customer bases while maintaining extremely high levels of service and introducing innovative new products.

Continuing focus on technology

Park's progress has been characterised by the successful manner in which the group has embraced new technologies to enable it to develop and deliver state-of-the-art digital products and services to its customers. Our consumer savings business now serves its hundreds of thousands of customers principally through the internet and mobile telephony.

Many customers no longer want to speak to a sales assistant or call centre, but prefer to self-serve and manage the enquiry and order management process themselves, at a time of day or night which suits them. Although the degree of voice contact with customers is diminishing, Park continues to gauge their interest and concerns through focus groups and many other feedback mechanisms. These are essential elements of our marketing process and ensure that customer preferences and reactions are collated and well understood. A highly effective medium for communicating with users and assessing concerns, Park's 'Ask Wanda' virtual assistant, holds some 500 answers to possible customer questions covering a wide range of topics. Our customer communications have now been expanded to include 'Live Chat' which enables enquirers to receive responses, not just from us but also other customers, in real time.

Customer interaction with Park has changed dramatically over the past decade. Previously, a consumer customer would perhaps see one of our television advertisements and respond by telephoning to request a brochure. This may have led to a sale or possibly just a request for further information. Today, with the advances in digital connectivity, many prospective customers respond immediately to our television advertising by logging on to Park's websites, selecting products and placing orders, while also perhaps setting up a direct debit for future payments and confirming delivery arrangements. The complete selection and order process can now be completed within minutes using a digital device from anywhere in the world.

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 100,000 followers compared with 72,000 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. In addition, it gives us early warning of any issues that require attention, should they arise in user discussions. During the year, approximately £5m of orders were generated by Park's Facebook page alone and we will continue to develop social media channels to build on this success.

The corporate business provides customised incentive and reward schemes to its thousands of customers using advanced digital technologies. The programmes provided allow users to manage their rewards via mobile devices, giving them easy access and real time updates on their spending and cash balances.

Park's annual capital expenditure on IT runs at approximately £600,000 with a total spend, including technical support, in the region of £3.6m. This is a significant investment and commitment for a business of our size. The company has had its ISO27001 accreditation renewed; meaning that we meet this international standard describing best practice for an information security management system.

One of the most significant 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 £527m of value loaded, with 98 brands accepting the card through 13,000 UK outlets. The card is available alongside the Love2shop voucher, which is supported by 168 brands at 20,000 outlets. In Ireland, 48 brands with a total of 566 stores accept the voucher.

Technology does not stand still and Park has utilised the latest advances to move the flexecash® concept even further forward, through the development of 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. We believe that digital products, such as e-codes, account for only some five per cent of the business to business (B2B) incentive and reward market at the moment. The growth potential is therefore very exciting and Park has the technology, systems and products to capitalise on this opportunity.

A further important development has been the online acceptance of flexecash®. New retailers who accept our cards online currently include Argos.co.uk and Virgin Experiences.

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. The cost to us of opening a new account is now close to half that of 2011, while the cost of servicing a retained account has fallen some 70 per cent during the same time frame.

Park utilises the cutting edge of modern technology to maintain a successful heritage which has always been based on understanding our customers and delivering outstanding service to them. We remain committed to keeping pace with technology as it evolves and will continue to look for ways to better serve our customers.

Strategy

Park's growth and success is based on its delivery against a consistent strategy, which has remained broadly unchanged over recent years:

- to enhance our retailer proposition;
- to grow our multichannel offering;
- to expand the customer base; and,
- to develop and exploit our infrastructure.

Our overall strategic priority is to generate organic growth from expanding our customer base via product enhancement and new product development, as well as entering new markets that fit our core proposition of being a leading value-added prepaid savings, gifts and reward product provider. We will also carefully consider acquisition opportunities as they arise, provided they meet our strict market and financial objectives.

The acquisition of Fisher Moy International (FMI) in October 2016 met our strategic objectives, providing a good fit with our corporate business and integration of this business is progressing well. FMI is a strategic brand engagement consultancy with over 30 years' experience. It works with a number of blue-chip clients including Close Brothers, Huawei, Inchcape, Logitech and LV. Specialising in the creation of events, roadshows and conferences, as well as targeted incentive and reward schemes, FMI helps businesses to communicate more closely with customers and employees. The acquisition will give Park the opportunity to engage with a wide range of public companies to offer our extensive range of incentive and reward products, as well as offering a physical presence in the South of England. Also, FMI's status as part of Park, a publicly quoted business with a long and successful track record, should also add the prestige, comfort and transparency necessary for FMI to target increasingly larger corporate clients.

Corporate business

The corporate business, under the brand Love2shop Business Services, is the UK's largest provider of multi-redemption gift cards, vouchers and digital reward propositions, principally to the incentive and reward markets. Love2shop Business Services offers 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. The UK Gift Card & Voucher Association, an independent trade body, estimates that the market for its members' products has achieved double digit growth over the past five years, and is now estimated to be worth over £5.6bn per year, with the B2B element of the market estimated to represent 54 per cent of the total.

Park's reward and incentivisation products, unlike its competitors, are processed on its own flexecash® processing network, which is linked to many of the UK's best-known retailers. This gives tremendous flexibility and we have developed a comprehensive suite of cards and digital codes, which vary depending upon clients' individual requirements – be that branding, remote value activation, the ability to exchange value for on-line spending, options to redeem value for holidays, or cards that allow users to add their own funds at a discount, amongst many other alternatives. This in-house innovation, capability and associated flexibility has enabled us to grow significantly over the last few years.

Our corporate business serves over 31,000 organisations, supplying programmes and products to reward and incentivise staff and customers alike. Park treats each corporate customer as a unique entity, understanding that all businesses and end recipients are different. A product which works well for one customer does not necessarily work for another. We therefore always aim to provide as much reward choice and flexibility as possible and can match bespoke programmes to specific client requirements.

During the year

The corporate business delivered another strong performance with encouraging advances in billings and profit. Billings increased by 6.3 per cent to £187.7m (2016 – £176.7m) and operating profit rose by 20.6 per cent to £7.2m (2016 – £6.0m).

One of Love2shop Business Services' KPIs is client retention. During the year under review, client retention improved from 83 per cent last year to an impressive 86 per cent. The majority of corporate customers have been with Park for many years, others may be new to the business and perhaps only require a particular scheme for a single occasion. Major new clients joining Park during the year included Akzo Nobel, EDF, Office For National Statistics, Royal & Sun Alliance and Scottish Power.

The acquisition of FMI in October provides an exciting opportunity for our corporate operations. FMI has already led to some early stage new opportunities for Park and we look forward to fully integrating the business and driving the enlarged group forward.

Product development

Product development within the corporate business concentrates on devising new, sophisticated applications to meet increasing customer demand. Our 'Evolve' platform was launched in June 2016 and has been very well received, with over 165 clients using the web portal to date. 'Evolve' is a digital reward medium that provides instant and branded digital reward codes to customers and employees alike. It provides an easy, quick, totally branded and cost effective reward solution to businesses that are looking to reward their employees or customers, who might be on the move or in remote locations. The recipient is offered an expansive range of reward options to choose from, including retailer e-codes, physical cards, holidays and merchandise. A number of major organisations including Travis Perkins and Vodafone are already on board, with many more in the pipeline. 'Evolve' represents mainly new business, although there are some customers who have chosen to migrate from physical cards and vouchers to this digital platform.

A further milestone for 'Evolve' was achieved in May 2017, after the year end, as we expanded its capabilities and began to offer our rewards products to a global audience, via the establishment of 'Love2shop Worldwide'. This will allow Park to provide its reward, recognition, benefits and wellbeing services to the worldwide employee and customer engagement markets. Phase one of the launch will allow digital reward codes to be exchanged by intended recipients for a vast array of country-specific rewards. These include vouchers, gift cards, physical gifts, holidays, experiences, e-codes, music downloads, e-books and much more. This new international service will be offered immediately to Park's existing UK corporate clients who have employees and customers overseas, before meeting wider market demand and actively promoting the service in new territories during phase two of the rollout.

'Everyday Benefits', our employee voluntary benefit product, continues to expand its offering. The launch of an enhanced 'Everyday Benefits' package has been successful with an encouraging level of sales. The range has been extended to include named gift cards, dining out, days out and cinema ticket offers, amongst a broad range of other benefit options.

Love2shop Holidays, Park's full service travel agency provides another avenue of redemption for the Love2shop brand. The business has continued to grow during the year with bookings and revenue increasing by over 10 per cent. The operation is now able to provide its service online, which will further boost its appeal.

Consumer business

Park has been helping families prepare and budget for Christmas for decades, allowing them to save in a secure, controlled and structured way, free of last minute financial concerns. This long-established process of regular payments, allows customers to plan and prepare for their Christmas expenditure over many months and they appreciate the way the programme smooths their spending and overcomes any uncertainty or short term financial worry. Our consumer business therefore has an excellent record of delivering growth, even in uncertain times.

Customers purchase gift cards, vouchers, hampers or other gift products through a 45-week instalment plan, with everything delivered in time for Christmas. While the structure of the process has changed little over the years, the range of products and the ways in which customers interact with Park have developed beyond all recognition.

Each Christmas marketing campaign includes a carefully targeted television advertising and wider marketing programme, which commences more than a year in advance of the festive season and peaks in the first calendar quarter. The campaign is carefully structured to deliver optimum value and a significant element of Park's promotional effort is now through the digital channels of text and email, which are highly effective, inexpensive and offer much more targeted channels of communication. This digital focus, combined with television advertising and a reduction in the use of less effective, more traditional media, has proved most successful and has delivered good growth in customer numbers.

The ever increasing use of digital technology is providing customers with a fast, efficient and user friendly interface with Park, while also positioning the business at the leading edge of internet usage.

During the year
The consumer business grew in the year under review, reflecting the quality of its existing product ranges and the successful introduction of new products. Billings within the consumer business increased by 4.0 per cent to £216.8m (2016 – £208.4m) while operating profit reduced 5.3 per cent to £6.5m (2016 – £6.8m) reflecting changes in product mix, continued investment in our product range and services, as well as increased voucher print costs. The number of customer accounts increased by 6.3 per cent to over 168,000 (2016 – 158,000) and customer numbers increased to 431,000 (2016 – 429,000) while the average customer order value improved 3.9 per cent to £508 (2016 – £489).

The increasing consumer use of the internet and handheld devices, coupled with our focus on the development of technology and digital channels, continues to revolutionise ordering behaviour. Over the past year, approximately 49 per cent of completed orders were placed via the company's websites, an increase of over two per cent above the level of the previous year.

In the year to 31 March 2017 close to 80 per cent of new customer orders for Christmas 2016 were placed online with 20 per cent by phone or post. This compares with 2008 when only 10 per cent came via the internet with the balance placed manually. In 2008 Park received approximately 260,000 customer interactions via the internet and all were through desktop computers. In 2017 the number of interactions has grown to 3.3m and the desktop share has fallen to 17 per cent. Mobile telephony is now the most popular means of communication with Park, comprising 69 per cent of orders, with 14 per cent attributable to tablet users.

Our Irish business continued to make progress and introduced the Love2shop Mastercard during the year which was well received, with orders in the territory rising by 8.7 per cent.

Total orders for Christmas 2017 are again ahead of last year at this stage in the cycle.

Product development
In January we launched a mobile application (app) for Christmas savings customers, reflecting their preference for this means of communication. The app has been very well received during its test marketing phase and is already generating new business. The app is a platform for the long term and we believe it will deliver sustainable growth.

Park's relationship with Mastercard continues to strengthen. Park's 'Your Choice' card (formerly the 'Anywhere' card) is a Mastercard which allows users to make purchases from any retailer, including online retailers, that accepts Mastercard, not just those that accept the Love2shop brand. Because the card offers the freedom to shop at an expanded number of outlets, customers are prepared to pay a small premium for a preloaded 'Your Choice' card.

In January 2017, Park became a licensed issuer of Mastercard products. This was an important strategic development as it now allows Park to be fully responsible for end-to-end settlement with Mastercard, without the need to involve external programme managers or issuing banks, giving us the ability to react rapidly and flexibly in servicing customer requirements, as well as operating more efficiently ourselves. The first product to be offered was a digital card issued to customers for online use at a select number of retail outlets, including John Lewis, Argos and Debenhams. Our intention is to expand the offering later this year to include physical cards, for use at any retailer accepting Mastercards, both online and in-store.

Summary
This has been another year of progress as our strategy continues to bear fruit and drive consistent growth across the group. The purchase of FMI reflects our interest in making the right acquisition when the opportunity arises and this acquisition is already generating additional opportunities for us. Product development, innovation and customer service remain at the heart of Park Group's operations and are arguably more important today than at any time in our 50 year history.

Our corporate and consumer businesses have delivered another year of growth and both operations are well positioned to make further advances in the current year. The speed of technical advance in our marketplace is rapid and our information technology teams are at the forefront of innovation, ensuring that customers can interact with Park using the latest internet and digital developments.

Park looks forward with confidence as we continue to develop exciting new products and platforms, enabling us to expand into new markets and we are in a strong position to capitalise on future opportunities as they arise.

Chris Houghton
Chief Executive Officer
13 June 2017

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Total balances peaked at just under £217m in the year, representing an increase of over £11m from last year.

Profit from operations

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

- consumer, which represents the group's sales to consumers, utilising its Christmas savings offering; and
- corporate, comprising the group's sales to businesses, offering primarily sales of the Love2shop voucher, flexecash® cards and other retailer vouchers to businesses for use as staff and customer rewards/incentives, marketing aids and prizes and all online sales.

All other segments comprise central costs and property costs.

Billings have increased when compared to the prior year by 5.1 per cent to £404.5m, with revenue increasing on the same basis by 2.8 per cent to £310.9m. The increase in revenue is smaller than the increase in billings year on year, due to the higher proportion of billings arising from flexecash® cards. Revenue earned from the sale of flexecash® cards is recognised differently from all other customer billings, as explained below.

Revenue and margin from sales of Love2shop vouchers and flexecash® cards are generated from both operating segments. Operating profit is detailed below:

	2017 £'000	2016 £'000	Change £'000
Consumer	**6,460**	6,823	(363)
Corporate	**7,231**	5,997	1,234
All other segments	**(2,810)**	(2,420)	(390)
Operating profit	**10,881**	10,400	481

Operating profit for the year ended 31 March 2017 has increased by £0.5m to £10.9m.

In the consumer business, customer billings have increased by 4.0 per cent to £216.8m. Revenue has also increased by 2.5 per cent to £174.2m. The increase in billings of £8.4m primarily reflects the higher level of customer prepayment orders fulfilled for Christmas 2016 at £214.3m (Christmas 2015 – £205.4m), offset by a reduction in income from warehousing and repackaging activities of £0.5m. Billings in respect of flexecash® cards totalled £43.6m (2016 – £38.9m). Operating profit at £6.5m has decreased by £0.4m from that achieved in the prior year. This is due to a change in the product mix for prepayment customers to lower margin products which offset the gains made in the overall billings growth, accompanied with the loss of income from warehousing and repackaging activities.

In the corporate business, customer billings have increased by £11.1m (6.3 per cent) in the year to £187.7m. Revenue has increased by 3.1 per cent to £136.7m. Growth in billings in the incentive sector was again strong, up £9.7m (8.7 per cent) in the year with online sales up £1.6m (6.6 per cent) at £25.5m. The improvement in operating profit of £1.2m to £7.2m reflects the growth in billings and a small improvement in margin arising from a change in the product mix. Billings in respect of flexecash® cards totalled £62.0m (2016 – £51.7m).

The increased costs in other segments of £0.4m over the amount for the prior year arises from Mastercard issuer start up costs £0.2m and increased salary costs of £0.2m.

Finance income
Finance income declined slightly to £1.47m from £1.52m. Average total cash held by the group, including cash held in trust during the year increased by 11 per cent to £155m (2016 – £140m), however the yield achieved on this higher cash balance was adversely affected by a further decline in interest rates.

Taxation
The effective tax rate for the year was 19.9 per cent (2016 – 18.3 per cent) of profit before tax. The lower rate in the prior year was due to the release of an overprovision made in respect of earlier years.

Earnings per share
Basic earnings per share (EPS) increased to 5.38p from 5.28p.

Dividends
The board has recommended a final dividend of 1.95p per share. An interim dividend of 0.95p per share was paid on 6 April 2017. Subject to approval of the final dividend at the AGM, the total dividend for 2017 will be 2.90p per share representing an increase of 5.5 per cent over the prior year.

Cash flows
Cash flows from operating activities, at £9.9m, were £2.3m lower than the prior year. The prior year cash flows benefited from an improved working capital inflow from inventory, receivables and payables, offset by timing differences on the movement of monies from cash held in trust. In addition, the growth of cash held in the E money Trust of £4.9m (2016 – £4.2m) was also higher.

At the end of March 2017 £34.2m (2016 – £32.7m) of cash and cash equivalents was held by the group. This was £1.5m higher than the prior year. The prior year balance was depressed by £2.0m, as monies held within the Park Prepayments Trustee Company Limited in respect of the Christmas 2016 season was not received by the group until 1 April 2016.

An amount of £0.2m (2016 – £0.5m) was held as deposits with a maturity period of greater than three months but less than 12 months. In addition, £59.0m (2016 – £56.1m) 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. In addition, at 31 March 2017, the group held £24.0m (2016 – £19.1m) of cash in the Park Card Services Limited E money Trust (PCSET) to support the e-money float in accordance with regulatory requirements.

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 to £114.6m from £104.5m as at 31 March 2016. These total balances peaked at just under £217m in the year, representing an increase of over £11m from last year. This was due to the higher level of cash receipts into the Park Prepayments Protection Trust (PPPT) in respect of the consumer business and the growth in the corporate business.

Provisions
At the year end, provisions had increased to £46.2m from £44.8m. This was mainly due to an increase in the amounts provided in respect of flexecash® cards of £2.1m offset by a decrease in the provision for unspent vouchers of £0.7m. The value of unspent vouchers included in the provision, arises primarily from sales in the corporate business.

Accounting policies
Revenue recognition
Revenue from 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. The total amount included in this year's income statement as revenue from flexecash® cards is £12.8m (2016 – £8.8m).

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 £0.9m based on the valuation under IAS19 performed at 31 March 2017 (2016 – deficit of £0.3m).

The group has recognised an income of £1,000 (2016 – cost of £146,000) in the income statement. In addition the group has recognised re-measurements in the statement of comprehensive income (SOCI) of a gain of £0.5m (2016 – gain of £0.4m) net of tax.

In the year ended 31 March 2017, contributions by the group to the schemes totalled £0.7m (2016 – £0.7m). The latest actuarial valuations performed as at 31 March 2013 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 £3.8m and one had a surplus on the same basis of £0.6m. The triannual actuarial valuation as at 31 March 2016 is due to finalised shortly. Future group contributions to the scheme that is in deficit are expected to be £0.7m per annum.

Martin Stewart
Group Finance Director
13 June 2017

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.	The group manages its capital to safeguard its ability to operate as a going concern. Whilst the group has net current liabilities, it 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. 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.
Treasury risks	The group has significant funds on deposit and as such is exposed to interest rate risk, counterparty risk and exchange rate movements following the commencement of operations in Ireland.	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 to minimise any potential impact.
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 could 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 has access to other potential 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.	Customers are given an appropriate level of credit based on their trading history and financial status, a prudent approach is adopted towards credit control. Credit insurance is used in the majority of cases where customers do not pay in advance.

Operational risks

Risk area	Potential impact	Mitigation
Business continuity and IT systems	Failure to provide adequate service levels to customers, retail partners or other suppliers, resulting in a failure to maintain services that generate revenue. 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.	The group plans and tests its business continuity procedures in preparation for catastrophic events and for the existence of counterfeit vouchers or cards. 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. 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.
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.	Ongoing investment in television advertising. Operation of a process of continual review of all marketing material and websites to promote transparency to customers. Extensive testing and rigorous internal controls exist for all group systems to maintain continuity of online customer service.
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.	The group has a broad base of customers and no single customer represents more than 3 per cent of total customer billings. Significant resources are dedicated to developing and maintaining strong relationships with customers and to developing new and innovative products which meet their precise needs.

Page 12 to 23 of the annual report form the Strategic Report. The Strategic Report was approved by the board and signed on its behalf on 13 June 2017.

Chris Houghton
Chief Executive Officer

Chris Houghton

Chief Executive Officer

Chris was appointed to the board on 11 October 2000 and became Chief Executive Officer on 11 April 2012. He is a Fellow of the Chartered Institute of Management Accountants and joined the group as group accountant in 1986. He became group finance director on 29 March 2001 and up to his appointment as Chief Executive Officer was previously Group Managing Director. He has a service agreement with the company entered into on 1 April 2012 which requires 12 months' notice of termination by either party.

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. He has a service agreement with the company entered into on 1 November 2004 which requires 12 months' notice of termination by either party.

Gary Woods

Managing Director, Park Retail Limited

Gary was appointed to the board on 29 March 2001. He joined the group with the acquisition of Chrisco Hampers in 1980 and has gained wide experience in divisional roles. He is Managing Director of Park Retail Limited. He has a service agreement with the company entered into on 29 June 2001 which requires 12 months' notice of termination by either party.

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, a non-executive director of NHS Improvement 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 (from 3 June 2016), a member of the audit committee (which she chaired until the appointment of Mr Gittins) and a member of the remuneration committee.

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.

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.

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Peter Johnson

Non-Executive Chairman to 3 June 2016

Peter is the company's founder and was our Non-Executive Chairman. Peter resigned from this role during the year, his resignation taking effect on 3 June 2016.

John Dembitz

Non-Executive Director to 30 June 2016

John Dembitz resigned from the board of Park Group plc with effect from 30 June 2016. John informed the board of his decision to step down as Deputy Chairman and Senior Independent Director as he was approaching the 9 year limit for non-executive directors set out in corporate governance guidelines. The board would like to thank John for his contribution to the development of the company and wish him well in all his future endeavours.

The directors submit their report for the year ended 31 March 2017 for Park Group plc, registration number 1711939.

Profit and dividend

The group profit for the financial year, after taxation, was £9.899m (2016 – £9.688m).

The directors have declared a dividend as follows:

	£m
Approved interim dividend of 0.95p per share (2016 – 0.85p)	1.752
Proposed final dividend of 1.95p per share (2016 – 1.90p)	3.595
Total ordinary dividend of 2.90p per share (2016 – 2.75p)	**5.347**

The directors have recommended that the final ordinary dividend be paid on 2 October 2017 to those shareholders on the register on 25 August 2017.

Principal activities

A statement describing the business activities of the company and its subsidiary undertakings is set out on pages 16 to 19 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 9 to the accounts.

Business review

A review of the group's activities over the financial year is contained in the Chairman's Statement on page 14 to 15 and in the Chief Executive's Review on pages 16 to 19.

Share capital

Issue of new ordinary shares

On 9 December 2016 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 654,265 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 33. 7,936 ordinary shares were issued to a former employee pursuant to an employee share save scheme.

Grant of LTIP awards

On 9 December 2016, 473,000 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 33.

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	23,877,392	12.95
Miton Group PLC	20,389,432	11.06
SFM UK Management LLP	15,660,000	8.49
Henderson Group plc	13,582,660	7.37
Unicorn Asset Management Limited	13,208,797	7.16
BlackRock, Inc	11,743,593	6.37
Artemis Investment Management LLP	11,311,000	6.13
Investec Asset Management Limited	7,250,000	3.93
Norges Bank	7,068,528	3.83
Cazenove Capital Management Limited	6,925,875	3.76
The Diverse Income Trust PLC	6,484,087	3.52

Directors and their interests

The directors who were in office during the year ended 31 March 2017, are shown on pages 24 and 25.

Details of directors' and connected persons' share interests in the company are shown in the Remuneration Report on page 33.

Going concern

The directors' consideration of going concern can be found in the accounting policies on page 40.

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 2017, 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 2017 the group contributed to charity £23,000 (2016 – £10,000). 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 28 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 2017 the number of days of parent company purchases outstanding was 30 days (2016 – 14 days).

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
13 June 2017

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 from 3 June 2016), John Dembitz (until 30 June 2016), Peter Johnson (until 3 June 2016), Michael de Kare-Silver and Chris Houghton (from 3 June 2016). John Gittins became a member of the committee when he joined the board on 22 September 2016. Three meetings were held 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 Dembitz (until 30 June 2016). John Gittins became a member of the committee when he joined the board on 22 September 2016. 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 31 to 33 of the annual report.

Audit committee

During the year the audit committee comprised our non-executive directors. These were Laura Carstensen (chairman until 22 September 2016), Michael de Kare-Silver and John Dembitz (until 30 June 2016). John Gittins became chairman of the committee when he joined the board on 22 September 2016. Chris Houghton and Martin Stewart and the group's 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 2017 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 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), Gary Woods, Martin Stewart, Russell Fairbrother and Steve Lock (head of IT). The risk management committee met four 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			
Martin Stewart	6			
Gary Woods	6			
Non-executive directors				
Peter Johnson (Chairman until 3 June 2016)	1			1
John Dembitz (until 30 June 2016)	1	1		1
Laura Carstensen (Chairman from 3 June 2016)	6	5	4	3
Michael de Kare-Silver	6	5	4	3
John Gittins (from 22 September 2016)	2	3	4	2
Scheduled meetings	**6**	**5**	**4**	**3**

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. John Dembitz had previously held the role.

Directors and directors' independence

The board currently comprises of the independent Non-Executive Chairman, two independent non-executive directors and three executive directors. The names of the directors, together with their biographical details, are set out on pages 24 and 25.

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 24 and 25;
- represents a significant shareholder; or
- has served on the board for more than nine years.

Mr Peter Johnson's resignation as Non-Executive Chairman took effect on 3 June 2016. He performed a number of pro-bono roles and the board is satisfied that these did not interfere with the discharge of his duties. Laura Carstensen became Non-Executive Chairman from that date.

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. 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.

The Senior Independent Director is available to shareholders if they have concerns which contact through the normal channels of Non-Executive Chairman and Chief Executive Officer has failed to resolve or for which such contact is inappropriate.

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 28.

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 in accordance with the Companies Act 2006. The directors have also decided to prepare voluntarily a Corporate Governance Statement as if the company were required to comply with the Listing Rules and the Disclosure Rules and Transparency Rules of the Financial Conduct Authority in relation to those matters, except for the preparation of a viability 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).

Remuneration Report

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 many 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 27.

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 33.

The 2013 LTIP was adopted by the remuneration committee on 18 July 2013. 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.

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, does not incorporate a market condition, but includes 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 22b.

Contracts

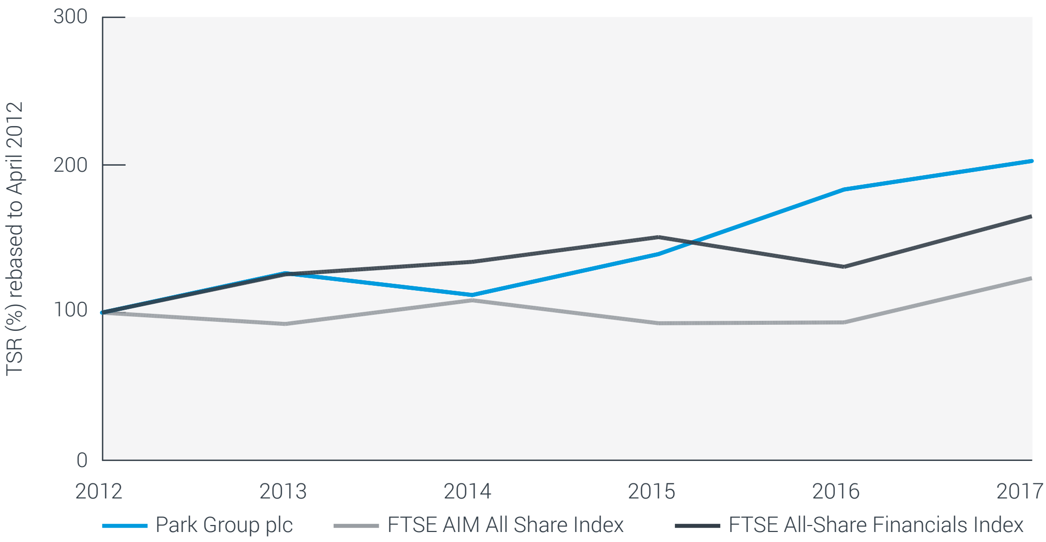
Details of executive directors' service contracts are given on page 24. At the date of this report all contracts had an unexpired term of 12 months. No contract provides for compensation payments on loss of office.

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 his own remuneration.

Total shareholder return (TSR)

The following graph charts the total cumulative shareholder return of the company since 1 April 2012, 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 2017 were:

	Salary or fees £'000	Performance related payments £'000	Benefits £'000	Total 2017 £'000	Total 2016 £'000	Pension costs 2017 £'000	Pension costs 2016 £'000
Executive							
C Houghton	226	32	78	**336**	302	**–**	–
M R Stewart	186	25	65	**276**	236	**–**	13
G A Woods	186	25	67	**278**	252	**–**	–
	598	82	210	**890**	790	**–**	13
Non-executive							
P R Johnson	11	–	–	**11**	65	**–**	–
J Dembitz	37	–	–	**37**	50	**–**	–
L Carstensen	65	–	–	**65**	43	**–**	–
M de Kare-Silver	43	–	–	**43**	43	**–**	–
J Gittins	21	–	–	**21**	–	**–**	–
	177	–	–	**177**	201	**–**	–
	775	82	210	**1,067**	991	**–**	13

Directors' share interests

The beneficial interests in the share capital of the company of the directors in office at 31 March 2017 and connected persons were as follows:

	Beneficial shareholding	
	31 March 2017	31 March 2016
C Houghton	**1,363,745**	1,290,192
M R Stewart	**977,719**	862,363
G A Woods	**1,000,000**	989,470
J Gittins	**–**	–
L Carstensen	**9,200**	8,810
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 2017	Exercise price	Date exercisable	Expiry date
C Houghton	**31,746**	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 2017	Granted in the year	Exercised in the year	Expired in the year	31 March 2016	Year[5] exercisable
C Houghton	**–**	–	(140,034)	(140,033)	280,067	2016[1]
	418,235	–	–	–	418,235	2017[2]
	98,000	–	–	–	98,000	2018[3]
	98,000	98,000	–	–	–	2019[4]
M R Stewart	**–**	–	(115,356)	(115,356)	230,712	2016[1]
	344,532	–	–	–	344,532	2017[2]
	81,000	–	–	–	81,000	2018[3]
	81,000	81,000	–	–	–	2019[4]
G A Woods	**–**	–	(115,356)	(115,356)	230,712	2016[1]
	344,532	–	–	–	344,532	2017[2]
	81,000	–	–	–	81,000	2018[3]
	81,000	81,000	–	–	–	2019[4]

1 subject to performance criteria as set out in LTIP plan dated 18 July 2013.
2 subject to performance criteria as set out in LTIP plan dated 05 Feb 2015.
3 subject to performance criteria as set out in LTIP plan dated 10 Mar 2016.
4 subject to performance criteria as set out in LTIP plan dated 02 June 2016.
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.

Share price information is given in note 22a to the accounts.

On behalf of the board

M de Kare-Silver
Chairman of the Remuneration Committee
Birkenhead
13 June 2017

To the members of Park Group plc

We have audited the financial statements of Park Group plc for the year ended 31 March 2017 which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Group and Company Statements of Financial Position, the Group and Company Statements of Cash Flow, the Group and Company Statements of Changes in Equity and the related notes 1 to 28.

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 the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 30, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

The company has also instructed us to audit the section of the Directors' Remuneration Report that has been described as audited and state whether it has been properly prepared in accordance with the basis of preparation described therein.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion:

- 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 2017 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 and 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.

Opinion on other matter 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;
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Opinion on other matter

In our opinion the part of the Directors' Remuneration Report that has been described as audited has been properly prepared in accordance with the basis of preparation described therein.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have identified no material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters where 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 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.

Stuart Watson (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
Liverpool
13 June 2017

Consolidated Income Statement
For the year to 31 March 2017

	Notes	2017 £'000	2016 £'000
Billings		**404,512**	385,031
Revenue	1	**310,927**	302,545
Cost of sales		**(280,758)**	(274,060)
Gross profit		**30,169**	28,485
Distribution costs		**(2,940)**	(2,909)
Administrative expenses		**(16,348)**	(15,176)
Operating profit		**10,881**	10,400
Finance income	3	**1,472**	1,523
Finance costs	3	**(2)**	(66)
Profit before taxation	1,2	**12,351**	11,857
Taxation	4	**(2,452)**	(2,169)
Profit for the year attributable to equity holders of the parent		**9,899**	9,688
Earnings per share	5		
– basic		**5.38p**	5.28p
– diluted		**5.29p**	5.18p

All activities derive from continuing operations.

Consolidated Statement of Comprehensive Income
For the year to 31 March 2017

	2017 £'000	2016 £'000
Profit for the year	**9,899**	9,688
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Remeasurement of defined benefit pension schemes	**572**	533
Deferred tax on defined benefit pension schemes	**(97)**	(96)
	475	437
Items that may be reclassified subsequently to profit or loss:		
Foreign exchange translation differences	**(28)**	(21)
Other comprehensive income for the year net of tax	**447**	416
Total comprehensive income for the year attributable to equity holders of the parent	**10,346**	10,104

Statements of Financial Position
As at 31 March 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Assets					
Non-current assets					
Goodwill	6	**2,202**	1,320	**–**	–
Other intangible assets	8	**2,682**	3,036	**58**	63
Investments	9	**–**	–	**8,904**	7,963
Property, plant and equipment	10	**7,688**	8,003	**613**	692
Deferred tax assets	11	**–**	–	**85**	62
Retirement benefit asset	20	**1,827**	1,390	**1,827**	1,390
		14,399	13,749	**11,487**	10,170
Current assets					
Inventories	12	**2,632**	2,182	**–**	–
Trade and other receivables	13	**9,096**	8,729	**7,464**	7,702
Tax receivable		**–**	–	**12**	–
Other financial assets	14	**200**	500	**–**	–
Monies held in trust	15	**83,018**	75,219	**–**	–
Cash and cash equivalents	16	**34,236**	32,735	**33,255**	31,368
		129,182	119,365	**40,731**	39,070
Total assets		**143,581**	133,114	**52,218**	49,240
Liabilities					
Current liabilities					
Trade and other payables	18	**(82,602)**	(79,022)	**(33,269)**	(34,737)
Tax payable		**(1,272)**	(1,019)	**–**	–
Provisions	19	**(46,164)**	(44,767)	**–**	(20)
		(130,038)	(124,808)	**(33,269)**	(34,757)
Non-current liabilities					
Deferred tax liability	11	**(194)**	(181)	**–**	–
Retirement benefit obligation	20	**(924)**	(1,700)	**–**	–
		(1,118)	(1,881)	**–**	–
Total liabilities		**(131,156)**	(126,689)	**(33,269)**	(34,757)
Net assets		**12,425**	6,425	**18,949**	14,483
Equity attributable to equity holders of the parent					
Share capital	22a	**3,687**	3,674	**3,687**	3,674
Share premium		**6,137**	6,132	**6,137**	6,132
Retained earnings		**2,912**	(3,070)	**9,125**	4,677
Other reserves		**(311)**	(311)	**–**	–
Total equity		**12,425**	6,425	**18,949**	14,483

The company reported a profit for the financial year ended 31 March 2017 of £8,489,000 (2016 – £2,159,000).

Approved by the board of directors and signed on its behalf on 13 June 2017.

C Houghton
Chief Executive Officer

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Other reserves £'000	Retained earnings £'000	Total equity £'000
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	–	–	–	572	572
Tax on defined benefit pension schemes	–	–	–	(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 including tax	–	–	–	701	701
Exercise of share options	–	5	–	–	5
LTIP shares awarded	13	–	–	(13)	–
Dividends	–	–	–	(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**
Balance at 1 April 2015	3,650	6,132	(311)	(9,638)	(167)
Total comprehensive income for the year					
Profit	–	–	–	9,688	9,688
Other comprehensive income					
Remeasurement of defined benefit pension schemes	–	–	–	533	533
Tax on defined benefit pension schemes	–	–	–	(96)	(96)
Foreign exchange translation adjustments	–	–	–	(21)	(21)
Total other comprehensive income	–	–	–	416	416
Total comprehensive income for the year	–	–	–	10,104	10,104
Transactions with owners, recorded directly in equity					
Equity settled share-based payment transactions	–	–	–	868	868
LTIP shares awarded	24	–	–	(24)	–
Dividends	–	–	–	(4,380)	(4,380)
Total contributions by and distribution to owners	24	–	–	(3,536)	(3,512)
Balance at 31 March 2016	3,674	6,132	(311)	(3,070)	6,425

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

Company Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Retained earnings £'000	Total parent equity £'000
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	–	–	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 including tax	–	–	701	701
Exercise of share options	–	5	–	5
LTIP shares awarded	13	–	(13)	–
Dividends	–	–	(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**
Balance at 1 April 2015	3,650	6,132	6,010	15,792
Total comprehensive income for the year				
Profit	–	–	2,159	2,159
Other comprehensive income				
Remeasurement of defined benefit pension scheme	–	–	54	54
Tax on defined benefit pension scheme	–	–	(10)	(10)
Total other comprehensive income	–	–	44	44
Total comprehensive income for the year	–	–	2,203	2,203
Transactions with owners, recorded directly in equity				
Equity settled share-based payment transactions	–	–	868	868
LTIP shares awarded	24	–	(24)	–
Dividends	–	–	(4,380)	(4,380)
Total contributions by and distribution to owners	24	–	(3,536)	(3,512)
Balance at 31 March 2016	3,674	6,132	4,677	14,483

Statements of Cash Flows
For the year to 31 March 2017

	Notes	Group 2017 £'000	Group 2016 £'000	Company 2017 £'000	Company 2016 £'000
Cash flows from operating activities					
Cash generated from/(used in) operations	24	**9,903**	12,184	**(2,358)**	7,054
Interest received		**1,540**	1,405	**150**	127
Interest paid		**(1)**	(66)	**(1)**	(66)
Tax paid		**(2,258)**	(2,490)	**(2,309)**	(2,489)
Net cash generated from/(used in) operating activities		**9,184**	11,033	**(4,518)**	4,626
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		**1**	–	**–**	–
Sale of investment property and assets held for sale		**–**	43	**–**	–
Proceeds from sale of investments		**–**	9	**–**	8
Dividends received from group companies		**–**	–	**12,500**	6,000
Purchase of intangible assets		**(370)**	(599)	**(28)**	(25)
Purchase of property, plant and equipment		**(347)**	(527)	**(239)**	(340)
Purchase of investments in subsidiaries		**(876)**	–	**(876)**	–
Net cash (used in)/generated from investing activities		**(1,592)**	(1,074)	**11,357**	5,643
Cash flows from financing activities					
Proceeds of exercise of share options		**5**	–	**5**	–
Dividends paid to shareholders		**(5,052)**	(4,380)	**(5,052)**	(4,380)
Net cash used in financing activities		**(5,047)**	(4,380)	**(5,047)**	(4,380)
Net increase in cash and cash equivalents		**2,545**	5,579	**1,792**	5,889
Cash and cash equivalents at beginning of period		**28,817**	23,238	**31,336**	25,447
Cash and cash equivalents at end of period		**31,362**	28,817	**33,128**	31,336
Cash and cash equivalents comprise:					
Cash	16	**34,236**	32,735	**33,255**	31,368
Bank overdrafts	18	**(2,874)**	(3,918)	**(127)**	(32)
		31,362	28,817	**33,128**	31,336

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 the inside back cover.

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 and 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 19 of the Strategic Report. The financial position of the group, its cash flows, liquidity and solvency position and financial risks are described on pages 20 to 23 of the Strategic Report. In addition notes 28, 14, 15 and 16 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 despite the group's net current liabilities. Funds are available for working capital purposes as permitted under the terms of the PPPT. The group's working capital requirements are dependent upon a continuing level of prepaid sales to corporate customers and, at certain times during the year, amounts are available to be drawn from the PPPT to meet its working capital requirements (under the terms set out in note 15). The group's positive cash flow from its ongoing customer base, together with the capability to drawdown funds from the PPPT at certain times of the year, enables it to operate without reliance on any external funding. 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 period:

IAS 16 & IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (amendment)	1 Jan 2016
IAS 27	Equity Method in Separate Financial Statements (amendment)	1 Jan 2016
IAS 1	Disclosure Initiative (amendment)	1 Jan 2016
IFRS 10, IFRS 12 & IAS 28	Investment Entities: Applying the Consolidation Exception (amendment)	1 Jan 2016

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 2017 and have not been applied in preparing the financial statements. Those standards that have relevance to the group are mentioned below:

		Effective from:
IAS 7	Disclosure Initiative (amendment)	1 Jan 2017
IAS 12	Recognition of Deferred Tax Assets for Unrealised Losses (amendment)	1 Jan 2018
IFRS 2	Classification and measurement of share-based payment transactions	1 Jan 2018
IFRS 9	Financial Instruments	1 Jan 2018
IFRS 16	Leases	1 Jan 2019

The directors anticipate that the adoption of these standards and interpretations in future periods will not have a material impact on the financial statements when the relevant standards and interpretations come into effect.

IFRS 15 Revenue from Contracts with Customers

IFRS15 introduces a new five-step approach to measuring and recognising revenue from contracts with customers and will be 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.

Changes to International Financial Reporting Standards continued

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:

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 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.

Business combinations continued
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.

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 2017.

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 of vouchers, a provision is made for the redemption liability arising.

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. Revenue is recorded net of VAT, rebates and discounts.

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.

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 CGUs 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 market value wherever possible or discounted cash flows.

Property, plant and equipment

Property, plant 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.

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.

Assets held for sale

The group classifies assets as held for sale if their carrying amount will be recovered through a sale transaction rather than continuing use. The condition is met when the sale is highly probable, the asset is available for immediate sale in its present condition and is being actively marketed. In addition, the group must be committed to the sale and completion should be expected to occur within one year from the date of classification. Assets held for sale are valued at the lower of carrying value and fair value less costs to sell, and are no longer depreciated.

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.

Financial instruments continued

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.

Monies held under the declaration of trust with the PPPT and the PCSET on behalf of customers, card holders and redeemers is 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.

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 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 where the cardholder does not have the right of redemption for cash (corporate gifted cards), are included at their fair value at the date of initial 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.

Employee benefits continued

Defined benefit plan

The present value of the defined benefit obligation less the fair value of the plan assets is recognised in the statement of financial position as the retirement benefit obligation.

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 half 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.

An expense is recognised in respect of the fair value of the share options at the date of grant. This is calculated using monte carlo simulation and the binomial method. A corresponding amount is recorded as an increase in equity. This expense is spread 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.

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 shareholder's 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. 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: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. 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 to the extent that it is probable that future 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. In applying the accounting policies set out above, the group make significant estimates and judgements that affect the reported amounts of assets and liabilities as follows:

Provisions (£46.16m unredeemed vouchers and corporate gifted cards)

Unredeemed vouchers and cards

A provision is made in respect of unredeemed vouchers and cards of £46.16m. 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.

Short term variations in the redemption profile would not be reflected in the provision until further evidence was obtained that the changes in consumer behaviour were sustained in the long term. Consequently the provision for redemption is not sensitive to such variations.

Goodwill (£2.20m) and other intangible assets (£2.68m)

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 receivable. 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.

Within other intangible assets are agency customer lists of £0.16m. These 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. These cash flows are reviewed on an annual basis and where necessary an appropriate provision for impairment is made. The impairment review relies on a number of assumptions which include both estimates and judgements.

Pensions (£1.83m surplus, £0.92m deficit)

The valuation of the pension surplus and deficit uses actuarial valuations and assumptions regarding discount rate, future salary increases, future pension increases, mortality rates and recoverability of any surplus. Any differences to the assumptions made may necessitate a material adjustment to the pension surplus and deficit in the statement of financial position.

Notes to the Accounts

1 Segmental reporting

Details of operating segments can be found on page 20 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.

At the beginning of the period under review, the business and assets of MaximB2B Limited were transferred to our corporate business. Segmental figures for billings, revenue, profit, assets and liabilities have been adjusted in the prior year to reflect the fact that this business is now solely within the corporate segment.

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					9,899

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

	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, property, plant and equipment and trade and other receivables. All other segments liabilities comprise primarily of bank overdraft and trade and other payables.

1 Segmental reporting continued

2016	Consumer £'000	Corporate £'000	All other segments £'000	Elimination £'000	Group £'000
Billings					
External billings	211,522	173,509	–	–	385,031
Inter-segment billings	–	143,152	–	(143,152)	–
Total billings as reported at 31 March 2016	211,522	316,661	–	(143,152)	385,031
Reclassification of MaximB2B	(3,170)	3,170	–	–	–
Total billings as restated at 31 March 2016	208,352	319,831	–	(143,152)	385,031
Revenue					
External revenue	173,045	129,500	–	–	302,545
Inter-segment revenue	–	143,152	–	(143,152)	–
Total revenue as reported at 31 March 2016	173,045	272,652	–	(143,152)	302,545
Reclassification of MaximB2B	(3,170)	3,170	–	–	–
Total revenue as restated at 31 March 2016	169,875	275,822	–	(143,152)	302,545
Results					
Segment operating profit/(loss) as reported at 31 March 2016	6,823	6,013	(2,436)		10,400
Reclassification of MaximB2B	–	(16)	16		–
Segment operating profit/(loss) as restated at 31 March 2016	6,823	5,997	(2,420)		10,400
Finance income					1,523
Finance costs					(66)
Profit before taxation					11,857
Taxation					(2,169)
Profit from continuing operations					9,688

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

	Consumer £'000	Corporate £'000	All other segments £'000	Group £'000
Segment assets as reported at 31 March 2016	74,608	23,670	34,836	133,114
Reclassification of MaximB2B	–	142	(142)	–
Segment assets as restated at 31 March 2016	74,608	23,812	34,694	133,114
Segment liabilities as reported at 31 March 2016	64,402	57,695	4,592	126,689
Reclassification of MaximB2B	–	233	(233)	–
Segment liabilities as restated at 31 March 2016	64,402	57,928	4,359	126,689
Other segment items				
Capital expenditure	277	250	–	527
Depreciation	401	266	–	667
Other intangible asset additions	268	331	–	599
Amortisation of other intangible assets	278	437	–	715
Impairment of intangible assets	5	8	–	13

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

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 2017.

2 Profit before taxation

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

	2017 £'000	2016 £'000
Staff costs	**13,544**	12,768
Cost of inventories recognised as an expense (included in cost of sales)	**70,240**	56,184
Write down of inventories recognised as an expense (included in cost of sales)	**2**	22
Depreciation of property, plant and equipment	**681**	667
Amortisation of other intangibles	**724**	715
Impairment of other intangibles	**–**	13
Other operating leases payable:		
– plant and machinery	**44**	38
– property	**74**	36
Repairs and maintenance on property, plant and equipment	**418**	437

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:

	2017 £'000	2016 £'000
Fees payable to the company's auditor for the audit of the company's annual accounts	**66**	45
Fees payable to the company's auditor and its associates for other services:		
– audit of subsidiaries and associates pursuant to legislation	**94**	64
– other services pursuant to legislation	**12**	12
– expenses	**2**	8
	174	129

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

	2017 £'000	2016 £'000
Finance income:		
Bank interest receivable	**1,470**	1,518
Other interest receivable	**2**	5
	1,472	1,523
Finance costs:		
Other interest payable	**2**	66

4 Taxation

	2017		2016	
	£'000	**£'000**	£'000	£'000
Analysis of income statement charge in period				
Current tax	**2,564**		2,408	
Adjustments to current tax in respect of prior periods	**(4)**		(165)	
		2,560		2,243
Deferred tax	**(112)**		(125)	
Adjustments to deferred tax in respect of prior periods	**4**		51	
		(108)		(74)
Taxation		**2,452**		2,169
Tax charged directly to other comprehensive income				
Deferred tax on actuarial losses on defined benefit pension plans		**97**		96
Tax charged/(credited) directly to equity				
Corporation tax on share options		**(55)**		(123)
Deferred tax on share options		**24**		(114)
		(31)		(237)

The tax for the period is lower (2016 – lower) than the standard rate of corporation tax in the UK of 20 per cent (2016 – 20 per cent). The differences are explained below:

	2017 £'000	2016 £'000
Profit on ordinary activities before tax	**12,351**	11,857
Expected tax charge at 20 per cent (2016 – 20 per cent)	**2,470**	2,371
Effects of:		
Adjustments to tax in respect of prior periods	**–**	(114)
Expenses not deductible for tax purposes	**2**	8
Share-based payment relief	**–**	(62)
Effect of rate change on current year deferred tax	**(20)**	(34)
Total taxation	**2,452**	2,169

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:

	2017 £'000	2016 £'000
Earnings		
Total earnings for year	**9,899**	9,688

5 Earnings per share continued

	2017	2016
Weighted average number of shares		
Basic EPS – weighted average number of shares	**183,905,844**	183,658,227
Diluting effect of employee share options and LTIP awards	**3,331,939**	3,544,265
Diluted EPS – weighted average number of shares	**187,237,783**	187,202,492

	2017	2016
Basic EPS		
Weighted average number of ordinary shares in issue	**183,905,844**	183,658,227
EPS (p)	**5.38**	5.28

	2017	2016
Diluted EPS		
Weighted average number of ordinary shares	**187,237,783**	187,202,492
EPS (p)	**5.29**	5.18

6 Goodwill

Group

	£'000
Deemed cost	
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

	£'000
Deemed cost	
At 31 March 2015 and 2016	4,166
Impairment	
At 31 March 2015 and 2016	2,846
Net book amount	
At 31 March 2015 and 2016	1,320

6 Goodwill continued

Goodwill allocation to CGUs

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

CGUs	Goodwill at 1 April 2016 £'000	Additions £'000	Impairment £'000	**Goodwill at 31 March 2017 £'000**
Consumer	1,320	–	–	**1,320**
Corporate	–	882	–	**882**
Net book amount	1,320	882	–	**2,202**

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 (£147,000)

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

- The order position for the forthcoming Christmas.
- The budgeted gross margins. These are based on the average achieved in the last 12 month period. 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 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. No revenue growth has been factored into the data used in the calculation (2016 – nil).

The resulting cash flows were discounted using a pre-tax discount rate of 6 per cent (2016 – 7 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 the average achieved in the last 12 month period. 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 2.25 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.

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

7 Acquisition of Fisher Moy International Limited

Park Group plc acquired the entire share capital of Fisher Moy International Limited (FMI) on 4 October 2016. FMI is a strategic brand engagement consultancy working with a number of blue-chip clients. The acquisition will give Park the opportunity to engage with a wide range of public companies to offer our extensive range of incentive and reward products. Also, FMI's status as part of Park should enable FMI to target increasingly larger corporate clients.

The fair value of the identifiable assets and liabilities at the acquisition date are set out below. Accounting standards permit up to 12 months for provisional acquisition accounting to be finalised following the acquisition date, if any subsequent information provides better evidence of the item's fair value at the date of acquisition.

7 Acquisition of Fisher Moy International Limited continued

	Fair value £'000
Tangible fixed assets	19
Stock	1
Debtors	449
Cash at bank and in hand	1
Trade and other payables	(411)
Fair value of net assets acquired	59
Goodwill	882
Net assets acquired	**941**
Cash consideration	876
Contingent consideration arrangement	65
Total consideration	**941**

The goodwill of £882,000 arising on the acquisition is the value the group has placed on the skills and expertise of the management of FMI.

The contingent consideration arrangement required certain profit targets to be met in each of the first two years following acquisition. The group currently estimates that the maximum amount they will have to pay under this arrangement is £65,000. This amount is shown within other payables in notes 18 and 28.

FMI contributed £847,000 of revenue and a loss of £101,000 to the group results for the period between the date of acquisition and the year end.

If the acquisition of FMI had been completed on the first day of the financial year, group revenues would have been £312,030,000 and group profit before tax would have been £12,357,000.

8 Other intangible assets

Group

	Computer software £'000	Agency customer lists £'000	Total £'000
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

8 Other intangible assets continued

	Computer software £'000	Agency customer lists £'000	Total £'000
Cost			
At 1 April 2015	8,199	2,350	10,549
Additions – internally developed assets	275	–	275
Additions – externally purchased assets	324	–	324
Disposals	(4)	–	(4)
At 31 March 2016	8,794	2,350	11,144
Amortisation and impairment			
At 1 April 2015	5,313	2,068	7,381
Amortisation charge for the year	642	73	715
Impairment	13	–	13
Disposals	(1)	–	(1)
At 31 March 2016	5,967	2,141	8,108
Net book amount			
At 31 March 2016	2,827	209	3,036
At 31 March 2015	2,886	282	3,168

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.

8 Other intangible assets continued

Company

	Computer software £'000
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

Cost	
At 1 April 2015	2,240
Additions	25
At 31 March 2016	2,265
Amortisation and impairment	
At 1 April 2015	2,158
Amortisation charge for the year	44
At 31 March 2016	2,202
Net book amount	
At 31 March 2016	63
At 31 March 2015	82

9 Investments

Company

	Shares in subsidiary undertakings £'000
Cost	
At 1 April 2016	8,524
Additions	941
At 31 March 2017	**9,465**
Provisions	
At 31 March 2016 and 2017	**561**
Net book amount	
At 31 March 2017	**8,904**
At 31 March 2016	7,963

9 Investments continued

At 31 March 2017 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
Park Christmas Savings Club Limited[2]	Mail order agency cash savings
Country Christmas Savings Club Limited[2]	Mail order agency cash savings
Family Christmas Savings Club Limited[1]	Mail order agency cash savings
Handling Solutions Limited[2]	Contract packing
High Street Vouchers Limited[2]	Voucher sales
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 Travel Service Limited[1]	Travel agency
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
MaximB2B Limited[3]	Sales and marketing
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
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 the inside back cover.

10 Property, plant and equipment

Group

	Land and buildings £'000	Plant and equipment £'000	Vehicles £'000	Total £'000
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
Cost or valuation				
At 1 April 2015	15,636	6,718	22	22,376
Additions at cost	–	527	–	527
At 31 March 2016	15,636	7,245	22	22,903
Accumulated depreciation				
At 1 April 2015	8,474	5,737	22	14,233
Charge in year	234	433	–	667
At 31 March 2016	8,708	6,170	22	14,900
Net book amount				
At 31 March 2016	6,928	1,075	–	8,003
At 31 March 2015	7,162	981	–	8,143

10 Property, plant and equipment continued

Company

	Land and buildings £'000	Plant and equipment £'000	Total £'000
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
Cost or valuation			
At 1 April 2015	31	4,836	4,867
Additions at cost	–	339	339
At 31 March 2016	31	5,175	5,206
Accumulated depreciation			
At 1 April 2015	31	4,163	4,194
Charge in year	–	320	320
At 31 March 2016	31	4,483	4,514
Net book amount			
At 31 March 2016	–	692	692
At 31 March 2015	–	673	673

11 Deferred tax

Group

	2017 £'000	2016 £'000
Deferred tax asset	**334**	322
Deferred tax liability	**(528)**	(503)
Net deferred tax liability	**(194)**	(181)

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 (2016 – 20 per cent, 19 per cent or 18 per cent).

11 Deferred tax continued

The movement on the deferred tax account is shown below:

	2017 £'000	2016 £'000
At 1 April	**(181)**	(273)
Income statement credit	**108**	74
Statement of comprehensive income charge	**(97)**	(96)
Amounts (charged)/credited directly to equity	**(24)**	114
At 31 March	**(194)**	(181)

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 (2016 – £20,624,000) and on capital losses of £2,038,000 (2016 – £2,038,000).

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

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

Deferred tax liabilities	Retirement benefit obligation £'000	Property, plant and equipment £'000	Total £'000
At 1 April 2016	–	(503)	(503)
Credited to income statement	–	128	128
Transferred from assets	(153)	–	(153)
At 31 March 2017	**(153)**	**(375)**	**(528)**
At 1 April 2015	–	(557)	(557)
Credited to income statement	–	54	54
At 31 March 2016	–	(503)	(503)

Deferred tax assets	Retirement benefit obligation £'000	Share options £'000	Total £'000
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**
At 1 April 2015	268	16	284
(Charged)/credited to income statement	(116)	136	20
Charged to statement of comprehensive income	(96)	–	(96)
Credited to equity	–	114	114
At 31 March 2016	56	266	322

Company

	2017 £'000	2016 £'000
Deferred tax asset	**394**	311
Deferred tax liability	**(309)**	(249)
Net deferred tax asset	**85**	62

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.

11 Deferred tax continued

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 (2016 – 20 per cent, 19 per cent or 18 per cent).

The movement on the deferred tax account is shown below:

	2017 £'000	2016 £'000
At 1 April	**62**	(159)
Income statement credit	**113**	117
Statement of comprehensive income charge	**(66)**	(10)
Amounts (charged)/credited directly to equity	**(24)**	114
At 31 March	**85**	62

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 (2016 – £440,000).

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

Deferred tax liabilities	Retirement benefit obligation £'000	Total £'000
At 1 April 2016	(249)	(249)
Credited to income statement	6	6
Charged to statement of comprehensive income	(66)	(66)
At 31 March 2017	**(309)**	**(309)**
At 1 April 2015	(258)	(258)
Credited to income statement	19	19
Charged to statement of comprehensive income	(10)	(10)
At 31 March 2016	(249)	(249)

Deferred tax assets	Property, plant and equipment £'000	Share options £'000	Total £'000
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**
At 1 April 2015	83	16	99
(Charged)/credited to income statement	(38)	136	98
Credited to equity	–	114	114
At 31 March 2016	45	266	311

12 Inventories

Group

	2017 £'000	2016 £'000
Raw materials	**190**	196
Finished goods	**2,442**	1,986
	2,632	2,182

The cost of inventories recognised as an expense in the year is £70,240,000 (2016 – £56,184,000).

The write down of inventories recognised as an expense in the period is £2,000 (2016 – write down of inventories recognised as an expense in the period £22,000).

13 Trade and other receivables

Group

Current assets	2017 £'000	2016 £'000
Trade receivables	**6,506**	6,233
Less: Provision for impairment of receivables	**(5)**	–
Trade receivables – net	**6,501**	6,233
Other receivables	**1,556**	1,622
Prepayments	**1,039**	874
	9,096	8,729

Of the trade receivables net balance above, £6,307,000 is due within one month, with the remaining £194,000 falling due in more than one but less than three months. Other receivables are due within one month.

Credit quality of trade receivables	2017 £'000	2016 £'000
Neither past due nor impaired	**5,127**	4,892
Past due but not impaired	**1,374**	1,341
Past due and impaired	**5**	–
Total	**6,506**	6,233

The group has charged £5,000 in respect of the provision for impairment of receivables during the year (2016 – £nil).

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

	2017 £'000	2016 £'000
At 1 April	**–**	(39)
Additional provisions	**(5)**	–
Amounts used	**–**	39
At 31 March	**(5)**	–

Company

	2017 £'000	2016 £'000
Receivables from subsidiaries	**6,285**	6,671
Other receivables	**413**	448
Prepayments	**766**	583
	7,464	7,702

Other receivables are due within one month.

14 Other financial assets

Group

	2017 £'000	2016 £'000
Bank deposit	**200**	500

This comprises a deposit with a bank which has a maturity date of 20 November 2017 (2016 – maturity date 18 November 2016). 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.

15 Monies held in trust

Group

	2017 £'000	2016 £'000
Park Prepayments Protection Trust	**58,982**	56,128
E money Trust	**24,036**	19,091
Monies held in trust	**83,018**	75,219

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.

All monies held in trust have a maturity date of less than two years. The timing of the release of the monies to the group from PPPT is as detailed above. The release of monies from the E money Trust occurs as the obligations fall due.

16 Cash and cash equivalents

Group

	2017 £'000	2016 £'000
Cash at bank and in hand	**34,236**	32,735

All cash held at bank at 31 March 2017 had a maturity date of less than three months (2016 – less than one month).

Company

	2017 £'000	2016 £'000
Cash at bank and in hand	**33,255**	31,368

All cash held at bank at 31 March 2017 had a maturity date of less than three months (2016 – less than one month).

17 Assets held for sale

Group

	2017 £'000	2016 £'000
At 1 April	–	39
Disposal	–	(39)
At 31 March	**–**	–

18 Trade and other payables

Group

	2017 £'000	2016 £'000
Bank overdraft	**2,874**	3,918
Trade payables	**60,846**	56,049
Payables in respect of cards and vouchers	**13,585**	13,982
Other taxes and social security payable	**1,633**	1,523
Other payables	**1,938**	2,336
Accruals and deferred income	**1,726**	1,214
	82,602	79,022

The cashbook overdraft has arisen due to the timing of unpresented cheques.

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

	2017 £'000	2016 £'000
Not later than one month	**73,654**	69,749
Later than one month and not later than three months	**777**	282
	74,431	70,031

Trade payables include agents' prepayments for products that will be supplied prior to Christmas 2017. 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

	2017 £'000	2016 £'000
Bank overdraft	**127**	32
Trade payables	**257**	122
Other taxes and social security payable	**119**	117
Payables to subsidiaries	**32,354**	34,245
Other payables	**177**	119
Accruals and deferred income	**235**	102
	33,269	34,737

Trade payables and other payables are due within one month.

19 Provisions

Group

	Vouchers			Corporate gifted cards				
	Gross £'000	Impact of discounting £'000	Net £'000	Gross £'000	Impact of discounting £'000	Net £'000	Payment protection insurance £'000	Total £'000
At 1 April 2016	36,266	(345)	35,921	8,901	(75)	8,826	20	44,767
Arising on vouchers/cards despatched in period at date of despatch	31,941	(229)	31,712	10,224	(70)	10,154	–	41,866
Increase in provision arising from the unwind of the discount recorded on initial recognition	–	319	319	–	70	70	–	389
Vouchers/cards issued in prior periods, utilised in current period	(32,760)	–	(32,760)	(8,087)	–	(8,087)	–	(40,847)
Payment protection insurance provision used in period	–	–	–	–	–	–	(11)	(11)
At 31 March 2017	**35,447**	**(255)**	**35,192**	**11,038**	**(75)**	**10,963**	**9**	**46,164**

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.

Company

	Payment protection insurance £'000
At 1 April 2016	20
Provision transferred to subsidiary company	(20)
At 31 March 2017	**–**

20 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.

20 Retirement benefit obligation continued

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 2013, for both schemes, have been updated by a qualified independent actuary on an approximate basis to 31 March 2017. There have been no changes in the valuation methodology adopted for this years 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.

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

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Present value of pension obligation	**(21,404)**	(17,670)	**(1,739)**	(1,631)
Fair value of scheme assets	**22,307**	17,360	**3,566**	3,021
Net pension (liability)/surplus	**903**	(310)	**1,827**	1,390
– comprising schemes in asset surplus	**1,827**	1,390	**1,827**	1,390
– comprising schemes in asset deficit	**(924)**	(1,700)	**–**	–

The amounts recognised in the income statement are as follows:

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Past service cost	**–**	109	**–**	–
Net interest cost	**(1)**	37	**(50)**	(42)
Components of defined benefit costs recognised in the income statement	**(1)**	146	**(50)**	(42)

The past service cost related to the impact of the augmentation to pensions in payment due to the change in the equalisation date from 17 May 1990 to 1 August 1991 in line with the scheme funding valuation completed for the trustees as at 31 March 2013. This rectification for pensions in payment was agreed in July 2014 and amendments to pensions in payment were made on 30 June 2015.

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

Analysis of amount to be recognised in the SOCI:

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Return on scheme assets	**4,222**	(656)	**538**	(42)
Experience gains and (losses) arising on the defined benefit obligation	**261**	255	**20**	42
Effects of changes in the demographic assumptions underlying the present value of the defined benefit obligation	**465**	–	**66**	–
Effects of changes in the financial assumptions underlying the present value of the defined benefit obligation	**(4,376)**	934	**(235)**	54
Remeasurements of defined benefit schemes recognised in the SOCI	**572**	533	**389**	54

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.

20 Retirement benefit obligation continued

Fair value of scheme assets:

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Equities	**12,000**	7,759	**–**	–
Diversified growth assets (DGA)	**2,900**	2,180	**–**	–
Gilts	**3,512**	2,968	**3,512**	2,968
Liability driven investment (LDI)	**2,353**	–	**–**	–
Corporate bonds	**–**	3,025	**–**	–
Property	**1,400**	1,290	**–**	–
Cash and other	**142**	138	**54**	53
Total assets	**22,307**	17,360	**3,566**	3,021

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.

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

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Fair value of scheme assets at the start of the period	**17,360**	17,372	**3,021**	3,065
Interest income	**627**	574	**107**	99
Return on scheme assets	**4,220**	(656)	**536**	(42)
Contributions by employer	**643**	643	**–**	–
Contributions by employees	**–**	–	**–**	–
Benefits paid	**(543)**	(573)	**(98)**	(101)
Fair value of plan assets at the end of the period	**22,307**	17,360	**3,566**	3,021

Actual return on scheme assets for the year to 31 March 2017 was £4,204,000 for the PG scheme and £643,000 for the PF scheme.

Present value of obligations:

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

	Group		Company	
	2017 £'000	2016 £'000	**2017 £'000**	2016 £'000
Opening defined benefit obligation	**17,670**	18,713	**1,631**	1,772
Interest cost	**626**	610	**57**	56
Actuarial (gains)/losses due to scheme experience	**(261)**	(255)	**(20)**	(42)
Actuarial gains due to changes in demographic assumptions	**(465)**	–	**(66)**	–
Actuarial (gains)/losses due to changes in financial assumptions	**4,376**	(934)	**235**	(54)
Benefits paid	**(542)**	(573)	**(98)**	(101)
Past service costs	**–**	109	**–**	–
Closing defined benefit obligation	**21,404**	17,670	**1,739**	1,631

The average duration of the defined benefit obligation at 31 March 2017 is 20 years for the PG scheme and 11 years for the PF scheme.

20 Retirement benefit obligation continued

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.

	2017 % per annum	2016 % per annum
Financial and related actuarial assumptions:		
Discount rate	**2.60**	3.60
Inflation (RPI)	**3.50**	3.20
Inflation (CPI)	**2.50**	2.20
Future salary increases*	**2.50**	2.20
Allowance for revaluation of deferred pensions of CPI or 5 per cent pa if less*	**2.50**	2.20
Allowance for revaluation of deferred pensions of CPI or 2.5 per cent pa if less*	**2.50**	2.20
Allowance for pension in payment increases of CPI or 5 per cent pa if less*	**2.50**	2.20
Allowance for pension in payment increases of CPI or 3 per cent pa if less*	**2.50**	2.20
Allowance for pension in payment increases of CPI or 2.5 per cent pa if less*	**2.50**	2.20
Allowance for pension in payment increases of RPI or 8.55 per cent pa if less**	**3.50**	3.20
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 per cent of the standard tables S2PxA, year of birth, no age rating for males and females, projected using Continuous Mortality Investigation (CMI) _ 2015 converging to 1 per cent pa. These imply the following life expectancies:

	2017 Years	2016 Years
Life expectancy at age 65 for:		
Male – retiring in 2017	**22.0**	22.3
Female – retiring in 2017	**24.0**	24.6
Male – retiring in 2037	**23.3**	23.7
Female – retiring in 2037	**25.5**	26.1

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	decrease of 0.25 per cent pa	increase by 4.9 per cent
Rate of inflation	increase of 0.25 per cent pa	increase by 3.6 per cent
Rate of salary growth	increase of 0.25 per cent pa	increase by 0.8 per cent
Rate of mortality	increase in life expectancy of 1 year	increase by 2.8 per cent
PF scheme:		
Discount rate	decrease of 0.25 per cent pa	increase by 2.7 per cent
Rate of inflation	increase of 0.25 per cent pa	increase by 2.7 per cent
Rate of mortality	increase in life expectancy of 1 year	increase by 4.9 per cent

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.

20 Retirement benefit obligation continued

Funding:

The group expects to contribute a fixed amount of £643,404 per annum to the PG scheme for the accounting period commencing 1 April 2017. This is based upon the current schedule of contributions following the actuarial valuation carried out as at 31 March 2013. 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 2017 was £717,000 (2016 – £743,000) for the defined contribution pension schemes. At 31 March 2017, contributions of £60,000 (2016 – £62,000) were outstanding, which represented the contributions for the month of March.

21 Employees and directors

Group

Employee benefit expense for the group during the year

	2017 £'000	2016 £'000
Wages and salaries	**10,910**	10,114
Social security costs	**1,135**	1,084
Other pension costs	**771**	889
Share-based payments	**669**	631
Other benefits	**59**	50
	13,544	12,768

Average monthly number of people (including executive directors) employed

	2017 Number	2016 Number
Consumer	**183**	200
Corporate	**146**	133
All other segments	**10**	11
Average number employed	**339**	344

Key management compensation

	2017 £'000	2016 £'000
Salaries and short term employee benefits	**1,067**	991
Post-employment benefits	**–**	13
Gain on exercise of share options and LTIPs	**256**	478
Share-based payments	**343**	340
	1,666	1,822

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 32 and 33.

22a Share capital

Group and Company

	No of shares	£'000
Authorised: Ordinary shares of 2p each		
At 31 March 2016 and 2017	**195,000,000**	**3,900**
Allotted, called up and fully paid		
At 1 April 2016	183,706,277	3,674
SAYE options exercised	7,936	–
LTIP shares awarded	654,265	13
At 31 March 2017	**184,368,478**	**3,687**

22b 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.

UESOS and AESOS:

Options are granted at the discretion of directors. Options can only be exercised during the option exercise period, being the period commencing on the third anniversary of the date of the grant of the option and ending on the day before the tenth such anniversary. The remaining options under these two schemes were exercised during the year ended 31 March 2014 leaving no outstanding options. No further awards have been made.

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:

	2017		2016	
	Number	**Weighted average exercise price (p)**	Number	Weighted average exercise price (p)
Outstanding at 1 April	**3,771,049**	**–**	4,819,204	–
Granted	**473,000**	**–**	473,000	–
Expired	**(654,266)**	**–**	(316,097)	–
Exercised	**(654,265)**	**–**	(1,205,058)	–
Outstanding at 31 March	**2,935,518**	**–**	3,771,049	–

22b Share-based payments continued

	2017		2016	
	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	**654,265**	**69.00**	1,205,058	70.00

	2017	2016
LTIP awards outstanding at end of period		
Weighted average remaining contractual life	**0.2 years**	1.0 years

SAYE:

	2017		2016	
	Number	**Weighted average exercise price (p)**	Number	Weighted average exercise price (p)
Outstanding at 1 April	**673,309**	**12.90**	–	–
Granted	**–**	**–**	751,086	12.90
Cancelled	**–**	**–**	(58,730)	12.50
Forfeited	**(13,648)**	**13.40**	(19,047)	13.40
Exercised	**(7,936)**	**13.40**	–	–
Outstanding at 31 March	**651,725**	**12.90**	673,309	12.90
Exerciseable at 31 March	**–**	**–**	–	–

	2017	2016
SAYE awards outstanding at end of period		
Weighted average remaining contractual life	**1.8 years**	2.8 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 2013-16	LTIP 2014-17	SAYE 2015-18	LTIP 2015-18	LTIP 2016-19
Grant date	18.07.13	05.02.15	10.07.15	10.03.16	09.12.16
Share price at grant date	54.12p	60.37p	65.00p	74.00p	69.00p
Exercise price	Nil	Nil	56.70p	Nil	Nil
Number of shares under option or provisionally awarded	1,308,531	1,989,518	751,086	473,000	473,000
Option/award life (years)	3	2.33	3	2.29	2.56
Expected volatility	32%	28%	32.72%	35%	35%
Risk free rate	1.17%	1.08%	1.50%	0.92%	1.51%
Expected dividend yield	4.00%	4.00%	4.10%	4.00%	4.00%
Forfeiture rate	0%	0%	0%	0%	0%
Fair value per option/award	13.35p	55.01p	12.89p	33.00p	26.20p

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 give 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.

22b Share-based payments continued

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. The charge to income is based on the best available estimate of the number of shares expected to vest at 31 March 2017, which has been assessed as 1,989,518.

The group recognised a total charge of £669,000 (2016 – £631,000) related to equity settled share-based transactions during the year ended 31 March 2017. This charge was split across the schemes as follows:

	2017 £'000	2016 £'000
LTIP 2012-15	–	22
LTIP 2013-16	17	58
LTIP 2014-17	541	520
LTIP 2015-18	68	3
SAYE 2015-18	28	28
LTIP 2016-19	15	–
	669	631

23 Dividends

Amounts recognised as distributed to equity holders in the year:

	2017 £'000	2016 £'000
Interim dividend for the year ended 31 March 2016 of 0.85p (2015 – 0.80p)	1,562	1,460
Final dividend for the year ended 31 March 2016 of 1.90p (2015 – 1.60p)	3,490	2,920

An interim dividend of 0.95p per share in respect of the financial year ended 31 March 2017 was paid on 6 April 2017 and absorbed £1,752,000 of shareholders' funds. In addition, the directors are proposing a final dividend in respect of the financial year ended 31 March 2017 of 1.95p per share which will absorb an estimated £3,595,000 of shareholders' funds. The final dividend will be paid on 2 October 2017 to shareholders who are on the register of members at the close of business on 25 August 2017. Neither of these dividends were paid or provided for in the year.

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

	Group		Company	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Net profit	9,899	9,688	8,489	2,159
Adjustments for:				
Tax	2,452	2,169	(1,002)	(1,029)
Interest income	(1,472)	(1,523)	(209)	(224)
Interest expense	2	66	1	66
Research and development tax credit	–	(46)	–	–
Dividend from related party	–	–	(12,500)	(6,000)
Depreciation and amortisation	1,405	1,382	351	364
Impairment of other intangibles	–	13	–	–
Profit on sale of investments	–	(1)	–	–
Profit on sale of assets held for sale	–	(4)	–	–
Decrease in other financial assets	300	–	–	–
(Increase)/decrease in inventories	(448)	1,004	–	–
Decrease/(increase) in trade and other receivables	12	2,599	(143)	233
Increase/(decrease) in trade and other payables	4,153	4,634	264	(379)
Movement in balances with related parties	–	–	1,791	11,335
Increase/(decrease) in provisions	1,397	1,581	(20)	(60)
Increase in monies held in trust	(7,797)	(9,491)	–	–
Decrease in retirement benefit obligation	(641)	(497)	(49)	(42)
Translation adjustment	(28)	(21)	–	–
Share-based payments	669	631	669	631
Net cash inflow/(outflow) from operating activities	9,903	12,184	(2,358)	7,054

25 Operating lease commitments – minimum lease payments

Group

	2017		2016	
	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	**61**	**39**	17	39
Later than one year and less than five years	**2**	**46**	11	84
After five years	**–**	**–**	–	–
	63	**85**	28	123

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.

26 Capital and other financial commitments

Group and Company

	2017 £'000	2016 £'000
Contracts placed for future capital expenditure not provided in the financial statements	**19**	34

27 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 21.

Company

The following transactions with subsidiaries occurred in the year:

	2017 £'000	2016 £'000
Dividends received	**12,500**	6,000

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

Year end balances arising from transactions with subsidiaries

	2017 £'000	2016 £'000
Receivables from subsidiaries (note 13)	**6,285**	6,671
Payables to subsidiaries (note 18)	**32,354**	34,245

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:

	2017 £'000	2016 £'000
Subsidiaries	**11,247**	11,235

28 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 are detailed below:

	Notes	**Carrying amount and fair value 2017 £'000**	Carrying amount and fair value 2016 £'000
Financial assets			
Monies held in trust	15	**83,018**	75,219
Financial assets – deposit at bank	14	**200**	500
Cash and cash equivalents	16	**34,236**	32,735
Trade receivables	13	**6,501**	6,233
Other receivables	13	**1,556**	1,622
		125,511	116,309
Financial liabilities			
Bank overdraft	18	**2,874**	3,918
Trade payables	18	**60,846**	56,049
Payables in respect of cards and vouchers	18	**13,585**	13,982
Other payables	18	**1,938**	2,336
		79,243	76,285

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 profit before taxation by approximately £745,000 (2016 – 1 per cent movement would change PBT by approximately £1,348,000).

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.

28 Financial instruments continued

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. Whilst the group has net current liabilities, it 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 18. Comments on the group's liquidity position and financial risk are set out on page 21 of the Financial Review and pages 22 and 23, the group's risk factors. Comments on provisions, an area of concentration of risk, can be found in note 19.

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. As the group has net current liabilities, its capital management focus to ensure that the group has adequate working capital includes 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 15.

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 fourth 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 21 September 2017, 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 2017.
2. To declare a final dividend for the financial year ended 31 March 2017 of 1.95p per ordinary share in the capital of the Company, to be paid on 2 October 2017 to shareholders whose names appear on the register at the close of business on 25 August 2017.
3. To approve the Remuneration Report of the directors for the financial year ended 31 March 2017.
4. To re-elect Christopher Houghton, who retires by rotation and offers himself for re-election as a director of the Company.
5. To re-elect Laura Carstensen, who retires by rotation and offers herself for re-election as a director of the Company.
6. To re-elect Michael de Kare-Silver, who retires by rotation and offers himself for re-election as a director of the Company.
7. To re-appoint John Gittins, who has been appointed by the board since the notice of the last annual general meeting was issued, as a director of the Company.
8. To re-appoint Ernst & Young LLP as auditors of the Company.
9. To authorise the directors to determine the remuneration of the auditors.
10. 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 £1,229,123.18 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 21 December 2018 (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:

11. That, subject to the passing of resolution 10 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 10 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:
    - 11.1 in connection with an offer of equity securities (whether by way of a rights issue, open offer or otherwise):
        - 11.1.1 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
        - 11.1.2 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,

      but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates or any legal or practical problems under the laws of any territory or the requirements of any regulatory body or stock exchange; and
    - 11.2 otherwise than pursuant to paragraph 11.1 of this resolution, up to an aggregate nominal amount of £184,368.48 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 21 December 2018 (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
28 July 2017

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 11am on 19 September 2017 (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 notes 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 11am on 19 September 2017 (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:	C Houghton ◊ M R Stewart G A Woods L Carstensen (Non-executive) *†◊ 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
Laura Carstensen was appointed Chairman on 3 June 2016

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