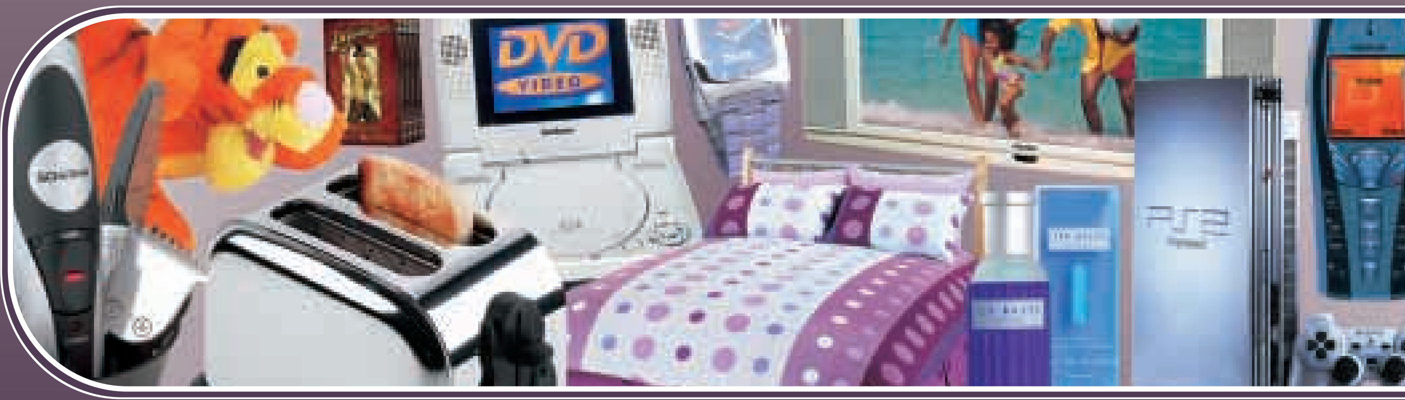
FINDEL PLC



Annual Report & Accounts
2004

Contents

1. Financial Highlights

2. Chairman's Statement

4. Divisional Activities

6. Directors and Advisors

7. Directors' Report

9. Corporate Governance Report

12. Board Report on Directors' Remuneration

16. Corporate Social Responsibility

17. Independent Auditors' Report

18. Group Profit and Loss Account

19. Balance Sheets

20. Group Cash Flow Statement

21. Other Group Financial Statements

22. Accounting Policies

23. Notes to the Financial Statements

38. Notice of Annual General Meeting

40. Principal Subsidiary Undertakings

Financial Highlights

	2004	2003
Turnover	£421.1m	£368.2m
Operating profit	£48.4m	£39.1m
Profit before tax	£38.8m	£25.9m
Earnings per share	33.40p	21.38p
Dividends per share	14.50p	12.60p

Chairman's Statement

I am delighted to report that your company has enjoyed another highly successful year. Sales grew by 14% to £421.1m (2003: £368.2m), a record level for the group, with operating profit before goodwill amortisation also at a record £50.7m as highlighted in the group profit and loss account, a 23% increase (2003: £41.2m).

The interest charge was £9.6m (2003: £8.8m) and interest cover was 5.1 times (2003: 4.4 times).

Underlying profit before tax rose to £41.2m from £32.4m, an increase of 27%. After charging goodwill amortisation of £2.4m (2003: £2.2m) and in the absence of any exceptional items (2003: £4.3m), profit before tax rose to £38.8m from £25.9m, an increase of 50%.

Basic earnings per share improved to 33.40p from 21.38p, an increase of 56%.

During the year the group renegotiated its banking arrangements. An increased five year revolving credit facility was entered into, superseding the existing three year facility. Additionally, the continuing growth of Home Shopping customer balances was catered for by an increased limit on the group's securitisation facility from £75.0m to £100.0m. This non-recourse facility provides highly competitive financing secured on the Home Shopping debt book. The group's forward planning is greatly assisted by the provision of these longer term facilities.

Dividends

The directors are recommending an increase of 16% in the final dividend to 11.4p per share (2003: 9.8p) to be paid on 5 July 2004 to shareholders on the register at 4 June 2004. This would make the total dividend for the year 14.5p per share (2003: 12.6p), an increase of 15%.

Home Shopping

The growth experienced in Home Shopping sales over recent years has continued. Sales increased significantly again this year, growing to £208.7m from £171.4m, a growth of 22%. Operating profit for the year improved by 36% to £33.9m from £25.0m. The group's success is based on the fundamental principle that customers are offered an attractive range of products at highly competitive prices together with the availability of rolling personal credit. A high proportion of unique merchandise and the ability to personalise many products are key to our offer. This, together with the strategy we have adopted in producing five major catalogues a year, monthly statement mailings and six bi-monthly clothing offers, is driving sales growth.

Marketing spend increased by £3.2m to £25.5m. We reduced our expenditure on customer recruitment and focused on our established customers, supplying bigger catalogues to a larger base with more frequent mailings. The results from these actions were positive, in that whilst customer numbers increased by 5.5% to 1.5 million, established customers' first sales in the year were 26% ahead of last year, and repeat sales from the same customers were also 19% ahead. The attention to customer service resulted in the customer retention rate improving significantly, from 60.3% to 67.1%.

The branded discount clothing catalogues, offering high street brands at factory outlet prices, have performed in line with our expectations confirming our opinion that they represent an opportunity to develop an all year round offering. Customers who have shopped from these catalogues are also showing an increased order frequency and improved retention. We continue to see sales growth in our core Christmas ranges, with cards, decorations and confectionery all growing by over 20%. Of the newer product areas, we have seen sales in homewares, home entertainment, jewellery and garden products all increasing by over 50%.

We have undertaken considerable work in the expansion and development of our e-commerce site. We introduced a number of new areas of functionality in January, with further upgrades planned for later this year. Within the financial year we saw a 79% increase in sales from this increasingly important channel which now accounts for 12% of sales. From June 2004 it is our intention to offer a much wider range of merchandise via the internet than we presently carry in our catalogues.

Financial Services is now an important element of our customer proposition, and income from this activity increased during the year by 54%. Customer balances increased by 23% to £124.0m from £101.0m and strong credit control procedures kept bad debt firmly under control at less than 6% of sales.

Over the last five years sales in the division have increased by 184%. Early trading in the current financial year remains encouraging, with sales in the first six full weeks 24% ahead of the same period last year.

Educational Supplies

Sales for the year increased by 19% to £136.2m (2003: £114.4m), with like for like sales reversing a decline at the half year stage to end up 4.3% ahead of last year. The £1m reduction in operating profit reported in the first half was in part recovered, with a stronger performance in the last six months of the year resulting in an operating profit before goodwill amortisation of £14.2m (2003: £14.7m).

There is still much debate about the adequacy of educational funding, however it does appear that confidence is starting to return to this sector. Particularly relevant is the additional funding the Government has committed to Surestart over the next three years to ensure that children of families in disadvantaged areas are better supported. This brings significant opportunities for all our National Brands, which have very strong Early Years ranges. The £330m e-learning credit scheme whereby schools can receive special funding, together with the development of Science Centres, provide opportunity for our Philip Harris science brand. The concentration on physical activity in Early Years establishments to combat high obesity levels will benefit our sport brand, Davies Sport.

In the first half of the financial year the divisional management was restructured and four business units established, each with clear management accountability.

- The National Brand unit controls our three major catalogues, Hope, NES and Galt, together with Step by Step. During the year a new database management system was introduced creating a single merged database providing the integration of third party data together with enhanced data mining capabilities.
- The Specialist Brand unit is responsible for Philip Harris Science, Davies Sports, and Percussion Plus, together with International, Export and PFI. The unit recently acquired Living & Learning, which has an annual turnover of £5.6m; this business majors in products for Special Needs education and is renowned for product innovation.
- Regional Supplies, our third business unit, comprises EDCO, AtoZ Supplies and the smaller Wirral & North Wales Purchasing Organisation. These latter two businesses were acquired during the year, and contributed a combined £16.0m to sales in the year.
- NRS, Our Direct Care brand, which constitutes our fourth business unit, improved sales by 47% from £12.7m to £18.6m. This growth was achieved through the successful tendering for Integrated Care contracts. Further such contracts will be released over the next few years, and with a current 37% market share we anticipate additional growth from this activity.

These four units are now fully operational and the division will certainly benefit from the greater focus this structure provides.

The dedicated team we established to ensure our e-procurement systems are the very best in education have partnered with UKplc to develop a multi-platform XML interface into SIMS, the schools' management system. With over 70% of all schools using the SIMS system to manage all administrative aspects of school life this is an important development. We have also continued to work with local authority partners to develop a fully interactive web-based solution, which was launched in October 2003, enabling online ordering of products from all the divisional brands.

In the first six full weeks of the new financial year sales were 23% above the same period last year, with like for like demand 7% ahead.

Findel Services

Sales in the division reduced in line with our expectations to £76.2m from £82.5m following our previously reported withdrawal from an unprofitable contract which contributed £6.3m in the year to March 2003. However, operating profit improved by £1.1m to £2.7m from £1.6m. Within the division sales of Home Farm, our joint venture hamper business, remained flat at £37.4m (2003: £38.4m) whilst the fundraising catalogue business grew to £13.9m from £12.9m, benefiting from catalogue and product redesign.

The fulfilment service the division provides for third party customers operated smoothly throughout its busy Autumn season and met its budgeted contribution to divisional overheads. The growing use of our resources generated by the expansion of the group means that, although we continue to be approached by interested parties to provide fulfilment services, we are not actively marketing this service.

Our Hong Kong and Indian procurement offices performed well on behalf of both group and third party companies. India is expanding, based on an increasing requirement for product sourcing by our Educational Supplies division. Further expansion of the group's procurement activities is planned, with an office opening in mainland China later this year.

Board Appointment

On 6 April 2004 I was pleased to welcome Philip Maudsley to the board. Philip has been Managing Director of the Home Shopping division since 1994, and I know that the board will benefit greatly from the contribution he will undoubtedly make.

Group Employees

Our success this year has been due in no small part to the commitment and effort of all our employees. To them all, I would express the appreciation of both the board and the shareholders for their contribution and loyalty.

Prospects

The group has returned an excellent set of results for the year and the continued success of our Home Shopping division, together with early indications of an improvement in the education market, underpin the board's confidence for the future.

Group sales for the first six full weeks of the new financial year are 22% higher than last year, with all three divisions contributing to this increase.

Our plans for the future provide for the continued growth and development of our existing businesses, both organically and through further bolt-on acquisitions.

Keith Chapman
Chairman

Burley House
Bradford Road
Burley–in–Wharfedale
West Yorkshire
LS29 7DZ

Home Shopping

The division provides a personal shopping service to over 1.5 million customers. Through its five major catalogues and statement mailing programme it offers a wide range of merchandise and exclusive products at a discount. Increasingly the division is offering recognised branded products at prices competitive to the high street. Customers may choose to pay within 28 days, or take advantage of a monthly credit programme. The range of products it offers is diverse covering electrical, household, textile, bedding, furniture, nursery products, gifts and greeting cards. It offers a unique personalisation service, which is unmatched in UK retail. All large products are handled at its 500,000 square foot distribution centre at Chadderton, near Manchester, with its automated collation warehouse at Accrington capable of handling a vast number of items per day, many of which are personalised. An increasing proportion of the division's sales are transacted over the internet.

Findel Services

The division is responsible for the group's buying offices in Hong Kong and India, and through them procures a wide range of merchandise for group companies and a substantial number of third party customers. This is a growing activity, which is becoming increasingly important. The group established an office in Hong Kong 22 years ago, and in India, 3 years ago. The growing importance of mainland China as a source of low cost high quality products means that we are now investigating the establishment of a permanent presence there. The division is also responsible for our joint venture and partnership activities with services provided to Home Farm Hampers, the Webb group, and Confetti.co.uk. It also provides a bespoke end-to-end solution to third party customers. Among the services offered to these customers are product development, database management, marketing, warehousing, pick, pack and despatch, customer relationship management, and of course overseas product sourcing through its own offices.

Educational Supplies

Operating through four distinct business units, the division is the largest independent supplier of educational products to schools in the UK. Its international unit exports to 150 countries worldwide. Through its nine leading brands it covers an extensive product range. Its specialist brands supply science, sports, musical instruments and furniture to educational establishments whilst its large mainstream brands supply an extensive range of traditional merchandise. It invests in the development of merchandise and through this activity offers a wide range of exclusive products that it has developed. Its acquisitions of A to Z supplies and the Wirral & North Wales Purchasing Organisation, together with investment in its existing EDCO brand, demonstrate the division's commitment to penetrating the large market for school commodity supplies. Nottingham Rehabilitation Supplies is one of the UK's leading providers of aids for daily living, and is also the market leader in the provision of Direct Care outsourcing services to NHS trusts and local authorities.

Group Web Sites

www.findel.co.uk

Home Shopping Division

www.24studio.co.uk
www.24ace.co.uk
www.webbivory.co.uk
www.homefarmhampers.co.uk

Educational Supplies Division

www.findel-education.co.uk
www.hope-education.co.uk
www.nesarnold.co.uk
www.galt-educational.co.uk
www.galt.co.uk
www.sbs-educational.co.uk
www.atozsupplies.co.uk
www.edco.co.uk
www.wnwpo.co.uk
www.philipharris.co.uk
www.unilab.co.uk
www.daviessports.co.uk
www.percussionplus.co.uk
www.ldalearning.com
www.nrs-uk.co.uk

Directors and Advisors

Executive Chairman	K Chapman**
Chief Executive	D A Johnson, BSc (Econ), FCA
	I J Bolton, BSc, PhD
	P B Maudsley (appointed 6 April 2004)
	G P Craig*
	P E Jolly, LIB*
	J M F Padovan, LIB, BCL, FCA*

* Non-executive and member of the Audit, Remuneration and Nomination Committees
** Member of the Nomination Committee

Secretary and Registered Office	I J Bolton Burley House Bradford Road Burley-in-Wharfedale Ilkley West Yorkshire LS29 7DZ Company Number: 549034
Auditors	Deloitte & Touche LLP 1 City Square Leeds West Yorkshire LS1 2AL
Registrars	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA
Principal Bankers	Bank of Scotland Barclays Bank plc HSBC Bank plc National Australia Bank Limited The Royal Bank of Scotland plc

Directors' Report

Activities

The principal activities of the group are home shopping and educational supplies sales through mail order catalogues and the provision of logistics services to third parties.

Review of the Year and Prospects

A review of the group's activities and its prospects is contained in the Chairman's Statement on pages 2 and 3.

Acquisitions

The group made three acquisitions in the educational supplies business segment during the year; A to Z supplies (July 2003), The Wirral & North Wales Purchasing Organisation (August 2003) and Living & Learning (March 2004). The first two of these were purchases of trade and assets, whilst the latter was a purchase of shares. The combined consideration (including costs) was £7.1m and net assets acquired were £2.4m. The combined annualised turnover of these businesses is approximately £25.0m.

Dividends

An interim dividend of 3.10p (2.80p) per share was paid on 16 January 2004. The directors recommend a final dividend of 11.40p (9.80p) per share be paid on 5 July 2004 to shareholders on the register on 4 June 2004.

Share Capital

Share options outstanding at 31 March 2004 are shown in Note 18 to the financial statements.

A resolution will be proposed at the annual general meeting authorising the directors to allot shares and other securities of the company and empowering them in certain limited circumstances to issue shares for cash without first being required to offer such shares to existing shareholders. If the resolutions are passed the directors will be able to allot 10,986,235 ordinary shares with a nominal value of £549,311 representing 13.07% of the issued share capital and will be able to issue 4,200,688 ordinary shares with a nominal value of £210,034 representing 5% of the issued share capital for cash without further authority from shareholders.

A resolution will be proposed at the forthcoming annual general meeting to renew the authority for the company to purchase up to 10% of its own shares. The authority would only be exercised when it was in the best interests of shareholders and would be expected to lead to an increase in earnings per share.

Supplier Payment Policy

The policy of the company is to agree in advance the terms of payment with suppliers, ensure suppliers are made aware of those terms and to abide by such terms. The company's trade creditors at 31 March 2004 represented 21 creditor days (24 days) based on the total amounts invoiced by suppliers during the year.

Directors

The directors of the company at the date of this report are shown on page 6. All the directors served throughout the year, except for Mr Maudsley who was appointed on 6 April 2004. Mr Chapman and Mr Jolly will retire by rotation and, being eligible, offer themselves for re-election at the annual general meeting. Mr Jolly is a non-executive director and it is the opinion of the chairman, following formal evaluation, that Mr Jolly has shown enthusiasm for, and commitment to, the role and has fulfilled his role effectively during the last three years, and that it is in the interests of the company that he be re-elected. Mr Maudsley will retire in accordance with the articles of association and, being eligible, offers himself for election at the Annual General Meeting. Brief biographical details of the directors are as follows:

Mr K Chapman (61, Executive Chairman)
Keith Chapman joined the Findel board in March 1984 and was subsequently appointed Group Managing Director and then Chairman and Chief Executive in January 1988.

Mr D A Johnson (60, Chief Executive)
Tony Johnson joined Findel in 1988 as Group Finance Director and became the Group Managing Director in 1994. In 1997, following the de-merger of Creative Publishing, he was appointed Group Chief Executive.

Dr I J Bolton (60, Executive Director and Company Secretary)
Ivan Bolton has been with the group for over 25 years in a number of senior commercial roles and was appointed to the board in 1989. He has a BSc and a PhD from Leeds University and had ten years' industrial experience before joining the group.

Mr P B Maudsley (43, Executive Director)
Philip Maudsley joined the group in 1987 as general manager of a manufacturing subsidiary. He became managing director of the Home Shopping division in 1994 and was appointed to the board on 6 April 2004.

Mr G P Craig (57, Non-executive Director)
Gordon Craig joined the board in October 1997. Until his retirement in 1997 he was a director of M & G Investment Management Limited. He was also a non-executive director of Stirling Group PLC until its delisting in October 2003.

Mr P E Jolly (38, Non-executive Director)
Patrick Jolly joined the board in March 2001. He is an experienced corporate finance lawyer and is a director of SurfControl plc.

Mr J M F Padovan (66, Non-executive Director)
John Padovan joined the board in October 1997. He has considerable experience both in the City and as a public company director, including past non-executive directorships with Tesco PLC and Whitbread PLC, and current ones which include Interserve PLC (Deputy Chairman) and Schroder Split Investment Fund PLC (Chairman).

Employees

The company recognises its social and statutory duty to employ disabled persons and pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others.

Information to employees regarding the company and factors affecting its performance and that of its subsidiaries is provided through normal management channels and regular consultation.

Donations

During the year the group made charitable donations of £76,000 (£76,000). There were no donations for political purposes.

Substantial Shareholdings

In addition to the directors' interests set out in the remuneration report, the company has been notified of the following interests in its share capital at 17 May 2004:

Material interests of 3% or more	Number of Shares	Proportion of Share Capital
Schroders plc	15,185,576	18.07%
Prudential plc	3,105,305	3.69%
Legal & General Investment Management	3,095,547	3.68%
Mineworkers' Pension Scheme	2,654,175	3.15%
British Coal Staff Superannuation Scheme	2,562,486	3.05%

Auditors

On 1 August 2003 Deloitte & Touche transferred its business to a limited liability partnership, incorporated under the Limited Liability Partnership Act 2000, known as Deloitte & Touche LLP. The directors used the company's statutory power to give consent to the appointment of Deloitte & Touche being treated as extending to Deloitte & Touche LLP. The directors will place a resolution before the Annual General Meeting to re-appoint Deloitte & Touche LLP as auditors for the ensuing year.

By order of the board
I J Bolton
Secretary

2 June 2004

Corporate Governance Report

The company is committed to the principles of corporate governance contained in the Combined Code ("the Code"), which is appended to the Listing Rules of the Financial Services Authority and for which the board is accountable to shareholders.

Statement of compliance

The company complies with the provisions of section 1 of the Combined Code in full, and has so complied throughout the year.

Principles of good governance

(A) Directors

1. The Board
   The board currently comprises four executive and three non-executive directors and meets regularly throughout the year. The non-executive directors provide the company with further substantial commercial and investment experience. The board monitors current trading performance, budgets and forecasts and strategic options for each division of the group. To enable them to do this, all directors have full and timely access to all relevant information. The appointment of new directors is considered by a nomination committee of the board. Procedures are in place to enable directors to obtain independent professional advice, where necessary, at the company's expense and all directors have access to the advice and services of the Company Secretary.

2. Chairman and Chief Executive
   The roles of Chairman and Chief Executive are carried out by separate individuals. The Chief Executive also has board level responsibility for group finance.

3. Board balance
   The board has a balance of executive and non-executive directors, and all the non-executive directors continue to represent a strong and independent element. Mr G P Craig was appointed senior non-executive director with effect from 1 April 2003. The non-executive directors do not participate in the company's share option schemes.

4. Supply of information
   Each board member regularly receives a pack of information containing updated financial data. Board members are consulted on all significant transactions.

5. Re-election
   The company's Articles of Association provide that one-third of the directors retire at each annual general meeting. All directors, in accordance with the Code, will submit themselves for re-election at least once every three years.

(B) Directors' remuneration

The Board report on directors' remuneration on pages 12 to 15, sets out the principles applied by the board in relation to directors' remuneration. The executive directors (other than Mr Maudsley) were originally appointed on two year rolling contracts, but with effect from 1 April 2003 these were amended to a one year rolling basis, as described on page 13, and are now in compliance with the Code. The Remuneration Committee considers that these contracts are appropriate to ensure the retention and motivation of the executive directors.

(C) Relations with shareholders

1. Dialogue with institutional shareholders
   The Chairman and the Chief Executive meet regularly with institutional shareholders to discuss progress against long-term objectives.

2. Constructive use of Annual General Meeting
   The board welcomes the attendance and questions of shareholders at the company's Annual General Meeting.

(D) Accountability and Audit

1. Financial reporting
   The board believes that the group's financial statements provide information for shareholders in a clear and comprehensible format and facilitate a balanced assessment of the group's progress.

2. Internal control
   Under the terms of the Combined Code, the board is responsible for the group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve the group's strategic objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

   The group has an on-going process for identifying, evaluating and managing the group's significant risks. These procedures have been in place up to the date of approval of the annual report and accounts. The processes are regularly reviewed by the board in accordance with the guidance, "Internal Control Guidance for Directors on the Combined Code".

   The principal elements of the group's system of internal control are:

   Control environment
   The board sets the overall policy for the group which includes a well defined organisational structure with clear operating procedures, lines of responsibility and delegated authority. Control procedures exist to identify and control business risks, safeguard the group's assets and to ensure that financial transactions are properly recorded.

   Assessment of business risk
   A system of risk assessment and evaluation of controls is embedded within the management process. Risk assessment and evaluation takes place within each business whereby management completes a structured review of business risks and risks to the achievement of business objectives which are evaluated in terms of their individual significance and set out in a "risk map". Strategic risks and opportunities arising from changes in the group's business environment are periodically reviewed by the group board. Appropriate control procedures are identified for each key risk and responsibility for control is allocated to appropriate managers.

   Monitoring process
   The control procedures are regularly reviewed by executive management, assisted by the external auditors. The board, in addition to its review of internal financial controls, regularly reviews the "risk maps" and other reports setting out the key performance and risk indicators and considers possible control issues brought to their attention by these and other early warning mechanisms which are embedded within the operations. Representations that control procedures have been operating effectively throughout the year are received from each business unit.

   The agenda for board meetings includes a regular item for consideration of business risks and controls and the board receives regular reports from divisional management with the emphasis on obtaining a high degree of assurance that its control procedures are operating effectively. The board uses these reports as a basis to assess risks material to the achievement of the group's strategic objectives. The second annual review of the effectiveness of the group's system of internal control was completed in May 2004.

3. Internal financial control
   In addition to the general internal controls discussed above the directors of the company acknowledge their responsibility for the group's system of internal financial control.

   The key features of the internal financial control system that have been in place for the year under review and up to the date of approval of the financial statements are described below:

   Operating controls
   The purpose of the key financial and operating controls procedures in place throughout the group are:

   (a) the safeguarding of assets against unauthorised use or disposition; and

   (b) the maintenance of proper accounting records and reliable financial information for use within the business or for publication.

Financial reporting and information systems
There is a comprehensive budgeting system with an annual budget and revised forecasts for the year which are continuously updated and compared to actual results on a regular basis.

Functional reporting
The board has identified specific areas and transactions which require full board approval. These include matters such as acquisitions and disposals, capital projects over certain pre-agreed financial limits and the establishment of banking facilities.

Investment appraisal
The company has clearly defined guidelines for capital expenditure. These include detailed appraisal and review procedures, levels of authority and due diligence requirements.

The board has reviewed the effectiveness of the system of internal financial control in operation in the group. The directors consider that there have been no weaknesses in internal financial control that have resulted in any material losses, contingencies or uncertainties requiring disclosure in the financial statements.

4. Board Committees
The Audit Committee, which normally meets three times a year, comprises the three non-executive directors and is chaired by Mr G P Craig. The Committee reviews the company's interim and annual financial statements before submission to the board for final approval and considers any matters raised by the auditors. The Audit Committee has specific terms of reference which are available from the registered office of the company and which deal with its authorities and duties.

As the auditors of the company, Deloitte & Touche LLP also provide non-audit services to the group. The Audit Committee keeps under review the nature and extent of such services, in order to seek to balance the maintenance of objectivity and value for money.

The Remuneration Committee comprises the three non-executive directors. It is chaired by Mr J M F Padovan and meets as required during the year to review and agree the terms and conditions of employment of the executive directors and certain senior executives under board level, including levels of remuneration and other benefits.

The Nomination Committee comprises Mr K Chapman and the three non-executive directors. It is chaired by Mr K Chapman and meets as required to assess the suitability of candidates for appointment to the board and to make appropriate recommendations to the board.

Directors' Responsibility to Prepare Financial Statements

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that period. In preparing those 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 applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Going concern

After making enquiries, the directors have formed a judgement, at the time of approving the financial statements, that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.

Board Report on Directors’ Remuneration

Unaudited

Introduction

This report has been prepared in accordance with the Directors’ Remuneration Report Regulations 2002 (the “Regulations”) which introduced new statutory requirements for the disclosure of directors’ remuneration in respect of periods ending on or after 31 December 2002. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to directors’ remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the Annual General Meeting of the Company.

Remuneration Committee

Remuneration of the executive directors is determined by the Remuneration Committee. Members of the Committee comprise the non-executive directors; the Chairman is Mr J M F Padovan. No member of the Committee has any personal financial interest, other than as a shareholder, in the matters to be decided, nor any potential conflict of interest arising from cross-directorships, nor has he any day-to-day involvement in running the business.

The Chairman of the Company normally attends meetings of the Committee except when matters concerning his own remuneration are discussed. The Committee is assisted when required by New Bridge Street Consultants LLP, who are appointed by the Committee and who provide no other services to the Company.

The Remuneration Committee meets two or more times a year. It determines the terms and conditions, including annual remuneration, grant of long term incentives (including share options) and bonus awards, of the executive directors and certain senior executives under board level.

Policy on Remuneration of Executive Directors

The remuneration policy for executive directors is to offer a remuneration package which will attract and retain the highest calibre of executive and to ensure that individual rewards and incentives are properly aligned with personal performance, the performance of the Group, and the interests of shareholders. In order to align the interests of executives and shareholders, a significant proportion of total remuneration is expected each year to be performance related. This policy is expected to continue in future years.

The remuneration arrangements include basic salary and benefits, performance related bonus, long term incentives and pension rights. The main elements are:

(i) Basic salary and benefits
The level of basic salary and benefits is determined by the Remuneration Committee taking into account the performance of the individual and advice and information from independent sources on the rates of salary for similar positions. Individual salaries of executive directors are reviewed annually by the Committee. Benefits normally include the provision of a car, fuel, private medical insurance and permanent health insurance.

(ii) Performance related bonus
Executive directors each receive an annual performance related bonus of up to 60% of basic salary and these payments are largely dependent on achievement of profit targets. The targets are set at levels which are challenging in relation to budgets and which would produce significant growth.

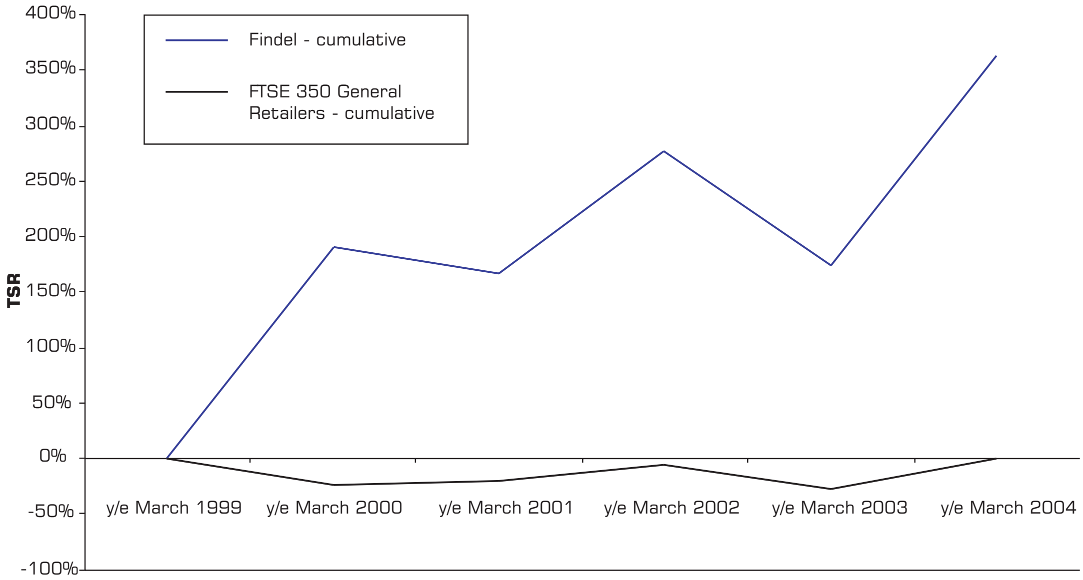
(iii) Long term incentives
Executive directors have a continuing interest in long term incentives granted in previous years. On 6 April 2004, the Board appointed Mr P B Maudsley as an executive director. As part of his remuneration package, he has been granted options over 188,842 ordinary shares under the Company’s Unapproved Share Option Scheme at an exercise price of 360.75p. The performance criteria for exercise of the options under the Scheme, which was approved by shareholders in 1997, are based on achieving real growth of earnings per share between 2 and 3% per annum over a three year period. Granting options to Mr Maudsley as a new executive director is consistent with the historic policy in relation to granting long term incentives to executive directors. The intention, however, is not to grant further long term incentives under the Scheme or other existing long term incentive plans, and the Remuneration Committee is in the process of reviewing how the Company should best incentivise executive directors in the future in line with current best practice to ensure proper alignment with performance and the interests of shareholders.

(iv) Pension rights
Dr I J Bolton participates, and Mr D A Johnson participated until December 2003 (when he approached his normal retirement age of 60) on a non-contributory basis in the Findel Group plc Pension Fund which provides them at their normal retirement age with a pension of up to two-thirds of their final pensionable earnings at retirement. The normal retirement age for Dr I J Bolton is 65. In the event of retirement before the normal retirement age, Dr I J Bolton’s pension would normally be reduced. Life assurance cover is four times salary. Pensions are payable in certain circumstances in the event of ill health and a spouse’s pension is payable on death. Pensionable earnings for service after 1 April 2003 are defined as one third of the aggregate of the

member's basic salary paid in the three years prior to retirement plus one ninth of the aggregate of performance related bonuses paid in the same three year period. Previously, the directors' terms of service provided that elements of their emoluments as well as basic salary were taken into account in calculating their pension entitlements. For Mr Chapman and Mr Johnson, in order to ensure that the value of their total remuneration is not reduced by the fact that on reaching normal retirement age they took a transfer from the Scheme and are no longer members of the Scheme, the Company contributes an amount equal to not more than the percentage of pensionable salary the Company would have contributed to the Scheme if they were members of the Scheme into their own personal pension arrangements, which amounts were £34,650 and £12,119 respectively in the year ended 31 March 2004. The Remuneration Committee considers that inclusion of a small proportion of annual bonus paid in the definition of pensionable pay is justified after considering overall levels of base salary and bonus potential, and considering the smoothing effect of averaging the bonuses paid over three years.

Performance Graph

The following graph contrasts the total shareholder return of the Company (calculated in accordance with The Directors' Remuneration Report Regulations 2002) with the FTSE 350 General Retailers Index. This index was selected as being, in the opinion of the Committee, the most appropriate for comparison.



Findel plc five-year total return v total of FTSE 350 General Retailers Index (3 month rolling average)
Source: Datastream

Service Agreements

It is the Remuneration Committee's policy that service agreements for any executive directors appointed in the future should be terminable on not more than 12 months' notice, in line with current market practice. In the event of early termination of a service agreement, the Committee would consider appropriate use of mitigation and phased compensation payments.

Mr Chapman's service agreement is terminable subject to one year's notice by either party. It was entered into on 12 June 1989 and has been subsequently varied, most recently with effect from 1 April 2003. On a change of control (as defined in his contract), the Company is deemed to have automatically given notice of termination of the service agreement and his employment will terminate. Mr Chapman would, therefore, be entitled to a damages payment of one times current base salary together with an amount equal to the average of benefits in kind and bonus payable over each of the three previous years. In addition, an amount equal to the sum which the Company would have paid into the Findel Group plc Pension Fund (the "Scheme") had he remained in the Scheme for an additional year would be included subject to the extent permitted by the rules of the Scheme and Inland Revenue limits. The Board would also use such discretions as it may have to allow Mr Chapman to exercise any outstanding share options.

Mr Johnson's service agreement is terminable subject to one year's notice by either party. It was entered into on 12 June 1989 and has been subsequently varied, most recently with effect from 1 April 2003. On a change of control (as defined in his contract), the Company is deemed to have automatically given notice of termination of the service agreement and his employment will terminate. Mr Johnson would, therefore, be entitled to a damages payment of one times current base salary together with an amount equal to the average of benefits in kind and bonus payable over each of the three previous years. In addition, an amount equal to the sum of which the Company would have paid into the Findel Group plc Pension Fund (the "Scheme") had he remained in the Scheme for an additional year would be included subject to the extent permitted by the rules of the Scheme and Inland Revenue limits. The Board would also use such discretions as it may have to allow Mr Johnson to exercise any outstanding share options.

Dr Bolton's service agreement is terminable subject to one year's notice by either party. It was entered into on 4 July 1990 and has been subsequently varied, most recently with effect from 1 April 2003. On a change of control (as defined in his contract), the Company is deemed to have automatically given notice of termination of the service agreement and his employment will terminate. Dr Bolton would, therefore, be entitled to a damages payment of one times current base salary together with an amount equal to the average of benefits in kind and bonus payable over each of the three previous years. In addition, one year's additional Pensionable Service would be included subject to the extent permitted by the rules of the Scheme and Inland Revenue limits and he may elect to receive an immediate pension subject to no actuarial reduction.

Mr Maudsley's service agreement is terminable subject to one year's notice by either party. It was entered into on 6 October 1997. Mr Maudsley's benefits include, in addition, a three year bonus scheme relating to the performance of the Home Shopping division in the period to 31 March 2005, the performance criteria for the first two years of which have been achieved.

The appointment of Non-Executive Directors is for an initial period of three years, subject to review and re-election at General Meeting. They do not have Service Agreements. Letters of Appointment for Mr G P Craig and Mr J M F Padovan were dated 18 August 1997, and for Mr P E Jolly 30 March 2001 and they are each due to be proposed, if appropriate, for re-election at the Annual General Meetings in 2006, 2006 and 2004 respectively.

The remuneration of the Non-Executive Directors takes the form solely of fees, which are set by the Board having taken advice on appropriate levels. The current fee of Mr Craig is £32,500 per annum, and of Mr Jolly and Mr Padovan is £30,000 per annum. Fee levels are determined by a sub-committee of the Board.

Audited

The information set out in the following section of the report has been audited.

(i) Emoluments of the Directors
The emoluments of the directors in the year ended 31 March 2004 are shown below:

	Salary/fees £000	Benefits in Kind £000	Annual Bonus £000	2004 Total £000	2003 Total £000
Executive					
K Chapman	439	31	173	643	527
D A Johnson	288	31	143	462	442
I J Bolton	198	25	93	316	288
Non-Executive					
G P Craig	33	—	—	33	28
P E Jolly	30	—	—	30	28
J M F Padovan	30	—	—	30	28
Total				1,514	1,341

The figures above represent emoluments paid to directors during the relevant financial period. Such emoluments are paid in the same financial period in which they are earned with the exception of performance related bonuses, which are paid in the period following that in which they are earned. Benefits in kind comprise in each case the private use of a motor car, private health insurance and home telephone costs.

(ii) Directors' pension entitlements
Dr I J Bolton is an active member of the Findel Group Pension Fund, a defined benefit scheme. The following directors had accrued entitlements under the scheme as follows:

	Increase in accrued pension excluding inflation £000	Transfer value of increase £000	Accrued pension 31 Mar 2004 £000	Accrued pension 31 Mar 2003 £000	Increase in accrued pension including inflation £000	Transfer value of accrued pension 31 Mar 2004 £000	Transfer value of accrued pension 31 Mar 2003 £000	Increase in transfer value over the period £000
I J Bolton	18	248	122	101	21	1,642	1,018	624
D A Johnson[1]	64	1,324	—	167	64	—	2,807	1,428

The pension entitlements shown above are those which would be paid annually on retirement based on service to the end of the period. The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead they represent a potential liability of the pension scheme. The non-executive directors do not receive pension benefits.

[1] Mr D A Johnson participated in the Findel Group Pension Fund until December 2003, the month before he reached normal retirement age on 27 January 2004. The increases in accrued pension and transfer values shown for Mr Johnson in the table above relate to December 2003.

(iii) Directors' share options and long term incentive plan
Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares and notional ordinary shares in the company granted to or held by the directors under the Share Option Schemes and the Long Term Incentive Plan respectively.

Dr I J Bolton exercised options over 14,018 shares in the company on 17 June 2002 resulting in a gain on exercise of £19,835. The mid market price on the date of exercise was 355.5p and the exercise price was 214.0p. Other than the foregoing, no directors exercised any share options during the year ended 31 March 2004 or the year ended 31 March 2003.

Details of options for directors who served during the year are as follows:

	31 March 2003	Granted	Exercised	31 March 2004	Exercise price	Exercise period
Interests in Share Options						
K Chapman	159,151	—	—	159,151	188.5p	May 2001 – Oct 2004
	79,439	—	—	79,439	214.0p	May 2002 – May 2005
	14,018	—	—	14,018	214.0p	May 2002 – May 2008
D A Johnson	185,676	—	—	185,676	188.5p	May 2001 – Oct 2004
	79,439	—	—	79,439	214.0p	May 2002 – May 2005
	14,018	—	—	14,018	214.0p	May 2002 – May 2008
I J Bolton	91,511	—	—	91,511	188.5p	May 2001 – Oct 2004
	39,719	—	—	39,719	214.0p	May 2002 – May 2005
Interests in notional shares under the long term incentive plan						
K Chapman	534,082	—	—	534,082	133.5p	July 2002 – July 2009
D A Johnson	411,985	—	—	411,985	133.5p	July 2002 – July 2009
I J Bolton	262,172	—	—	262,172	133.5p	July 2002 – July 2009

Following a decision of the Board at the beginning of the financial year, the rules of the Long Term Incentive Plan were amended to enable awards to be settled, at the discretion of the Company, in shares rather than cash. The reason behind this decision was that the value payable under the awards, although payable in cash, was in fact linked to share growth. At the beginning of the year, shares had become available as a result of an acquisition by the Company's Employee Benefit Trust and it is intended that these shares will be used to satisfy the awards.

The market price of the ordinary shares at 31 March 2004 was 337.75p and the range during the year was 187.50p to 370.75p.

The non-executive directors do not participate in the share option schemes or the long term incentive plan.

During the year, certain former directors provided services on a consultancy basis to the group. The total payments made in respect of such services was £52,500.

Directors' interests

The beneficial interests of the directors, together with non-beneficial interests in the ordinary shares of the company are shown below.

	31 March 2004		31 March 2003	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
K Chapman	4,650,000	2,346,175	4,650,000	2,346,175
D A Johnson	150,000	—	150,000	—
I J Bolton	156,695	—	156,695	—
G P Craig	40,000	—	40,000	—
P E Jolly	—	—	—	—
J M F Padovan	10,000	—	10,000	—

There have been no changes in directors' interests since 31 March 2004. Mr Maudsley does not have an interest in the shares of the company.

On behalf of the Board
J M F Padovan
Chairman of the Remuneration Committee
2 June 2004

Corporate Social Responsibility

The board recognises the importance of Corporate Social Responsibility in the conduct of the company's business. Investor interest in this area is increasing each year, as is related legislation, and we are now concentrating more than ever on meeting or exceeding expectations. Good business ethics, in addition to social and environment responsibilities form the basis of our approach. Overall responsibility for Corporate Social Responsibility matters lies with Dr I J Bolton, Group Company Secretary. Dr Bolton is supported by a review body chaired by the director of health and safety. The body comprises senior purchasing and facilities managers from the various operating companies within the group.

Environment

We have established a program of continuous improvement and have set targets, which are regularly monitored, to reduce the impact that the business has on the environment. The environmental policy now provides a basis against which many of the company's activities are assessed and measured.

Policy

We intend to:

- comply with, and where possible perform better than, all environmental legislation;
- set, monitor and achieve targets on our performance in reducing environmental impact;
- liaise with and encourage our suppliers to improve their environmental performance;
- consider, and where relevant, implement recommendations from other external sources, staff and customers to improve our environmental performance; and
- benchmark and review our environmental practices and achievements against others in our sector.

In order to achieve our policy aims we have recently established an Environmental management system. The key areas of focus are:

- reduction in energy usage;
- consideration of the impact of our transport fleets;
- reducing the consumption of materials; and
- waste reduction.

Energy

We strive to conserve energy wherever possible by sourcing responsibly and minimising consumption. Our actions include:

- minimising consumption through controlled lighting and improved thermal insulation;
- considering energy efficiency when purchasing new plant and equipment; and
- using low energy equivalents where possible.

We have established the measurement of energy consumption across all sites, which will be utilised to compare energy usage and to target reductions in consumption.

We have also established an assessment of CO_2 emission levels from all company vehicles, which will be used as the baseline for future targets.

Consumption of materials and waste management

Our aim is to minimise the consumption of materials and associated waste, particularly by ensuring reduction, re-use and selective recycling of paper and packaging and the re-use of equipment.

Packaging, which is our major raw material purchase, is being minimised by:

- collation of as many ordered items into one parcel as possible;
- use of a larger size of parcel to maximise packing into a single parcel; and
- introduction of recyclable bags rather than boxes for smaller parcels.

Human resources

Our aim is to create an employment culture in which people are valued for their contribution to the organisation and are able to realise their potential, irrespective of their characteristic differences.

Community support

We remain committed to supporting local communities in the areas in which we operate. The group also donates products from our home shopping and educational supplies catalogues to schools, good causes and other worthy establishments both in the UK and abroad.

Ethical Trading

We endeavour to apply the principles of fair and ethical trading in all of our business areas. A comprehensive ethical trading policy document has recently been introduced as a trading condition for all suppliers and is being rigorously enforced for both home and overseas suppliers.

Our staff who are based in our offices in Hong Kong and India work with local suppliers and factories to ensure that they comply fully with both local laws and United Nations guidelines. They utilise checklists for each supplier for aspects such as health and safety, hours of work, child labour and employee training. The permanent presence of our staff in those countries and their regular factory visits provide us with a greater ability to ensure full compliance with the requirements.

Independent Auditors' Report

To the members of Findel p.l.c.

We have audited the financial statements of Findel p.l.c. for the year ended 31 March 2004 which comprise the Group profit and loss account, Balance sheets, Group cash flow statement, Statement of total recognised gains and losses, and the related notes numbered 1 to 27 together with the reconciliation of movements in equity shareholders' funds, and accounting policies. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the part of the Board report on directors' remuneration that is described as having been audited.

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

Respective responsibilities of directors and auditors

As described in the Statement of directors responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. They are also responsible for the preparation of the other information contained in the annual report including the Board report on directors' remuneration. Our responsibility is to audit the financial statements and the part of the Board report on directors' remuneration described as having been audited in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

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

We read the Directors' report and the other information contained in the annual report for the above year as described in the contents section including the unaudited part of the Board report on directors' remuneration, and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of audit opinion

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

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

Opinion

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the company and of the group as at 31 March 2004 and of the profit of the group for the year then ended; and
- the financial statements and the part of the Board report on directors' remuneration described as having been audited have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP
Chartered Accountants and Registered Auditors
Leeds
LS1 2AL
2 June 2004

Group Profit and Loss Account

year ended 31 March 2004

	Notes	2004 £000	2004 £000	2003 £000	2003 £000
Turnover					
Continuing operations	1		404,345		368,236
Acquisitions	1		16,759		—
			421,104		368,236
Cost of sales	2		(237,773)		(209,848)
Gross profit			183,331		158,388
Other operating expenses (net)	2		(134,965)		(119,333)
Operating profit					
Continuing operations before goodwill amortisation		49,686		41,238	
Acquisitions before goodwill amortisation		1,036		—	
			50,722		41,238
Amortisation of goodwill			(2,356)		(2,183)
Total operating profit			48,366		39,055
Operating profit from continuing operations		47,458		39,055	
Operating profit from acquisitions		908		—	
Total operating profit	1 & 2		48,366		39,055
Exceptional items					
Reorganisation costs	3		—		(4,304)
Profit on ordinary activities before interest			48,366		34,751
Interest	4		(9,560)		(8,816)
Profit on ordinary activities before taxation	5		38,806		25,935
Taxation	6		(10,601)		(7,365)
Profit on ordinary activities after taxation			28,205		18,570
Equity minority interests			(705)		(713)
Profit for the financial year			27,500		17,857
Equity dividends	7		(11,968)		(10,399)
Retained profit for the year	19		15,532		7,458
Earnings per share – basic	8		33.40p		21.38p
Earnings per share – excluding exceptional items	8		33.40p		25.30p
Earnings per share – diluted	8		32.95p		21.28p

The accompanying notes are an integral part of this consolidated profit and loss account.

Balance Sheets

year ended 31 March 2004

	Notes	Group 2004 £000	Group 2003 (restated) £000	Company 2004 £000	Company 2003 (restated) £000
Fixed assets					
Intangible assets	10	42,773	40,426	—	—
Tangible assets	11	54,819	51,708	15,606	16,084
Investments	12	15,221	14,979	136,697	136,655
		112,813	107,113	152,303	152,739
Current assets					
Stocks	13	81,528	69,761	—	—
Debtors Trade debtors subject to non-recourse finance	14	123,970	100,951	—	—
Non-recourse finance	14	(70,615)	(58,534)	—	—
		53,355	42,417	—	—
Debtors not subject to non-recourse finance	14	57,821	49,830	180,189	143,653
Cash at bank and in hand		6,707	9,712	17,836	15,653
		199,411	171,720	198,025	159,306
Creditors: amounts falling due within one year	15	(90,055)	(75,128)	(124,718)	(91,760)
Net current assets		109,356	96,592	73,307	67,546
Total assets less current liabilites		222,169	203,705	225,610	220,285
Creditors: amounts falling due after more than one year	16	(111,301)	(112,197)	(110,000)	(110,000)
Provisions for liabilities and charges	17	(6,175)	(2,364)	(5,982)	(5,165)
		104,693	89,144	109,628	105,120
Capital and reserves					
Called up share capital	18	4,200	4,185	4,200	4,185
Capital redemption reserve	19	403	403	403	403
Share premium account	19	21,723	21,257	21,723	21,257
Merger reserve	19	29,518	29,518	—	—
Revaluation reserve	19	—	—	29,518	29,518
Own shares	19	(3,171)	(3,171)	(3,171)	(3,171)
Profit and loss account	19	51,940	36,871	56,955	52,928
Equity shareholders' funds		104,613	89,063	109,628	105,120
Equity minority interests		80	81	—	—
		104,693	89,144	109,628	105,120

Approved by the board on 2 June 2004

K Chapman
D A Johnson } Directors

The accompanying notes are an integral part of these consolidated balance sheets.

Group Cash Flow Statement

year ended 31 March 2004

	Notes	2004 £000	2003 £000
Net cash inflow from operating activities	20(a)	36,246	29,179
Returns on investments and servicing of finance			
Interest received		212	163
Interest paid		(9,454)	(9,289)
Interest element of finance leases		(82)	(44)
Dividends paid to minorities		(318)	(700)
Net cash outflow from returns on investments and servicing of finance		(9,642)	(9,870)
Taxation: Corporation tax paid		(2,473)	(241)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(10,976)	(7,437)
Sale of tangible fixed assets		1,751	2,836
Purchase of trade investments		(242)	(3,950)
Net cash outflow from capital expenditure and financial investment		(9,467)	(8,551)
Acquisitions and disposals			
Purchase of businesses and subsidiary undertaking		(7,099)	—
Net costs from assets and businesses held for resale		—	(3,200)
Net cash outflow from acquisitions and disposals		(7,099)	(3,200)
Dividends: Equity dividends paid		(10,619)	(10,073)
Net cash outflow before financing		(3,054)	(2,756)
Financing			
Issue of ordinary share capital		481	207
Increase in borrowings	20(b)	—	10,000
Capital element of finance lease payments	20(b)	(1,025)	(781)
Net (outflow)/inflow from financing		(544)	9,426
(Decrease)/increase in cash	20(b)	(3,598)	6,670

The accompanying notes are an integral part of this consolidated cash flow statement.

Other Group Financial Statements

Statement of Total Recognised Gains and Losses

year ended 31 March 2004

	2004 £000	2003 £000
Profit for the financial year	27,500	17,857
Currency translation differences on foreign currency net investments	(463)	81
Total recognised gains and losses for the year	27,037	17,938

The accompanying notes are an integral part of this consolidated statement of total recognised gains and losses.

Reconciliation of movements in equity shareholders' funds

year ended 31 March 2004

	2004 £000	2003 (restated) £000
Profit for the financial year	27,500	17,857
Dividends	(11,968)	(10,399)
New shares issued	481	207
	16,013	7,665
Other recognised gains and losses relating to the year	(463)	81
Net increase in equity shareholders' funds	15,550	7,746
Equity shareholders' funds at 1 April as previously stated	89,063	84,488
Prior year adjustment (note 27)		(3,171)
Equity shareholders' funds at 1 April as restated	89,063	81,317
Equity shareholders' funds at 31 March	104,613	89,063

Accounting Policies

The principal accounting policies of the group are as follows:

Basis of accounting
The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed asset investments, and in accordance with applicable accounting standards. The accounting policies set out below have been applied consistently throughout the year and the prior year with the exception that the policy in respect of accounting for own shares held in the group's Employee Benefit Trust has been changed from 1 April 2003 as described in Note 27. The group financial statements consolidate the financial statements of the parent and all subsidiary undertakings for the year ended 31 March. The company has taken advantage of Section 230 of the Companies Act 1985 and has not presented its own profit and loss account.

Turnover
Turnover comprises the invoiced value of goods and services exclusive of VAT and other sales taxes.

Foreign currencies
Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction or at the related forward contract rate where appropriate. Assets and liabilities denominated in foreign currencies and the financial statements of overseas subsidiary undertakings are translated at the rate ruling at the balance sheet date. Exchange differences arising from the retranslation of the opening net investment in overseas subsidiary undertakings at the year-end rate are taken directly to reserves. All other exchange differences are dealt with in the profit and loss account.

Pension costs
Pension costs are charged to the profit and loss account on a systematic basis over the period during which the group derives benefit from the employees' services in accordance with SSAP24 and based upon the advice of a qualified actuary.

Fixed assets and depreciation
Tangible fixed assets are stated at cost, net of depreciation.
Depreciation is calculated to write off all tangible fixed assets on a straight line basis, except for land, over their estimated useful lives using the following rates:

Freehold buildings: 2%, Plant and equipment: 5% – 33%, Long leasehold buildings: 2%,
Motor vehicles: 25%, Short leasehold buildings: Period of the lease.

Fixed asset investments
Fixed asset investments are stated at valuation, less provision for impairment where appropriate.
In the company Balance sheet, for investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. The investment is then revalued to reflect the fair value of the consideration, the gain being taken to the revaluation reserve. Investments are revalued every year to a directors' valuation, with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit in excess of any previously recognised surplus relating to the same investment is charged to the profit and loss account.

Goodwill
Goodwill arising on the acquisition of subsidiaries and businesses, representing the excess of the fair value of the consideration over that of the separable net assets acquired, is capitalised and written off over its useful economic life which does not exceed twenty years. As a matter of accounting policy goodwill arising on acquisitions prior to 31 March 1998 was written off against reserves and, as permitted by FRS10, has not been reinstated on the balance sheet. On disposal of a subsidiary or business acquired before 31 March 1998 the goodwill previously written off will be included in determining the profit or loss on disposal.

Stocks
Stocks are stated at the lower of cost and net realisable value. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow moving stock.

Leases
Assets which have been funded through finance leases are capitalised and the resulting lease obligations are included in creditors. The rentals payable are apportioned between interest, which is charged to the profit and loss account so as to produce a constant periodic rate of charge on the outstanding balance, and capital, which reduces the outstanding obligations. Rentals under operating leases are written off as incurred.

Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered). Deferred tax is measured on a non-discounted basis, at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Both current and deferred tax are measured using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on a non-discounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Catalogue and customer recruitment costs
The costs of sales catalogues and recruitment of Home Shopping customers are written off as incurred.

Notes to the Financial Statements

1 Segmental analysis

By business segment	Turnover		Operating profit		Net assets	
	2004	2003	2004	2003	2004	2003 (restated)
	£000	£000	£000	£000	£000	£000
Home Shopping	208,740	171,364	33,885	24,992	129,671	113,649
Services	76,189	82,462	2,678	1,575	8,521	8,126
Educational Supplies	136,175	114,410	14,159	14,671	83,650	72,230
Goodwill amortisation	—	—	(2,356)	(2,183)	—	—
	421,104	368,236	48,366	39,055	221,842	194,005
Unallocated net liabilities:						
Investments					15,221	14,979
Net bank borrowings					(108,587)	(105,924)
Taxation					(13,673)	(5,543)
Dividends payable					(10,110)	(8,373)
					104,693	89,144

Goodwill amortisation relates entirely to the Educational Supplies business segment.

Businesses and subsidiary undertaking acquired during the year were in the Educational Supplies business segment and accounted for turnover of £16,759,000, operating profit before goodwill amortisation of £1,036,000, and goodwill amortisation of £128,000. Due to their subsequent integration it is not possible to separately indentify the net assets relating to these acquisitions at the balance sheet date.

The exceptional costs charged after operating profit in 2003 arose in the Educational Supplies segment.

Net interest cost has not been included in the segmental analysis since the directors are of the opinion that it is not possible to allocate these costs to segments on a meaningful basis.

By geographical location	Turnover		Operating profit		Net assets	
	2004	2003	2004	2003	2004	2003
	£000	£000	£000	£000	£000	£000
UK	409,261	357,375	47,025	38,038	95,523	79,449
Europe	—	—	(8)	(22)	1,838	1,946
Other overseas	11,843	10,861	1,349	1,039	7,332	7,749
	421,104	368,236	48,366	39,055	104,693	89,144

The above analysis of turnover shows the geographical segments from which products are supplied. The analysis of turnover by geographical destination is UK £399.5m (£350.7m), Europe £6.5m (£7.8m), Asia £8.7m (£3.1m) and Other overseas £6.4m (£6.6m).

2 Analysis of operating profit

	2004			2003		
	Continuing £000	Acquisitions £000	Total £000	Continuing £000	Acquisitions £000	Total £000
Turnover	404,345	16,759	421,104	368,236	—	368,236
Cost of sales	(226,814)	(10,959)	(237,773)	(209,848)	—	(209,848)
Gross profit	177,531	5,800	183,331	158,388	—	158,388
Selling and distribution costs	(71,821)	(3,031)	(74,852)	(73,472)	—	(73,472)
Administrative expenses	(58,252)	(1,861)	(60,113)	(45,861)	—	(45,861)
Operating profit	47,458	908	48,366	39,055	—	39,055

Included within administrative expenses is goodwill amortisation of £2.4m (£2.2m), of which £0.1m arises on acquisitions in the year. Also included in administrative expenses in 2003 was an exceptional credit of £1.5m for a reduction in the provision for bonuses payable in respect of the group's Long Term Incentive Plan.

Notes to the Financial Statements

	Group 2004 £000	2003 £000
3 Exceptional items reported after operating profit		
Reorganisation costs		
Site rationalisation and closure costs	—	2,151
Stock rationalisation	—	881
Redundancies	—	616
Consultancy	—	168
Other	—	488
	—	4,304

Reorganisation costs relate to a fundamental restructuring of the Educational Supplies division.

4 Interest

	2004 £000	2003 £000
On bank loans and overdrafts	9,620	9,056
On finance leases	82	44
	9,702	9,100
On bank deposits	(92)	(183)
On overpaid tax	(50)	(101)
	9,560	8,816

5 Profit on ordinary activities before taxation

	2004 £000	2003 £000
Stated after accounting for:		
Directors' emoluments	1,514	1,341
Amortisation of goodwill	2,356	2,183
Depreciation – owned assets	5,780	3,996
Depreciation – assets under finance leases	1,111	2,153
Auditors' remuneration – audit	215	312
Auditors' remuneration – non audit – VAT consultancy	223	320
– other	321	148
Hire of plant and machinery – operating leases	2,097	1,888
Hire of other assets – operating leases	4,306	2,227

Information regarding directors emoluments, pension benefits, interests in the company's shares and share options are set out in the Board report on director's remuneration on pages 12 to 15.

Notes to the Financial Statements

6 Tax on profit on ordinary activities

	Group 2004 £000	Group 2003 £000
Current tax		
UK Corporation tax	6,348	6,458
Overseas tax	232	183
Prior year adjustments	210	75
Effect of change of accounting policy	—	291
	6,790	7,007
Deferred tax		
UK deferred tax – origination and reversal of timing differences	4,141	643
Overseas tax – origination and reversal of timing differences	(13)	(8)
Prior year adjustments	(317)	(103)
Effect of change of accounting policy	—	(174)
	3,811	358
Group tax charge	10,601	7,365

The tax credit attributable to exceptional items is £nil (£1.04m). The effective rate of the credit in the prior period has been increased by the effect of indexation allowances and the utilisation of brought forward capital losses.

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK Corporation tax to the profit before tax on ordinary activities are as follows:

	2004 £000	2003 £000
Profit on ordinary activities before exceptional items and taxation	38,806	25,935
Tax on profit on ordinary activities at standard UK tax rate of 30%	11,642	7,781
Effects of:		
Expenses not deductible for tax purposes	(87)	506
Benefits from utilisation of losses	(1,322)	(1,393)
Lower tax rates on overseas earnings	(169)	(156)
Marginal relief	(12)	—
Sub-total	10,052	6,738
Movement on deferred tax	(4,141)	(461)
Goodwill amortisation	669	655
Sub-total	6,580	6,932
Adjustments to tax charge in respect of prior periods	210	75
Current tax charge for the year	6,790	7,007

The tax charge in future periods may be affected by the following factors:

The group will continue to benefit from lower rates of company taxation in relation to its Hong Kong subsidiary.

The UK group has capital losses available to mitigate the tax on future capital gains.

Notes to the Financial Statements

7 Dividends

	Group 2004 £000	Group 2003 £000
Interim paid of 3.10p (2.80p) per share	2,610	2,343
Final proposed of 11.40p (9.80p) per share	9,576	8,203
Less: attributable to own shares held in Employee Benefit Trust	(218)	(147)
	11,968	10,399

8 Earnings per share

	2004 £000	2003 £000
Basic earnings	27,500	17,857
Exceptional items	—	4,304
Tax attributable to exceptional items	—	(1,036)
Earnings excluding exceptional items	27,500	21,125
	No.	No.
Weighted average number of shares in issue	82,345,856	83,508,615
Dilutive share options	1,113,066	412,891
Adjusted weighted average number of shares	83,458,922	83,921,506
Earnings per share – basic	33.40p	21.38p
Earnings per share – excluding exceptional items	33.40p	25.30p
Earnings per share – diluted	32.95p	21.28p

Dilutive share options represent the calculated dilutive effect of share options outstanding at the balance sheet date in accordance with the reporting requirements of FRS14. The directors believe it is appropriate to show earnings per share excluding exceptional items since this is considered to be a significant performance measure.

9 Staff costs and employee numbers

	Group 2004 £000	Group 2003 £000
Staff costs including directors		
Wages and salaries	46,671	43,176
Social security	3,379	2,851
Other pension costs	1,001	1,193
	51,051	47,220
	No.	No.
Average number of employees		
Administration	1,523	1,460
Production	19	63
Selling/distribution	1,326	1,209
	2,868	2,732

Notes to the Financial Statements

10 Fixed assets – intangible

	Goodwill £000
Cost	
At 1 April 2003	44,529
Additions	4,703
At 31 March 2004	49,232
Amortisation	
At 1 April 2003	4,103
Provided during the year	2,356
At 31 March 2004	6,459
Net book value at 31 March 2004	42,773
Net book value at 31 March 2003	40,426

11 Fixed assets – tangible

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Plant and equipment £000	Motor vehicles £000	Total £000
Group					
Cost					
At 1 April 2003	29,380	1,591	58,119	1,929	91,019
Additions	111	515	10,193	680	11,499
Disposals	(1,246)	(170)	(308)	(466)	(2,190)
Exchange differences	(31)	—	(24)	(4)	(59)
At 31 March 2004	28,214	1,936	67,980	2,139	100,269
Depreciation					
At 1 April 2003	4,163	149	34,161	838	39,311
Provision for year	481	93	5,828	489	6,891
Disposals	(28)	(24)	(265)	(389)	(706)
Exchange differences	(22)	—	(22)	(2)	(46)
At 31 March 2004	4,594	218	39,702	936	45,450
Net book value at 31 March 2004	23,620	1,718	28,278	1,203	54,819
Net book value at 31 March 2003	25,217	1,442	23,958	1,091	51,708

Notes to the Financial Statements

11 Fixed assets – tangible – continued

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Plant and equipment £000	Motor vehicles £000	Total £000
Company					
Cost					
At 1 April 2003	17,850	512	173	1,992	20,527
Additions	—	—	3	679	682
Disposals	(388)	(169)	—	(465)	(1,022)
Group transfers	967	—	—	—	967
At 31 March 2004	18,429	343	176	2,206	21,154
Depreciation					
At 1 April 2003	3,291	109	121	922	4,443
Provision for year	328	16	29	483	856
Disposals	(7)	(24)	—	(389)	(420)
Group transfers	669	—	—	—	669
At 31 March 2004	4,281	101	150	1,016	5,548
Net book value at 31 March 2004	14,148	242	26	1,190	15,606
Net book value at 31 March 2003	14,559	403	52	1,070	16,084

The net book value of plant, equipment and motor vehicles held under finance leases at 31 March 2004 was group £4.8m (£5.9m) and company £nil (£nil).

Leasehold property includes short-term leases costing group £1.95m (£1.42m) and company £0.34m (£0.34m) which after depreciation have a net book value to the group of £1.72m (£1.29m) and to the company of £0.24m (£0.25m).

Freehold land and buildings for the group and for the company include land costing group £4.33m (£5.30m) and company £1.06m (£1.41m) on which no depreciation has been charged.

12 Fixed assets – investments

Group

	Investments £000	Own Shares £000	Total £000
Cost or valuation			
At 1 April 2003 as previously stated	14,979	3,171	18,150
Pror period adjustment (note 27)	—	(3,171)	(3,171)
At 1 April 2003 as restated	14,979	—	14,979
Additions	242	—	242
At 31 March 2004	15,221	—	15,221
Provisions			
At 1 April 2003 and 31 March 2004	—	—	—
Net book value at 31 March 2004	15,221	—	15,221
Net book value at 31 March 2003	14,979	—	14,979

Notes to the Financial Statements

12 Fixed assets – investments – continued

Company	Shares in group undertakings £000	Investments £000	Own Shares £000	Total £000
Cost or valuation				
At 1 April 2003 as previously stated	125,353	14,979	3,171	143,503
Prior period adjustment (note 27)	—	—	(3,171)	(3,171)
At 1 April 2003 as restated	125,353	14,979	—	140,332
Additions	—	242	—	242
Disposals	(200)	—	—	(200)
At 31 March 2004	125,153	15,221	—	140,374
Provisions				
At 1 April 2003 and 31 March 2004	3,677	—	—	3,677
Net book value at 31 March 2004	121,476	15,221	—	136,697
Net book value at 31 March 2003	121,676	14,979	—	136,655

Group and company investments at 1 April 2003 comprised 30% of the issued share capital of Webb Group Limited, plus 35% of the issued share capital, £1,320,000 nominal value of 15% Secured Loan Stock redeemable on 30 September 2006, and £778,506 nominal value of 15% Secured Loan Stock, redeemable on 30 April 2007, of Confetti Network Limited (CNL). In addition, the company held warrants to subscribe for 58,753,792 ordinary shares at par value of 0.1p each, expiring on 31 December 2006, in CNL. In August 2003 the company subscribed for £242,021 of 15% Unsecured Loan Stock, redeemable on September 2006, of CNL. On 21 October 2003 all of the Secured and Unsecured Loan Stock of CNL was converted into non-voting Preference Shares of £0.01 at the rate of 100 preference shares for each £1 of principal amount of loan stock. Both Webb Group and CNL are registered in England and Wales. In accordance with FRS9 "Associates and Joint Ventures" these investments have not been accounted for as associates as the directors are of the opinion that the company does not exercise significant influence over the operating and financial policies of those companies.

The investment in Own Shares comprises shares held in an Employee Benefit Trust. As described in Note 27 this investment has been reclassified as a deduction from shareholders funds in compliance with UITF Abstract 38.

Principal subsidiary undertakings are listed on page 40.

13 Stocks

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Raw materials	184	—	—	—
Work in progress	14	10	—	—
Finished goods	81,330	69,751	—	—
	81,528	69,761	—	—

Notes to the Financial Statements

14 Debtors

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Trade debtors subject to non-recourse financing	123,970	100,951	—	—
Non-recourse financing received	(70,615)	(58,534)	—	—
	53,355	42,417	—	—
Other trade debtors	38,129	33,566	319	693
Amounts due from subsidiary undertakings	—	—	170,252	135,330
Other debtors	10,024	7,349	8,955	6,070
Prepayments and accrued income	9,668	8,915	663	1,560
	111,176	92,247	180,189	143,653

Certain of the group's trade debtors are funded through a securitisation facility arranged by HSBC Investment Bank plc and funded through a vehicle owned by Capita IRG Trustees Limited. The facility is secured against those debtors and is without recourse to any of the group's other assets. The finance provider will seek repayment of the finance, as to both principal and interest, only to the extent that collections from the debtors financed allows and the benefit of additional collections remains with the group. The group is not obliged to support any of the finance provider's losses on the securitisation, nor does it intend to do so.

15 Creditors: amounts falling due within one year

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Bank loans and overdrafts	3,113	2,427	15,738	15
Obligations under finance leases (note 23)	880	1,012	—	—
Amounts received in advance	8,641	8,768	—	—
Trade creditors	42,948	32,126	795	729
Amounts due to subsidiary undertakings	—	—	94,590	76,419
Corporation tax	7,498	3,181	2,796	4,043
Indirect tax and social security	3,105	4,332	154	170
Other creditors	256	877	—	—
Accruals and deferred income	13,504	14,032	1,240	2,328
Dividend due to minority shareholder	705	317	—	—
Proposed dividend	9,405	8,056	9,405	8,056
	90,055	75,128	124,718	91,760

16 Creditors: amounts falling due after more than one year

	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Bank loans	110,000	110,000	110,000	110,000
Obligations under finance leases (note 23)	1,301	2,197	—	—
	111,301	112,197	110,000	110,000

The bank loans are repayable in March 2009 and interest is charged at a rate variable with LIBOR.

17 Provisions for liabilities and charges

	Group	Company
Deferred tax:	£000	£000
At 1 April 2003	2,364	5,165
(Credit)/charge to profit and loss account	3,811	817
Group transfers	—	—
At 31 March 2004	6,175	5,982

Notes to the Financial Statements

17 Provisions for liabilities and charges – continued

No deferred taxation has been provided on the retained earnings of overseas subsidiaries. The deferred tax (asset)/liability is provided as follows:

	Group		Company	
	2004 £000	2003 £000	2004 £000	2003 £000
Accelerated capital allowances	4,354	4,135	3,028	2,973
Short term timing differences	1,821	(1,771)	2,954	2,192
	6,175	2,364	5,982	5,165

18 Share capital

	Number of shares	Group 2004 £000	Group 2003 £000	Company 2004 £000	Company 2003 £000
Authorised					
Ordinary shares of 5p each	95,000,000	4,750	4,750	4,750	4,750
Allotted, issued and fully paid					
Ordinary shares of 5p each	83,996,243	4,200	4,185	4,200	4,185

During the year the company allotted 294,198 ordinary shares with a nominal value of £14,710 for consideration of £480,365 in connection with the company's share option schemes.

Share options outstanding at 31 March 2004

	Number of shares	Exercise price	Exercise period
1997 share option scheme	595,486	188.5p	May 2001 – Oct 2004
	228,383	214.0p	May 2001 – May 2005
	85,105	141.0p	May 2002 – May 2006
	14,540	205.0p	May 2002 – Dec 2006
1997 approved share option scheme	84,108	214.0p	May 2001 – May 2008
	31,413	95.5p	May 2001 – Dec 2008
	3,276	141.0p	May 2002 – May 2009

The performance conditions for options exercisable from May 2001 and May 2002 have been met.

19 Reserves

	Capital redemption reserve £000	Share premium account £000	Merger reserve £000	Own Shares £000	Profit and loss account £000
Group					
At 1 April 2003 as previously stated	403	21,257	29,518	—	36,871
Prior period adjustment (note 27)	—	—	—	(3,171)	—
At 1 April 2003 as restated	403	21,257	29,518	(3,171)	36,871
Share issues	—	466	—	—	—
Retained profit for the year	—	—	—	—	15,532
Exchange differences	—	—	—	—	(463)
At 31 March 2004	403	21,723	29,518	(3,171)	51,940

Notes to the Financial Statements

19 Reserves – continued

Own Shares comprises 1,500,000 ordinary shares of 5p each of the company, representing 1.8% of the issued share capital of the company at 31 March 2004. This was also the maximum number of such shares held during the year. These shares, which are held in an Employee Benefit Trust established for the purpose, were purchased in order to provide a hedge against the company's liabilities under the Long Term Incentive Plan.

Cumulative goodwill written off to reserves on acquisitions prior to 31 March 1998, net of that attributable to disposals, amounted to £22.0m (£22.0m).

	Capital redemption reserve £000	Share premium account £000	Revaluation reserve £000	Own Shares £000	Profit and loss account £000
Company					
At 1 April 2003 as previously stated	403	21,257	29,518	—	52,928
Prior period adjustment (note 27)	—	—	—	(3,171)	
At 1 April 2003 as restated	403	21,257	29,518	(3,171)	52,928
Share issues	—	466	—	—	
Retained profit for the year	—	—	—	—	4,027
At 31 March 2004	403	21,723	29,518	(3,171)	56,955

The profit for the year of the company before dividends amounted to £16.0m (£6.2m).

20 Cash flow

	Group 2004 £000	Group 2003 £000
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	48,366	39,055
Depreciation and amortisation	9,247	8,332
(Profit)/loss on disposal of fixed assets	(267)	135
Increase in stocks	(9,740)	(751)
Increase in debtors	(16,142)	(12,190)
Increase/(decrease) in creditors	4,782	(5,402)
	36,246	29,179

(b) Analysis of net debt	31 March 2003 £000	Cash flow £000	Exchange movements £000	31 March 2004 £000
Cash at bank and in hand	9,712	(2,912)	(93)	6,707
Overdrafts	(2,427)	(686)	—	(3,113)
	7,285	(3,598)	(93)	3,594
Debt due after one year	(110,000)	—	—	(110,000)
Finance leases	(3,209)	1,025	3	(2,181)
	(113,209)	1,025	3	(112,181)
Total	(105,924)	(2,573)	(90)	(108,587)

Notes to the Financial Statements

20 Cash flow – continued

		Group 2004 £000	2003 £000
(c)	Reconciliation of net cash inflow to movement in net debt		
	(Decrease)/increase in cash for the year	(3,598)	6,670
	New finance leases	—	(2,199)
	Cash outflow/(inflow) from changes in debt and lease financing	1,025	(9,219)
	Translation differences	(90)	115
	Movement in net debt in the year	(2,663)	(4,633)
	Net debt at the start of the year	(105,924)	(101,291)
	Net debt at the end of the year	(108,587)	(105,924)

The acquisitions in the year had no material impact on cash flows.

21 Capital commitments

Neither the group nor the company had any capital commitments at 31 March 2004 or 31 March 2003.

22 Financial instruments

As permitted by FRS 13, short term debtors and creditors have been excluded from the disclosures, other than currency disclosures.

(a) Financial Risks

The principal financial risks to the group are interest rate and exchange rate fluctuation risks.

Throughout the year the group has used its long-term borrowing facility, on which interest is paid at rates variable with LIBOR, as its principal source of borrowings. All of the group's other borrowings are of a short-term nature and the group's policy is to only use them as such. At the year end 99.6% of the group's net bank borrowings were drawn under the long-term facility.

Derivative financial instruments are used to hedge the interest rate risk on a proportion of the group's borrowings. There were no significant unrealised gains or losses on such transactions at the year end.

The remittances of the group's overseas subsidiaries in Hong Kong and US dollars provide a natural hedge against part of the group's foreign currency purchasing requirements in the UK. In addition, the group enters into forward exchange contracts for the purchase of foreign currencies, based on forecast requirements, to minimise short term exposure to exchange rate fluctuations. At 31 March 2004 there were contracts outstanding totalling £19.9m (£5.0m). There were no significant unrealised gains or losses at the year end.

(b) Financial assets

The group has no financial assets other than cash at bank and in hand which is deposited at short-term bank rates. There is no material difference at either 31 March 2004 or 31 March 2003 between the book values and the fair values of the group's financial assets.

	Group 2004 £000	2003 £000
The currency profile of financial assets is as follows:		
Sterling	—	6,869
Euros	—	1,244
US dollars	6,033	—
Hong Kong dollars	95	—
Other	94	65
	6,222	8,178

Notes to the Financial Statements

22 Financial instruments – continued

(c) Financial liabilities

The group's financial liabilities comprise UK bank borrowings, finance leases and overdrafts that bear interest at rates variable with LIBOR and US dollar and Hong Kong dollar bank overdrafts that bear interest at rates based on the US prime rate. There is no material difference at either 31 March 2004 or 31 March 2003 between the book values and the fair values of the group's financial liabilities.

	Group	
	2004 £000	2003 £000
The currency profile of financial liabilities is as follows:		
Sterling	114,797	113,190
Euros	2	—
US dollars	10	338
Hong Kong dollars	—	574
	114,809	114,102
The maturity profile of financial liabilities is as follows:		
Within one year or on demand	3,507	1,905
Between one and two years	364	110,895
Between two and five years	110,919	1,085
In more than five years	19	217
	114,809	114,102
(d) Borrowing facilities		
The group had undrawn committed borrowing facilities as follows:		
Expiring in one year or less	71,060	74,868
Expiring in more than one but not more than two years	—	20,000
Expiring in more than two years	50,000	—
	121,060	94,868

The committed facilities expiring in one year or less represent bank overdraft and short-term borrowing facilities which are subject to annual review. In addition to the above facilities, the group has a securitisation facility of up to £100m, the amount of the available facility being dependent upon the level of certain debtor balances within Express Gifts Limited.

(e) Currency exposures

At 31 March 2004 and 31 March 2003 the group's operating units had no material currency exposures on monetary assets and liabilities not determined in their local currency.

23 Financial commitments

	Land and buildings		Other assets	
	2004 £000	2003 £000	2004 £000	2003 £000
(a) Operating leases				
Group				
Annual operating lease commitments expiring:				
Within one year	781	248	26	268
In the second to fifth years	653	1,153	1,261	1,232
After five years	3,805	3,649	—	—
	5,239	5,050	1,287	1,500
Company				
Annual operating lease commitments expiring:				
Within one year	—	—	24	69
In the second to fifth years	—	—	658	425
After five years	1,730	1,730	—	—
	1,730	1,730	682	494

Notes to the Financial Statements

23 Financial commitments – continued

Leases of land and buildings are subject to rent reviews.

	Group		Company	
	2004	2003	2004	2003
	£000	£000	£000	£000
(b) Finance leases				
Finance lease obligations falling due:				
Within one year	880	1,012	—	—
In the second to fifth years	1,282	1,980	—	—
In more than five years	19	217	—	—
	2,181	3,209	—	—

24 Pensions

The group operates a number of pension schemes in the UK. The major schemes, which cover the majority of scheme members, are of the defined benefit type with assets held in separate trustee administered funds. All the defined benefit schemes are now closed to new entrants, with new pension arrangements made by way of the Group Personal Pension scheme which is of the defined contribution type.

The group has continued to account for pensions in accordance with SSAP24, and the disclosures given in a) are those required by that standard. FRS17 Retirement Benefits was issued in November 2000 but is not yet mandatory for the group. The transitional disclosures, to the extent not given in a) are set out in b) below. The disclosures below indicate that differences exist between the valuation of the pension schemes' assets and liabilities under SSAP24 and FRS17. These differences arise since SSAP24 and FRS17 use different valuation bases.

a) Findel pension schemes

The principal UK scheme (the "Findel Group Pension Scheme") was assessed by Aon Consulting, the scheme's actuaries, at 6 April 2001 using the projected unit method. The principal actuarial assumptions adopted in that valuation were that the annual rate of return on investments would be 2% higher than the annual increase in total pensionable remuneration and 4% higher than the annual increase in present and future pensions in payment. The actuarial value of the assets was sufficient to cover 92.1% of the benefits that had accrued to members, after allowing for expected future increases in pensionable remuneration. The market value of the scheme's assets at the date of valuation was £50.0m.

A further two UK defined benefit schemes (the "Novara Defined Benefit Schemes") were acquired with the acquisition of Novara plc. These schemes were assessed by Aon Consulting, the schemes' actuaries, at 5 April 2002. The principal of these schemes, accounting for 91% of the combined assets and 90% of the combined liabilities of the schemes, was assessed using the Attained Age method. The principal actuarial assumptions adopted in that valuation were that the annual rate of return on investments would be between 2% and 2.5% higher than the annual increase in total pensionable remuneration and between 3.5% and 4% higher than the annual increase in present and future pensions in payment. The actuarial value of the assets was sufficient to cover 103% of the benefits that had accrued to members, after allowing for expected future increases in pensionable remuneration. The market value of the scheme's assets at the date of valuation was £12.3m.

The net pension cost for the purposes of SSAP24 has been assessed by Aon Consulting on the assumptions that, over the longer term, the annual rate of return on investments would be 2.25% higher than the annual increase in total pensionable remuneration and 4% higher than the annual increase in present and future pensions in payment. The deficit as calculated is being spread over the average remaining service lives of current employees.

The net pension cost, including expenses, for the group was £1.43m (£1.19m) and there is a pension prepayment in the balance sheet of £6.72m (£4.09m).

b) FRS17 retirement benefits

Major assumptions	2004	2003	2002
	%	%	%
Rate of general increase in salaries	4.75	4.25	4.50
Rate of increase to pensions in payment	3.00	2.50	2.75
Rate of increase to deferred pensions	3.00	2.50	2.75
Discount rate for scheme liabilities	5.50	5.50	6.10
Inflation	3.00	2.50	2.75

Notes to the Financial Statements

24 Pensions – continued

The fair value of assets in the schemes and the expected rate of return were:

	2004		2003		2002	
	Expected long term rate of return %	Market value £000	Expected long term rate of return %	Market value £000	Expected long term rate of return %	Market value £000
Equities/Property	7.50	32,098	7.50	26,634	7.00	43,313
Bonds	5.00	24,121	5.00	22,509	5.50	19,879
Other	4.50	630	4.50	488	5.00	1,514
		56,849		49,631		64,706
Present value of scheme liabilities		(76,375)		(72,676)		(68,746)
Deficit in the plans		(19,526)		(23,045)		(4,040)
Related deferred tax asset		5,858		6,914		1,212
Net pension liability		(13,668)		(16,131)		(2,828)

(i) Analysis of amount charged to operating profit

	2004 £000	2003 £000
Current service cost	1,390	1,333
Past service cost	905	—
(Gains)/losses on settlements and curtailments	—	—
Total operating charge	2,295	1,333

(ii) Analysis of amount credited to other financial income

	2004 £000	2003 £000
Expected return on pension assets	3,068	4,119
Interest cost	(3,863)	(4,063)
Net return	(795)	56

(iii) Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)

	2004 £000	2003 £000
Actual return less expected return on pension scheme assets	6,959	(16,061)
Experience gains and losses arising on the schemes liabilities	81	2,148
Changes in financial assumptions underlying the schemes liabilities	(3,848)	(6,233)
Actuarial gain recognised in the STRGL	3,192	(20,146)

(iv) Movements in deficit during the year

	2004 £000	2003 £000
Deficit at beginning of year	(23,045)	(4,040)
Movement in year:		
Current service cost	(1,390)	(1,333)
Contributions	3,417	2,418
Past service costs	(905)	—
Other finance income	(795)	56
Actuarial gain/(loss)	3,192	(20,146)
Deficit at end of year	(19,526)	(23,045)

(v) History of experience gains and loss

	2004	2003
Difference between the expected and actual return on schemes' assets		
Amount (£000)	6,959	(16,061)
Percentage of schemes' assets	12%	(32%)
Experience gain/(loss) on schemes' liabilities		
Amount (£000)	81	2,148
Percentage of present value of schemes' liabilities	0%	3%
Total amount recognised in Statement of Total Recognised Gains and Losses		
Amount (£000)	3,192	(20,146)
Percentage of the present value of schemes' liabilities	4%	(28%)

Notes to the Financial Statements

24 Pensions – continued

(vi) Profit and loss reserve

	2004 £000	2003 £000
Profit and loss reserve excluding pension reserve	51,940	36,871
Pension reserve	(20,390)	(20,219)
	31,550	16,652

25 Related party transactions

The group has a trading relationship with Herbert Walker & Son (Printers) Limited, a commercial printing company which is controlled by Mr K Chapman, a director. During the year to 31 March 2004 group purchases from Herbert Walker on normal commercial terms amounted to £0.89m (£0.75m) and in the same period the group supplied goods and services to Herbert Walker of £0.10m (£0.10m). At 31 March 2004 the group indebtedness to Herbert Walker was £0.09m (£0.03m) and that of Herbert Walker to the group was £0.02m (£0.02m).

26 Acquisitions

Details of acquisitions are given in the Directors' Report on page 7.

	Book value £000	Fair value adjustments £000	Accounting policy alignments £000	Fair value £000
The assets and liabilities acquired in the year were as follows:				
Fixed assets	982	(146)(a)	(313)	523
Current assets				
Stocks	2,501	(300)(b)	(55)	2,146
Debtors	3,129	(100)(c)	(123)	2,906
Creditors	(3,165)	(14)	—	(3,179)
Net assets acquired	3,447	(560)	(491)	2,396
Goodwill				4,703
				7,099
Satisfied by				
Cash				6,854
Acquisition expenses				245
				7,099

The fair value of certain of the assets and liabilities has been determined on a provisional basis and the goodwill arising on the acquisitions will be finalised in the following accounting period.

The significant fair value adjustments are as follows:

(a) write down of certain items of plant and machinery to their net realisable value

(b) adjustment to reduce stocks to their net realisable value

(c) adjustment to reduce trade debtors to their recoverable value

27 Prior period adjustment

The group's policy for accounting for own shares held in the group's Employee Benefit Trust has changed to comply with UITF Abstract 38 "Accounting for ESOP Trusts". The effect of this change is that the amount recognised in the balance sheet in respect of such shares is no longer classified as a fixed asset investment but instead as a deduction from shareholders funds. The amount is recognised as "Own Shares" and is detailed in Note 19. This change has no impact on profit and loss in the current or prior year.

Notice of Annual General Meeting

Notice is hereby given that the forty-ninth annual general meeting of the company will be held at the Marriott Hollins Hall Hotel, Hollins Hill, Baildon, Shipley, West Yorkshire, BD17 7QW on Monday 5 July 2004 at 2.00 p.m. for the following purposes:

Ordinary business

1. To receive and adopt the statement of accounts of the company for the year ended 31 March 2004 together with the directors' and auditors' reports thereon.

2. To receive and adopt the Board report on directors' remuneration for the year ended 31 March 2004.

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

4. To re-elect Mr K Chapman as a director

5. To re-elect Mr P E Jolly as a director

6. To elect Mr P B Maudsley as a director

7. To re-appoint Deloitte & Touche LLP as auditors to the company for the period to the conclusion of the next annual general meeting and to authorise the directors to fix their remuneration.

Special business

8. To consider and, if thought fit, to pass the following as an ordinary resolution:
That pursuant to S.80 of the Companies Act 1985 the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the company to allot Relevant Securities (within the meaning of S.80 of the said Act) in respect of and up to an aggregate nominal amount of £549,311 representing 13.07% of the issued ordinary share capital of the company at 1 June 2004 until the earlier of the date and time of the next Annual General Meeting or 15 months from the date of the passing of this resolution; and so that the company may before that date and time make an offer or agreement which would or might require Relevant Securities to be allotted after such time and the directors may allot Relevant Securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

This resolution asks shareholders to renew the directors' general authority to allot unissued shares, should it be desirable to do so. In accordance with relevant guidelines this authority is to be limited to the maximum nominal amount of £549,311 representing the company's authorised but unissued share capital as at 1 June 2004. The directors have no present plans to issue shares using this authority.

9. To consider and, if thought fit, to pass the following as a special resolution:
That, subject to the passing of the previous resolution, pursuant to S.95 of the Companies Act 1985 the directors be and are hereby authorised to allot Equity Securities (within the meaning of S.94 of the said Act) for cash pursuant to the authority conferred by the previous resolution as if sub-section (1) of S.89 of the Act did not apply to any such allotment PROVIDED that this power shall be limited:

(a) to the allotment of Equity Securities in connection with a rights issue in favour of ordinary shareholders where the Equity Securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange, and/or

(b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of Equity Securities in respect of and up to an aggregate nominal amount of £210,034 representing 5% of the issued ordinary share capital of the company at 1 June 2004

and shall expire on the earlier of the date and time of the next annual general meeting or 15 months from the date of the passing of this resolution; save that the company may before that date and time make an offer or agreement which would or might require Equity Securities to be allotted after such time and in such event the directors may allot Equity Securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

If the directors wish to allot unissued shares for cash, the Companies Act 1985 requires that these shares are offered first to shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. There may be occasions however when, in order to act in the best interest of the company, the directors need the flexibility to finance business opportunities as they arise. Therefore this resolution asks shareholders to renew the directors' authority to issue a limited number of shares for cash, up to a nominal amount of £210,034 equivalent to 5% of the company's issued share capital at 1 June 2004, without the shares first being offered to shareholders. Resolution 9 will be proposed as a special resolution. The authority contained in Resolution 9, will expire on the earlier date of the next AGM or 15 months after passing of such resolution.

10. To consider and, if thought fit, to pass the following as a special resolution:
That, in accordance with Regulation 52 of the Articles of Association, a general authority is hereby given for the purposes of S.166 of the Companies Act 1985 for one or more market purchases (as defined in S.163 of the said Act) by the company of any of its own shares subject to the following restrictions but otherwise unconditionally:

Notice of Annual General Meeting

1. The maximum aggregate number of shares to be so acquired shall not exceed 8,401,376 ordinary shares of 5p each with a nominal value of £420,068 representing 10% of the issued ordinary share capital of the company at 1 June 2004.
2. Shares may only be purchased at a price per share (exclusive of expenses) no higher than 5% above the average of the middle market quotations of the ordinary shares in the capital of the company, as derived from the London Stock Exchange Daily Official list, for the five business days immediately preceding the date of purchase but the minimum price that may be paid for such shares shall be the nominal value of 5p per share (exclusive of expenses).
3. Unless previously renewed, varied, or revoked, this authority shall expire at the conclusion of the next annual general meeting of the company, but the company may before such expiry make contracts for such purposes which would or might be executed wholly or partly after such expiry, and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

Under the terms of the Companies Act 1985 and its Articles of Association, the company has power to purchase its own shares provided that this power has first been sanctioned by shareholders. The directors consider that in certain circumstances it may be beneficial for the company to purchase its own shares, for example, to return surplus cash to shareholders and to enhance earnings per share and/or net assets per share. This resolution asks shareholders to authorise the company to make purchases up to 8,401,376 ordinary shares (representing 10% of the issued ordinary share capital of the company as at 1 June 2004) at a minimum price of 5p per share and a maximum price of 5% above the average price of the middle market quotations of the ordinary shares in the capital of the company as derived from the London Stock Exchange Daily Official List for the 5 business days prior to the purchase.

The purchase price for the company to purchase its own shares may only be satisfied out of distributable reserves, or the proceeds of a new issue of shares made for the purpose. Purchases will be made on the London Stock Exchange, and daily notification of any purchases will be made to a Regulatory Information Service. Full details of purchases made during the year will also appear in the company's annual report published in 2005.

The fact that the directors are seeking this authority should not be taken as an indication that the company will purchase its own shares at any particular price or indeed at all and the directors would only consider making purchases if they believed that such purchases would be in the best interests of the shareholders generally, having regard to the effect on earnings per share. The directors have no immediate intention to exercise the proposed authority to purchase shares.

Resolution 10 will be proposed as a special resolution. The authority contained in Resolution 10 will expire at the earlier of the conclusion of the next AGM or 15 months after the passing of such resolution.

By order of the board
I J Bolton
Secretary
2 June 2004

Notes

(a) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not also be a member. Completion and return of a Form of Proxy will not preclude a member from attending and voting at the meeting should he/she so decide.

(b) To be valid at the meeting, the enclosed Form of Proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power or authority, must be deposited at the offices of Lloyds TSR Registrars, The Causeway, Worthing, West Sussex BN99 6ZL not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.

(c) Copies of the following documents will be available for inspection at the company's registered office during normal business hours of any weekday (public holidays excluded):

(i) the directors' service contracts;

(ii) the register of directors' interested in the share capital of the company.

Such documents will also be available for inspection at the place of the Annual General Meeting for at least 15 minutes prior to the meeting as well as during the meeting.

(d) Only those member registered in the Register of Members of the company 48 hours before the time appointed for the holding of the meeting shall be entitled to attend and vote at the annual general meeting. CREST transactions after that time will not affect entitlements to attend and vote at the meeting and no transfers of securities in certificated form will be registered from that time until the close of the meeting.

Principal Subsidiary Undertakings

The principal subsidiary undertakings at 31 March 2004 were as follows:

Registered in England and Wales

Express Gifts Limited	Home shopping
Findel Education Limited	Educational supplies
Home Farm Hampers Limited (60%)	Christmas hampers
James Galt & Co. Limited	Educational toys

Registered and incorporated overseas

Hong Kong

Fine Art Developments (Far East) Limited	Procurement services

All subsidiary undertakings are wholly owned except where indicated and operate mainly in the country in which they are registered.

FINDEL PLC

Burley House, Bradford Road, Burley in Wharfedale, West Yorkshire LS29 7DZ