FINDEL PLC

Annual

Report

& Accounts

2005

Contents

Financial Highlights

	2005	2004
Turnover	£458.1m	£421.1m
Operating profit*	£60.8m	£50.7m
Profit before tax*	£48.0m	£41.2m
Earnings per share*	40.89p	36.26p
Dividends per share	16.40p	14.50p

*Before exceptional items and goodwill amortisation

Chairman's Statement

I am pleased to report that your company has enjoyed another record year. Sales were 9% higher at £458.1m (2004: £421.1m) whilst operating profit before goodwill amortisation and exceptional operating items grew by 20% to £60.8m (2004: £50.7m). Profit before tax, goodwill amortisation and exceptionals rose by 17% to £48.0m (2004: £41.2m). Earnings per share, before goodwill amortisation and exceptionals, improved by 13% to 40.89p from 36.26p.

Over the last four years we have grown our Educational Supplies division, both organically and by way of acquisition. In particular, following our two acquisitions in the second half of 2004, we have finalised our plans to reorganise the division to obtain maximum benefit from the opportunities available to us. There is an exceptional charge of £3.3m in the results, and there will be a further charge to complete the restructuring which will be charged in the current financial year and which we estimate will amount to no more than £10m. The restructuring is expected to be completed by summer 2006 and the board is targeting benefits in a full year of £8m.

The interest charge at £12.7m (2004: £9.6m) reflected both increased interest rates and expenditure on acquisitions. Interest cover before goodwill amortisation and exceptionals was 4.8 times (2004: 5.3 times).

Dividends

The directors are recommending a final dividend of 12.9p (2004: 11.4p) per share, to be paid on 7July 2005 to shareholders on the register at 10 June 2005. This would make the total dividend for the year 16.4p (2004: 14.5p), an increase of 13%.

Home Shopping

Home Shopping sales continued their growth and achieved a record £226m (2004: £209m), an 8% increase, with operating profit growing to £42.7m from £33.9m, an increase of 26%. Gross margin improved by 4.1 percentage points, reflecting increased contribution from financial services and improved buying. Customer retention remained strong, at 65% for the year, and whilst average order value reduced slightly this was merely a reflection of aggressive pricing and was more than compensated for by increased order volumes. Bad debt remained firmly under control at under 6% of sales.

Sales via the internet continue to perform strongly accounting for 18% of all sales against 12% last year. This trend is very encouraging; it provides operational cost benefits and a cost effective means of communicating with all our customers.

We will continue to mail our customer base with increasing regularity, offering them innovative merchandise at competitive prices. Indeed last year, although we grew sales, our customers enjoyed significant price deflation on many of our products.

We have a very strong philosophy of not becoming a "me-too" business. This is important especially against a backdrop of tough retail conditions. Over 25% of our ranges are exclusive to us and the uniqueness of our proposition is reinforced by the fact that over half of our customers purchase a personalised item. The ability to differentiate ourselves from the competition enables us to sustain growth and margin levels. This policy of differentiation will continue strongly in the coming year. We are investing in digital personalisation technology and Autumn 2005 will see the launch of many new and exciting personalised lines. This will make the best possible use of technology by using the internet to facilitate personalisation of product through the use of customers' own photographs.

In the present economic climate we believe that it would be more prudent to concentrate a greater proportion of our marketing effort on developing sales within our existing customer base with a view to maximising sales from this source. We will maintain our level of marketing spend which increased to £31.5m in the year.

Educational Supplies

The Educational Supplies division grew sales by 18% last year to £161m (2004: £136m) principally as a result of the two significant acquisitions we made in the second half. Excluding these, the division's turnover grew by 2%. Operating profit before exceptional items and goodwill amortisation increased by 9% to £15.5m (2004: £14.2m).

Both the acquisitions completed key strategic elements of our plans for the development of the division. They have already proved their worth and are performing well.

In April 2001, our Educational Supplies division consisted of three brands, with total sales of £45m. The growth of the division to its current £161m sales has been achieved both organically and by acquisition. Further growth areas have been identified, specifically in regional commodity supplies, in secondary schools and in Direct Care.

In order to reorganise the division to take advantage of the opportunities identified, a single company structure for the educational supplies businesses will be introduced, and the individual business units within education will be discontinued.

As part of the reorganisation, NRS, our Direct Care business, will become a completely separate stand alone entity. This is a very different business model from the rest of the division. It operates outsourced contracts on behalf of NHS and Social Services.

Whilst much of the product the Educational Supplies division sells is common, each company we acquired had a buying function and was buying product in such a way as to differentiate itself from its competitors. The result is that following the acquisitions we had to contend with over 50,000 SKUs and too many suppliers. We will rationalise the supplier base and thereby improve buying power, streamline the product range and thereby reduce warehousing and purchasing costs and, through all this, improve margin. Our January and Spring 2006 catalogues will operate from a common product range of less than 25,000 SKUs. This will be achieved without compromising customer choice or brand image.

The division is well advanced to move to a single computing platform. Over the last two years it has successfully operated over half of the division on this platform and the transition will be completed during 2006.

The rationalisation has been well thought through and planned for some time and, to assist us, we have engaged external consultants with whom we have worked over the last 25 years. Whilst this is a major project, we are confident that the business risks have been minimised and we will achieve the projected benefits within the timescale we have set.

Whilst Government funding difficulties continued last year, the radical changes we are making to the division will result in a much improved performance.

NRS enjoyed another extremely successful year. Sales in the year grew by 75% to £32.4m. Huntleigh National Care, which we acquired in November 2004, has now been fully integrated. All the contracts now operate on our computer system and are performing in line with expectations. With the benefit of a full year's contribution from existing contracts, we anticipate sales of the enlarged business in the current year to be in the region of £53m. The Telecare trial we referred to in December 2004 is now underway and we are in advanced discussions for four further trials over the next few months. This is in preparation for the release of major Government funding for Telecare in April 2006.

Findel Services

Although the division saw a reduction in sales from £76.2m to £71.1m, operating profit at £2.6m (2004: £2.7m) was broadly maintained. This reflects tight cost control and an improvement in the margin mix.

The sales decline of approximately £5m arises in our mature hamper and fundraising businesses and a further planned reduction in third party work. Although I anticipate further sales decline in the current year I would expect the division to maintain this level of operating profit.

Employees

I thank all the group's employees for their hard work and commitment. The success we have enjoyed would not have been possible without their support and on behalf of the board I would like to express our very sincere appreciation to them.

Board

On 2 December 2004 I was pleased to welcome David Dutton to the board as group finance director. David has been group financial controller since September 2001 and the board is already benefiting from his contribution.

Prospects

Group sales in the first six weeks of the new financial year are 37% ahead of the same period last year. Excluding the two acquisitions made last year, group sales are 11% ahead with all three divisions contributing.

Home Shopping sales in the period are 9% ahead of last year but with Easter falling in March this year a more meaningful figure is that sales for the period from 1 January to 6 May are 6% ahead of the same period last year. During a time when consumer confidence has been widely reported to have weakened, it is particularly pleasing that Home Shopping continues to make progress.

Educational Supplies sales for the period, excluding the two acquisitions we made last year, increased by 9%. The reorganisation of the Education division will provide us with many exciting opportunities.

I am confident that the group will make further progress in the current year.

Keith Chapman
Chairman

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

Divisional Activities

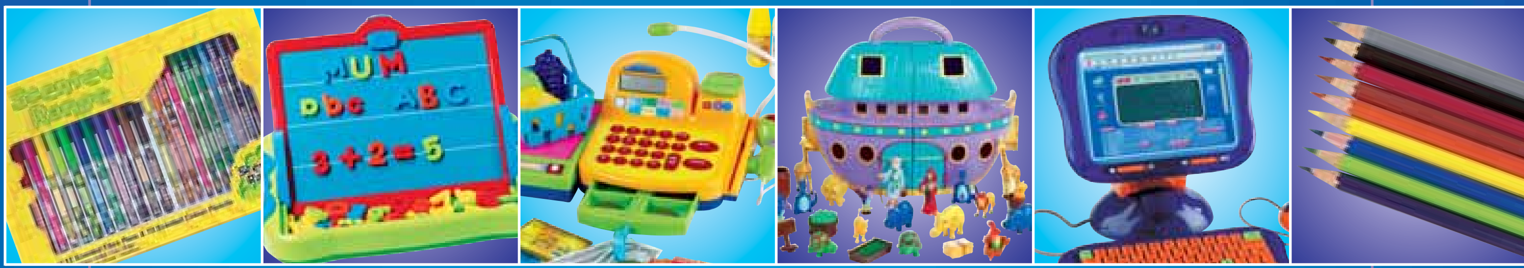
Home Shopping

The division provides a personal shopping service to 1.6 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 leisurewear, 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. The automated collation warehouse at Accrington is 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, India and Shanghai, 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 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



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 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. The acquisition of GLS Educational Supplies in 2004 demonstrates the division’s continued commitment to growth in the large complementary market for school commodity supplies. Nottingham Rehab is the market leader in the provision of outsourced Integrated Community Equipment Services to NHS trusts and local authorities, a position that has been reinforced with the acquisition during 2004 of its closest competitor, Huntleigh National Care.

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
www.glsed.co.uk

Finance Director's Review

Turnover

Group turnover grew by 9% to £458.1m (2004: £421.1m). The acquisitions of GLS Educational Supplies and Huntleigh National Care contributed £22.1m of the increase.

Profit

Group profit before amortisation of goodwill, exceptional items and taxation increased by 17% to £48.0m. Return on sales before exceptional items, goodwill amortisation and taxation rose from 9.8% to 10.5%. The improvement arises from increased income from financial services and improved buying. The goodwill charge increased from £2.4m to £2.9m as a result of part year charges in respect of the two acquisitions.

Taxation

The group's effective rate of tax, before amortisation of goodwill and exceptional items, has increased from 25.8% to 28.2%. This continues to be lower than the UK standard corporate tax rate, as a result of lower rates of company taxation in relation to the group's Hong Kong subsidiary and the utilisation of tax losses arising in prior periods.

Shareholder return and dividends

Basic earnings per share before exceptional items and goodwill amortisation were 40.89p in the year to 31 March 2005 compared to 36.26p last year. The board has proposed a final dividend of 12.9p per share, a rise of 1.5p or 13% on last year. The dividend for the year as a whole of 16.4p is covered 2.5 times from earnings before goodwill amortisation and exceptional items.

Shareholders' funds

Shareholders' funds amount to £120.8m, a rise of £16.1m in the year. This is equivalent to 145p per share compared with 127p last year.

Share price and total shareholder return

The share price of Findel ranged from a low of 338p to a high of 523.25p during the financial year. On 31 March 2005 the mid market price was 485p, giving a market capitalisation of £411m at that date.

Total shareholder return (the increase in the value of a share including reinvested dividends) has been 495% in the eight years since the demerger of the group in 1996. This compares favourably with the total shareholder return for the average for the FTSE 350 General Retailers which was 35% over the same period.

Cash flow and net debt

The group's free cash flow before acquisitions, dividends and financing was £3.3m, compared with £14.7m in 2004. Taxation payments rose to £11.8m, having been unusually low in 2004 at £2.5m due to adjustments related to prior years. Acquisitions in the year were made for cash consideration totalling £33.2m including associated expenses. This expenditure, which was made in the third quarter, also increased interest costs by £0.6m in the year. Capital expenditure in 2005 was £9.0m, £2.0m lower than last year, and was equivalent to 130% of the depreciation charge in 2005. It is anticipated that the level of capital expenditure in 2006 will be similar to that in 2005.

After acquisitions and the payment of dividends, net debt at 31 March 2005 was £150.6m, an increase of £42.0m from 31 March 2004.

Liquidity and funding

The maturity and currency profile of the group's borrowings are shown in Note 22 to the financial statements. At 31 March 2005, 96% of the group's borrowings were drawn under the long-term facilities expiring in March 2009, and there were undrawn committed facilities of £82.8m.

In addition to the above facilities, the group has a securitisation facility of up to £100m, the amount of the available facility being dependent on certain debtor balances within the group's Home Shopping division. This facility is due for renewal in March 2006, and the group expects this to be renewed on similar terms to the present facility. At 31 March 2005 the amount drawn under this facility was £79.4m.

Treasury and risk management

The group's Treasury function seeks to reduce or eliminate exposure to foreign exchange, interest rate and other financial risks, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. It does not operate as a profit centre and transacts only in relation to underlying business requirements. It operates policies and procedures which are periodically reviewed by the board and is subject to regular audit control reviews.

Interest rate risk management

The group's interest rate exposure is managed by the use of fixed and floating rate borrowings, and by the use of "cap and floor" derivative arrangements. The group also mixes the duration of its borrowings to smooth the impact of interest rate fluctuations.

At £12.7m, interest costs were £3.2m higher than last year. This principally reflects increased interest rates during the period, together with the interest costs arising from the £33.2m expenditure on acquisitions within the Educational Supplies division. The net interest charge was covered 4.8 times by operating profit before exceptional items and goodwill amortisation.

Currency risk management

Approximately 30% of products sold through the group's Home Shopping division, and a growing proportion of those sold through the Educational Supplies division, are procured through the group's Far East buying office. The currency of purchase for these goods is principally the US Dollar, with a proportion being in Hong Kong Dollars. The group has a policy of hedging these foreign currency denominated transactions by entering into forward exchange purchase contracts.

Credit risk

The group's exposure to credit risk is managed by dealing only with banks and financial institutions with strong credit ratings, within limits set for each organisation.

Acquisitions

On 13 November 2004 the group acquired the business and assets of Huntleigh National Care ("HNC") from Huntleigh plc. HNC currently operates ten Integrated Community Equipment Services contracts, with annualised turnover of approximately £17m. These complement the seven similar contracts already operated by the group's NRS Direct Care business. The acquisition significantly reinforces NRS Direct Care's market leading position in the market for outsourced Integrated Community Equipment Services.

On 2 December 2004 the group acquired GLS Educational Supplies Limited. This company, which originates out of the educational supplies arm of the Inner London Education Authority, has annual turnover of £51m. Its market leading position in the London area strengthens the group's development of regionally based commodity supply operations to schools.

Exceptional items

In order to extract maximum benefit from the acquisitions made in the Educational Supplies division in the current and previous financial years, a restructuring of the division commenced during the period with the intention of rationalising systems, premises and product ranges. The costs of this restructuring in the current period amounted to £3.3m and have been reported as an exceptional charge against operating profit of the division. A further charge of up to £10m is anticipated in order to complete the restructuring during the period to 31 March 2006.

Minority interests

Profit attributable to equity minority interests in 2005 of £0.6m relates to the share of profit attributable to the minority shareholders of Home Farm Hampers.

Minority interests in the balance sheet represent the minority share of the net assets of Home Farm Hampers.

Pensions

The group has continued to account for pension costs under SSAP 24. In accordance with the FRS 17 transitional arrangements, certain disclosures are included in note 24 to the financial statements. There is no effect on the primary financial statements.

The group's defined benefit pension schemes had modest deficits at 31 March 2004. To improve the funding of these schemes, the group made voluntary additional contributions totalling £1.5m during the year.

The FRS 17 disclosures show a net deficit for all retirement benefit schemes of £16.3m net of deferred tax at 31 March 2005. The deficit is equal to around 4% of the group's market capitalisation and can prudently be resolved over a period of time.

Accounting Policies and Standards

The principal accounting policies used by the group are shown on page 32. There have been no changes to accounting policies as there were no new Financial Reporting Standards adopted in the period.

International Financial Reporting Standards

In June 2002, the European Union approved the application of IFRS for all listed groups for periods commencing on or after 1 January 2005. As a result, the group will apply IFRS in its financial statements for the year ending 31 March 2006. The primary effects of IFRS on the group financial statements are currently expected to be the following:

- The introduction of pension accounting rules which broadly follow FRS 17
- The cessation of amortisation of goodwill, which will become subject to an annual test for impairment
- The recognition of intangibles arising on acquisitions and amortisation of these assets
- The removal of the linked presentation against the associated debtor balances for amounts borrowed under the securitisation programme
- The redefinition of an associated company, in our case causing the investments in The Webb Group and Confetti Network to be reclassified as associated companies
- The non-provision for final dividends payable until approved at General Meeting

Whilst we currently anticipate that these will be the major adjustments which arise on transition to IFRS, the group's convergence project is necessarily ongoing and IFRS along with the associated interpretations continue to be refined and developed. The group has established a project timetable to ensure the requirements under IFRS will be met and adopted in the 2005/06 interim statement.

David Dutton
Group Finance Director

Directors and Advisors

Executive Chairman	K Chapman**
Deputy Executive Chairman	D A Johnson, BSc (Econ), FCA
Company Secretary	I J Bolton, BSc, PhD
Managing Director	P B Maudsley
Finance Director	D B Dutton, BA, ACA
	G P Craig*
	P E Jolly, LLB*
	J M F Padovan, LLB, BCL, FCA*

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

Secretary and Registered Office

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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 Future Prospects

A review of the group's activities and its future prospects is contained in the chairman's statement on pages 2 and 3.

Acquisitions

The group made two acquisitions in the educational supplies business segment during the year; GLS Educational Supplies and Huntleigh National Care. The combined consideration (including costs) was £33.2m and net assets acquired were £8.1m. The combined annualised turnover of these businesses is approximately £68m.

Dividends

An interim dividend of 3.50p (2004: 3.10p) per share was paid on 14 January 2005. The directors recommend a final dividend of 12.90p (2004:11.40p) per share be paid on 7 July 2005 to shareholders on the register on 10 June 2005, with an ex-dividend date of 8 June 2005.

Share Capital

Share options outstanding at 31 March 2005 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 10,120,439 ordinary shares with a nominal value of £506,021 representing 11.92% of the issued share capital and will be able to issue 4,243,978 ordinary shares with a nominal value of £212,198 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 2005 represented 18 creditor days (2004: 21 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 9. All the directors served throughout the year with the exception of Mr Maudsley, who was appointed on 6 April 2004 and Mr Dutton who was appointed on 2 December 2004. Mr Johnson and Dr Bolton will retire and, being eligible, offer themselves for re-election at the annual general meeting. Mr Dutton 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 (62, 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 (61, deputy executive chairman)
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. He was appointed deputy chairman in December 2004.

Dr I J Bolton (61, 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 (44, group managing 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 and subsequently appointed group managing director in December 2004.

Mr D B Dutton (45, group financial director)
David Dutton joined the group in 1986. He has held a number of roles, most latterly that of group financial controller. He was appointed to the board on 2 December 2004.

Mr G P Craig (58, 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 also was a non-executive director of Stirling Group PLC until its delisting in October 2003.

Mr P E Jolly (39, non-executive director)
Patrick Jolly joined the board in March 2001. He is an experienced corporate finance lawyer and is an executive director of SurfControl plc.

Mr J M F Padovan (67, 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 £79,550 (£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 16 May 2005:

Material interests of 3% or more	Number of Shares	Proportion of Share Capital
Schroders plc	16,015,309	18.86%
Framlington Investment Management Limited	9,002,500	10.60%
Barclays plc	3,534,167	4.16%
Legal & General Investment Management Limited	2,784,850	3.28%
Prudential plc	2,623,434	3.09%

Auditors

Deloitte & Touche LLP have notified their willingness to continue as auditors of the company and their re-appointment will be proposed at the annual general meeting.

By order of the board
I J Bolton
Secretary

26 May 2005

Corporate Governance Report

The company is committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment the group supports the highest standards in corporate governance.

The board is accountable to the company's shareholders for good governance and this statement and the Directors' Remuneration Report on pages 18 to 24 describe how the principles of good governance set out in the revised Combined Code on Corporate Governance, published by the Financial Reporting Council in July 2003, are applied within the company.

Compliance

The company complied throughout the year with the provisions of the Combined Code Principles of Good Governance and Code of Best Practice, except in the following aspects:

A.2.2 The chairman was previously the chief executive.

A.3.2 Following the appointment of Mr D B Dutton as a director on 2 December 2004 at least half the board, excluding the chairman, has not comprised independent non-executive directors.

The company's auditors, Deloitte and Touche LLP, are required to review whether the above statement reflects the company's compliance with the nine provisions of the Combined Code specified for its review by the Listing Rules and to report if it does not reflect such compliance.

The Board

As at 31 March 2005, the board was made up of eight members comprising the executive chairman, four other executive directors and three non-executive directors. The non-executive directors are considered by the board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Biographical details of each of the directors, which illustrate their range of experience, are set out on pages 10 and 11.

The division of responsibilities between the chairman and the chief executive is clearly established. At present the responsibilities of the chief executive are divided, on a basis understood by the board, between the deputy chairman and the group managing director.

The senior independent director is Mr G P Craig and is the director whom shareholders may contact if they feel their concerns are not being addressed through the normal channels. The non-executive directors meet at least once a year without the executive directors present.

All directors are subject to election at the annual general meeting immediately following their appointment and to re-election every three years. Any director attaining the age of 70 would be subject to re-election annually.

Board Procedures

The board met formally on six occasions during the year and individual attendance at those and the board committee meetings is set out in the table below. All board members are supplied with information in a form and of a quality appropriate to enable them to discharge their duties. Board and committee papers are sent out as appropriate before meetings take place.

There is an agreed schedule of matters reserved for the board for collective decision including:

- determining the strategy and control of the group;
- amendments to the structure and capital of the group;
- approval of financial reporting and internal controls;
- approval of capital and revenue expenditure of a significant size;
- acquisitions and disposals above a prescribed level; and
- corporate governance matters and approval of group policies and risk management strategies.

To enable the board to perform its duties effectively all directors have full access to all relevant information and to the services of the company secretary whose responsibility it is for ensuring that board procedures are followed. The appointment and removal of the company secretary is a matter reserved for the board. There is an agreed procedure whereby directors wishing to take independent legal advice in the furtherance of their duties may do so at the company's expense. Appropriate training is available to all directors on appointment and on an ongoing basis as required.

The terms of reference for each of the board committees are available on request from the company secretary or on the company's website (www.findel.co.uk).

Attendance at Board and Committee Meetings

The following table shows the attendance of directors at meetings of the board and of the Audit, Remuneration and Nomination Committees of the board during the year to 31 March 2005:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
K Chapman	6	*	*	2
D A Johnson	6	*	*	*
I J Bolton	6	*	*	*
P B Maudsley	6	*	*	*
D B Dutton **	2	*	*	*
G P Craig	6	3	5	2
P E Jolly	6	3	5	2
J M F Padovan	6	3	5	2
Number of meetings in the year	6	3	5	2

* where an asterisk appears in the table the director listed is not a member of the committee.

** Mr D B Dutton was appointed a director on 2 December 2004 and has attended all relevant meetings since his appointment.

Board Effectiveness

During the year an appraisal of the board, each board committee, and the performance of the individual directors was carried out. The appraisal of the board and the committees was undertaken using questionnaires which were completed by each director as appropriate. A summary of the responses was reviewed by the chairman prior to the submission of the results to the whole board.

Formal appraisals of the executive and non-executive directors' individual performance were conducted by the chairman by holding a meeting with each director.

The non-executive directors, chaired by the senior independent director, meet once a year without the chairman present to assess his performance. The senior independent director then discusses the results of that assessment with the chairman.

Relations with Shareholders

The company recognises the importance of communicating with its shareholders, including its employee shareholders, to ensure that its strategy and performance are understood. This is achieved principally through the Interim Report, the Annual Report and the annual general meeting. In addition, a range of corporate information is available to investors on the company's web site (www.findel.co.uk).

The chairman, the deputy chairman, the chief executive and the group finance director are primarily responsible for Investor Relations. Feedback from major shareholders is reported to the board by the group finance director and the chairman and discussed at its meetings. Formal presentations are made to institutional shareholders following the announcement of the company's full year and interim results. During the year the senior independent director has been available to meet with institutional shareholders if requested. Although the non-executive directors are not at present asked to meet the company's shareholders, their attendance at presentations of the annual results is encouraged. The board recognises that the annual general meeting is the principal forum for dialogue with private shareholders. All directors normally attend the annual general meeting and are available to answer any questions that shareholders may wish to raise. The Notice of Meeting is sent to shareholders at least 20 working days before the meeting. Shareholders vote on a show of hands, unless a poll is validly called and after each such vote the number of proxy votes received for and against the resolution is announced.

The Remuneration Committee

The Remuneration Committee operates under written terms of reference and is comprised of only independent non-executive directors. The committee's report is set out on pages 18 to 24.

Nomination Committee

The Nomination Committee operates under written terms of reference. Its principal duty is the nomination of suitable candidates for the approval of the board to fill executive and non-executive vacancies on the board. The Nomination Committee comprises the chairman and the three independent non-executive directors. The meetings of the committee are chaired by the chairman.

The committee's responsibilities include:

- regularly reviewing the structure, size and composition including the skills, knowledge and experience required of the board compared to its current position and make recommendations to the board with regard to any changes;
- giving full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company and what skills and expertise are therefore needed on the board in the future;
- being responsible for identifying and nominating for the approval of the board candidates to fill board vacancies as and when they arise;
- before making an appointment, evaluating the balance of skills, knowledge and experience on the board and, in the light of this evaluation preparing a description of the role and capabilities required for a particular appointment;
- keeping up to date and fully informed about strategic issues and commercial changes affecting the company and the market in which it depends;
- reviewing annually the time required for non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties;
- ensuring that on appointment to the board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings;
- keeping under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- advising the board on succession planning for executive board appointments; and
- considering any other matters the board may request.

Following the appointment of a new director, the chairman in conjunction with the deputy chairman and the company secretary, is responsible for ensuring that a full, formal and tailored induction to the company and to the function within company is given.

During the year, on behalf of the board, the committee undertook a search, which utilised recruitment consultants, for the appointment of a new group finance director. After conducting this process the committee made a recommendation to the board, which resulted in the appointment of Mr D B Dutton, previously the group financial controller, as a director of the company on 2 December 2004.

Audit Committee

The Audit Committee operates under written terms of reference, which were reviewed during the year, meets at least three times a year and is comprised of only independent non-executive directors. Mr G P Craig, the senior non-executive director, chairs the committee. The committee, taken as a whole, is considered to have significant recent and relevant financial experience. The expertise and experience of the members of the committee are summarised on pages 10 and 11. The deputy chairman and the group finance director normally attend meetings by invitation and the committee also meets with the external auditors without management present.

The external auditors attended all of the meetings, in part if appropriate, and have direct access to the committee chairman. The company secretary acts as secretary to the committee. The chairman of the committee attends the annual general meeting to respond to any shareholder questions that might be raised on the committee's activities.

The committee's responsibilities include:

- reviewing the effectiveness of the group's financial reporting and internal control procedures for the identification, assessment and reporting of risks;
- reviewing with the external auditors the nature and scope of their planned work;
- reviewing the half year and annual financial statements before submission to the board, focusing particularly on:
  - (i) any changes in accounting policies and practices;
  - (ii) major judgemental areas;
  - (iii) significant adjustments resulting from the audit;
  - (iv) the going concern assumption;
  - (v) compliance with accounting standards;
  - (vi) compliance with applicable stock exchange and legal requirements.
- discussing any problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss, in the absence of the executive directors and other management where necessary;
- reviewing the cost-effectiveness, independence and objectivity of the external auditors;
- considering the major findings of internal investigations and management's response; and
- considering any other matters the board may request

The committee has the power to engage outside advisers if it considers it to be necessary.

The committee met three times in the year and its agenda is linked to events in the company's financial calendar. The agenda is mostly cyclical such that the committee chairman approves the agenda on behalf of all members. Each member may require reports on matters of interest in addition to the regular items. During the year in addition to its normal duties the committee reviewed the company's preparation, policies and plans for the implementation of the new International Financial Reporting Standards (IFRS).

The committee also reviews the "whistle-blowing" policy under which employees may in confidence notify the company of any concerns, including inter alia matters involving financial reporting. It also reviews the procedures for investigating and resolving any such concerns. A copy of the whistleblowing policy is available on the company's web site (www.findel.co.uk).

The board is aware of the need to maintain an appropriate degree of independence and objectivity on the part of the group external auditors when engaged in non-audit assignments. Both the Audit Committee and the external auditors have safeguards in place to avoid such independence and objectivity being compromised. The committee also ensures that key partners within the external auditors are rotated from time to time in accordance with UK rules. The current audit partner, having served for a period of five years, is due to be replaced by rotation immediately after this year's annual general meeting.

The group policy on the provision by the external auditors of audit and non-audit services, which is based on the principle that the external auditors should only undertake non-audit services where they are the most appropriate provider, categorises such services between:

- Auditor permitted services – Those services which are acceptable for the auditors to provide and the provision of which can be engaged without referral to the Audit Committee. (e.g. regulatory and other specialist financial reporting).
- Auditor excluded services – Those engagements that the Audit Committee and the board do not consider appropriate for the auditors to undertake. (e.g. provision of outsourced financial or operational management functions).
- Auditor authorised services – Those services for which it is appropriate to consider the use of the external auditors and for which the specific approval of the Audit Committee is required before the auditors are permitted to provide the service (e.g. transaction support and advisory work, such as due diligence).

The policy defines the types of services falling under each category and sets out the criteria to be met and the internal approvals required prior to the commencement of any assignment. The Audit Committee reviews an analysis of all services provided by the external auditors. The policy is reviewed annually by the Audit Committee and approved by the board.

This disclosure of the fees payable to Deloitte & Touche LLP and to other accountancy firms performing audit and non-audit services during the year are set out in note 5 on page 34. A breakdown of the non-audit fees is included in the same note. The external auditors and committee chairman have regular dialogue concerning matters of independence and a report is made formally to the committee on this matter at least once a year. The Audit Committee is entirely satisfied with the level of fees, independence, objectivity and effectiveness of Deloitte & Touche LLP. Accordingly a resolution for the re-appointment of Deloitte & Touche LLP as auditors of the company will be proposed at the forthcoming annual general meeting.

The group does not have a dedicated internal audit function. The board annually reviews the need for such a function and has done so during the year. The group does however have a function which performs a number of internal audit tasks across the divisions and this, together with the fact that during the year, there were no adverse trends evident from the monitoring of internal controls or unexpected or unacceptable results of a material nature has led the board to conclude that at present a dedicated internal audit function is not necessary. The board will continue to keep this matter under review.

Risk Management and Internal Control

The board is responsible for the group's system of internal control and for reviewing its effectiveness. It is the role of management to implement the board's policies on risk and control through the design and operation of appropriate internal control systems. For the whole of the year under review and up to the date of approval of the Annual Report and Accounts, the board has had formal procedures in place to ensure that it is in a position to consider all the significant aspects of internal control and has worked closely with the external auditors in assessing and ensuring their effectiveness.

The board has conducted its annual review of the effectiveness of the group's system of internal control. This review has covered all controls including operational, compliance and risk management procedures, as well as financial. The formal process followed, and reviewed by the board, to assess the effectiveness of the group's system of internal control accords with the guidance set out in the Turnbull Report "Internal Control: Guidance for directors on the Combined Code", and is part of the ongoing process for identifying, evaluating and managing the significant risks faced by the group. This process is summarised as follows:

- Operating management is charged with the ongoing responsibility for identifying risks facing each of the operating units and for putting in place procedures to mitigate, manage and monitor risks.
- Operating units formally review all business risks and set out the significant risks to the operations, the controls in place and additional controls which could be implemented. These proposals are approved by each operating unit's management and submitted in the form of risk action plans to group executive management for review and approval. Any significant matters arising from this review are formally reported to the board by the finance director to ensure that appropriate initiatives are developed and implemented to manage those risks. The board is advised in this process by the Audit Committee.
- The risk and control identification and management process is monitored and periodically reviewed by group executive management.
- The key elements of the controls framework within which the group operates are:
  - an organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements;
  - an embedded culture of openness of communication between operating company management and the group executive management on matters relating to risk and control;
  - defined expenditure authorisation levels;
  - operating reviews covering all aspects of each business are conducted by group executive management each quarter;

– a comprehensive system of financial reporting. An annual budget for each operating company is prepared in detail and approved by the chairman and the chief executive. The board approves the overall group's budget and plans. Monthly actual results are reported against budget and prior year and the forecast for the year is revised where necessary. Any significant changes and adverse variances are questioned by the board and remedial action is taken where appropriate. There is daily cash and treasury reporting to the group finance director and periodic reporting to the board on the group's tax and treasury position.

The system of internal control is designed to manage rather than eliminate the risk of failing to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

The risk framework as outlined above, gives reasonable assurance that the structure of controls in operation is appropriate to the group's situation and that there is an acceptable level of risk throughout the business.

The board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group; that this has been in place for the year under review and up to the date of approval of the Annual Report and Accounts.

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 judgments 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;

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

The directors consider, after making appropriate enquiries at the time of approving the financial statements, that the company and the group have adequate resources to continue in operational existence for the foreseeable future, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the Financial Statements.

Board Report on Directors' Remuneration

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, including the chairman, is determined by the Remuneration Committee. Members of the committee comprise the three 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. Individual attendance details can be found within the Corporate Governance Report. The committee's terms of reference are available on the company's web site (www.findel.co.uk); its responsibilities include:

- determining the specific remuneration of each of the directors of the company and in so doing it shall consider all the elements of the remuneration of the directors of the company including:

  (i) base salary;

  (ii) performance-related payments (including profit-sharing schemes);

  (iii) pension contributions; and

  (iv) benefits in kind;
- considering the other provisions of the service agreements of the executive directors of the company (in particular, the term of any notice period);
- advising on and monitoring all performance-related formulae;
- administering all aspects of any discretionary share option scheme operated by the company from time to time, including (subject always to the rules of any such scheme and any applicable legal and stock exchange requirements):

  (i) the selection of those eligible directors and employees of the company and its subsidiary companies to whom options should be granted;

  (ii) the timing of any such grant;

  (iii) the numbers of shares over which options are to be granted;

  (iv) the exercise price at which options are to be granted;

  (v) the impositions of any objective condition which must be complied with before any option may be exercised; and

  (vi) to constitute the option committee under such schemes
- reviewing on a continuing basis the company's policy generally in relation to executive remuneration and the factors to be considered by it when considering specific remuneration packages as listed in the first section above;

- having regard, in the performance of the above duties, to the Code of Best Practice known as the Cadbury Report on the Financial Aspects of Corporate Governance, the recommendations of the Greenbury Report on Directors' Remuneration, the recommendations of the Hampel Report on Corporate Governance, and the requirements of the Listing Rules and the Combined Code annexed to the Listing Rules and any other published guidelines or recommendations regarding the remuneration of directors of listed companies which the committee considers relevant or appropriate;
- considering and making recommendations to the board concerning disclosure of details of remuneration packages and structures in addition to those required by law or by the UK Listing Authority or the London Stock Exchange; and
- considering such other matters as may be requested by the board.

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. 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. Adjustments were made during the course of the year following the appointment of a new group finance director to maintain appropriate relativities within the executive director population and within a general policy that base salary levels are set at no higher than market median level in relation to similar sized UK listed businesses and considering other elements of the package.

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 which would produce significant growth.

(iii) Long term incentives
Executive directors have a continuing interest in long term incentives. While awards were made during the year to two newly appointed executive directors following the announcement of results (but before the publication of the Directors' Remuneration Report) no long term incentives are proposed to be granted in the forthcoming year. Should any awards be made in the future the Remuneration Committee will ensure that appropriately demanding performance targets will be set which may not necessarily be the same as targets set in relation to previous awards.

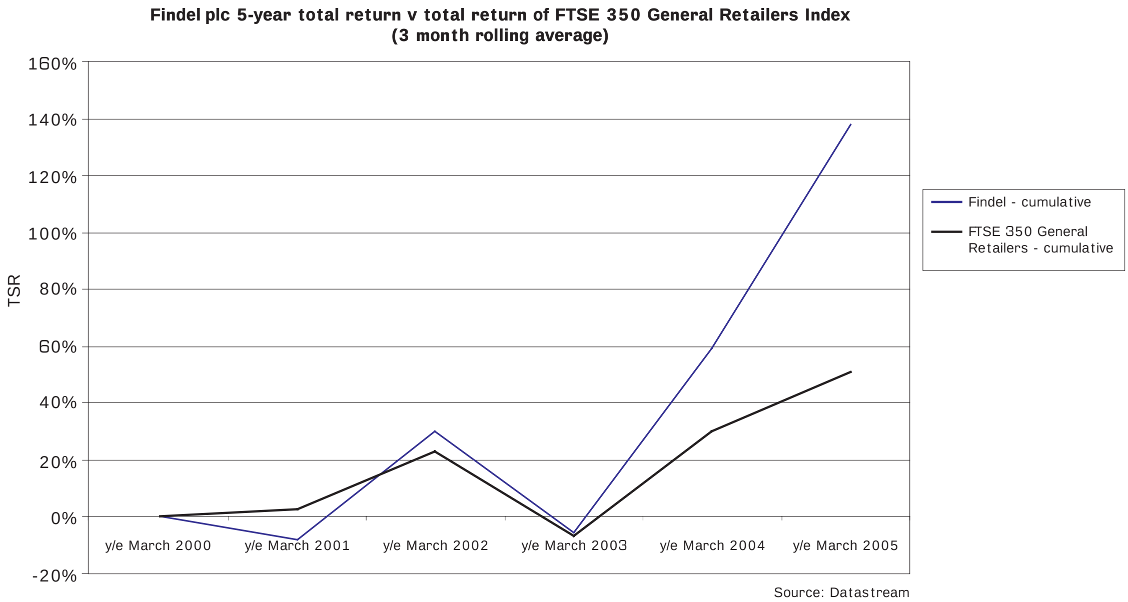
(iv) Pension rights
Dr I J Bolton and Mr P B Maudsley participate and Mr D A Johnson participated until December 2003 (when he approached his normal retirement age of 60) on a non-contributory basis, and Mr D B Dutton participates on a contributory basis, in the Findel Group Pension Fund (the "Scheme") which provides them at their normal retirement age of 65 with a pension of up to two-thirds of their final pensionable earnings at retirement. In the event of retirement before the normal retirement age, their pension would normally be reduced. Life assurance cover is four times salary for Dr Bolton and Mr Dutton, and three times salary for Mr Maudsley. Pensions are payable in certain circumstances in the event of ill health and a spouse's pension is payable on death. Pensionable earnings for Dr Bolton's service after 1 April 2003 are defined as one third of the aggregate of his 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, Dr Bolton's' terms of service provided that elements of his emoluments as well as basic salary were taken into account in calculating his pension entitlement. Pensionable earning for Mr Dutton and Mr Maudsley are defined as one third of the aggregate of the member's basic salary paid in the three years prior to retirement. For Mr K Chapman and Mr D A 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 £40,800 and £34,453 respectively in the year ended 31 March 2005.

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.



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. 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. 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 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 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. Dr Bolton would, therefore, be entitled to a damages payment of one time's 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. The contract contains no provision for compensation to be payable on early termination and assessment of damages would be subject to mitigation. Mr Maudsley's benefits include a three-year bonus scheme relating to the performance of the Home Shopping division in the period to 31 March 2005, the performance criteria of which have been achieved.

Mr Dutton's service agreement is terminable subject to one year's notice by either party. It was entered into on 20 September 1991 and was subsequently varied on 31 August 2001. The contract contains no provision for compensation to be payable on early termination and assessment of damages would be subject to mitigation.

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 2007 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 £35,000 per annum, and of Mr Jolly and Mr Padovan is £32,500 per annum.

The information set out in the following section of the report is subject to audit.

(i) Emoluments of the directors

The emoluments of the directors in the year ended 31 March 2005 are shown below:

	Salary/fees	Benefits in Kind	Annual Bonus	2005 Total	2004 Total
	£000	£000	£000	£000	£000
Executive					
K Chapman	398	31	225	654	643
D A Johnson	315	30	173	518	462
I J Bolton	262	25	135	422	316
D B Dutton	58	7	53	118	—
P B Maudsley	233	23	444	700	—
Non-executive					
G P Craig	34	—	—	34	33
P E Jolly	32	—	—	32	30
J M F Padovan	32	—	—	32	30
Total				2,510	1,514

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. Mr Maudsley's annual bonus includes a payment of £333,333 in respect of a three-year bonus scheme relating to the performance of the Home Shopping division over the three years to 31 March 2005. In relation to bonuses payable in respect of the year ended 31 March 2005, the financial performance over the year was such that the Remuneration Committee considered that payment of maximum bonuses under the group plan were appropriate. Bonus payments to Mr Maudsley relate to a pre-determined plan which set out annual and cumulative targets to be achieved over a three year period in relation to the Home Shopping Division. Again, performance of this division has been excellent.

Benefit in kind comprise the private use of a motor car, private health insurance and home telephone costs.

(ii) Directors' pension entitlements
Dr I J Bolton, Mr D B Dutton and Mr P B Maudsley are active members 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	Transfer value of increase	Accrued pension 31 Mar 2005	Accrued pension 31 Mar 2004	Increase in accrued pension including inflation	Transfer value of accrued pension 31 Mar 2005	Transfer value of accrued pension 31 Mar 2004	Increase in transfer value over the period
	£000	£000	£000	£000	£000	£000	£000	£000
I J Bolton	19	276	145	122	23	2,173	1,642	531
D B Dutton	8	53	31	22	9	209	127	82
P B Maudsley	7	44	45	37	8	294	202	92

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.

(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.

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

	31 March 2004	Granted	Exercised	31 March 2005	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
D B Dutton	49,734	—	49,734	—	188.5p	May 2001 – Oct 2004
	—	105,862	—	105,862	360.75p	May 2008 – May 2011
P B Maudsley	49,734	—	49,734	—	188.5p	May 2001 – Oct 2004
	15,186	—	—	15,186	214.0p	May 2002 – May 2005
	14,018	—	—	14,018	214.0p	May 2002 – May 2008
	44,326	—	—	44,326	141.0p	May 2003 – May 2006
	—	188,842	—	188,842	360.75p	May 2008 – May 2011

	31 March 2004	Granted	Exercised	31 March 2005	Exercise price	Exercise period
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
D B Dutton	11,859	—	—	11,859	263.5p	May 2003 – May 2010
P B Maudsley	26,736	—	—	26,736	205.0p	Dec 2002 – Dec 2009
	11,859	—	—	11,859	263.5p	May 2003 – May 2010

It is the company's policy to award share options on a phased basis. Larger one-off grants made during the year to Messrs Dutton and Maudsley were determined by the Remuneration Committee, taking account of the importance of providing appropriately retentive arrangements (as outstanding options are all exercisable) and recognising their promotion to more senior roles.

Details of share options exercised during the year are as follows:

	Date of exercise	Number of shares	Exercise price	Mid market price on date of exercise	Notional gain on exercise
K Chapman	30 Sept 2004	159,151	188.5p	410.0p	£352,519
D A Johnson	30 Sept 2004	185,676	188.5p	410.0p	£411,272
I J Bolton	30 Sept 2004	91,511	188.5p	410.0p	£202,697
D B Dutton	28 June 2004	49,734	188.5p	405.75p	£108,047
P B Maudsley	30 Sept 2004	49,734	188.5p	410.0p	£110,161

The performance criteria for all awards, other than those granted during the year ended 31 March 2005, under the share option schemes and the long term incentive plan have been met. For options granted during the year ended March 2005, the performance condition requires average annual EPS growth of between RPI+2% for two thirds of options to be exercisable and RPI+3% for all options to be exercisable. The performance condition was determined by the Remuneration Committee to provide a valid objective. No price has been paid for the award of any of the options.

Awards in 2004 were made prior to the publication of last year's Directors' Remuneration Report.

Details of share options exercised since 31st March 2005 are as follows:

	Date of exercise	Number of shares	Exercise price	Mid market price on date of exercise	Notional gain on exercise
K Chapman	12 May 2005	79,439	214.0p	458.5p	£194,228
D A Johnson	12 May 2005	79,439	214.0p	458.5p	£194,228
I J Bolton	12 May 2005	39,719	214.0p	458.5p	£97,112
P B Maudsley	12 May 2005	15,186	214.0p	458.5p	£37,129

Other than the foregoing, no directors exercised any share options during the year ended 31 March 2005 or the year ended 31 March 2004.

There have been no variations to the terms and conditions or performance criteria for share options or awards under the long term incentive plan during the year ended 31 March 2005.

The market price of the ordinary shares at 31 March 2005 was 485.0p and the range during the year was 338p to 523.25p.

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 were £42,500.

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 2005		31 March 2004	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
K Chapman	4,809,151	2,000,000	4,650,000	2,000,000
D A Johnson	335,676	—	150,000	—
I J Bolton	248,206	—	156,695	—
D B Dutton	44,326	—	*44,326	*—
P B Maudsley	49,734	—	**—	**—
G P Craig	40,000	—	40,000	—
P E Jolly	2,383	—	—	—
J M F Padovan	10,000	—	10,000	—

* on appointment 2 December 2004
** on appointment 6 April 2004

Following the exercise of share options on 12 May 2005 detailed above, the beneficial interests in the ordinary shares of the company of Mr Chapman, Mr Johnson, Dr Bolton and Mr Maudsley have increased to 4,888,590, 415,115, 287,925 and 64,920 respectively. There have been no other changes in directors' interests since 31 March 2005.

On behalf of the board
J M F Padovan
Chairman of the Remuneration Committee
26 May 2005

Corporate Social Responsibility

The group fully recognises the importance of this in the conduct of the company, its employers and its suppliers. Both legislation and investor interest increases each year and we are determined to remain both compliant and involved.

Overall responsibility for all corporate social responsibility matters lies with Dr I J Bolton as Findel company secretary. Dr Bolton is then supported by a review body chaired by the director of health & safety. This review body meets to set strategy and targets and to review progress. It comprises senior purchasing and facilities managers from within the group's operating companies.

The review body now has figures from up to three years worth of data to consider progress, trends and help set targets for the future.

Policy

The group has identified that with minimal manufacturing facilities, the environmental policy concentration needs to be on product sourcing, energy consumption and waste disposal.

Within this, we aim to reduce our effect on the environment year on year as measured against sales growth. In particular, the policy is to:

- Comply with and, where possible, improve our performance against all environmental legislation;
- Monitor and achieve our set targets on environmental performance;
- Consider and implement relevant recommendations to improve environment performance;
- Continue to work with key suppliers to improve their compliance and performance.

The key areas on which we are concentrating are:

- Reduction of all energy usage;
- Reducing our consumption of materials, especially paper and packaging;
- Improvements in the efficiency of our transport fleet;
- Waste reduction and increases in recycling of all types.

Energy

Concentration here is on conserving energy by minimising consumption in heating, lighting and powered equipment.

Energy is measured and monitored across all major sites and regularly compared against previous years and targets.

The group's vehicle fleet's CO_2 emission levels are measured monthly and we are working to reduce this by progressive moves to a more diesel oriented fleet.

Material Consumption and Waste Management

Increasing amounts of waste materials are now recycled by tighter controls on waste management.

Packaging continues to have a dedicated team focused on reducing weights and volumes wherever possible. Considerable progress has been made recently by replacing boxes by recyclable bags for smaller parcels.

Ethical Trading

Findel's ethical trading policy document remains as the key to our supplier relationships and contracts, particularly in India and the Far East.

This concentrates on ensuring that all our suppliers meet our clearly defined contractual standards on both United Nations and local laws on employment, pay rates, holidays, working conditions, etc. These are rigorously applied by our resident staff in our offices in the main overseas sourcing areas of China/Hong Kong and India. Full supplier documentation on initial tenders, contracts and unannounced staff inspection visits is maintained.

Human Resources

Our objective and mission is to run a fair equal opportunities employment culture that embraces the very multi cultural environment in which many of our sites are located. We are committed to advertising job opportunities in-house and to promotion on merit.

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.

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 2005 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 26 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 2005 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
26 May 2005

Group Profit and Loss Account

year ended 31 March 2005

	Notes	2005 Before exceptional items and goodwill amortisation £000	2005 Exceptional items and goodwill amortisation £000	2005 Total £000	2004 £000
Turnover					
Continuing operations	1	436,011	—	436,011	421,104
Acquisitions	1	22,095	—	22,095	—
		458,106	—	458,106	421,104
Cost of sales	2	(246,324)	—	(246,324)	(237,773)
Gross profit		211,782	—	211,782	183,331
Other operating expenses (net)	2	(151,006)	(6,177)	(157,183)	(134,965)
Operating profit					
Pre exceptional items and goodwill amortisation		60,776	—	60,776	50,722
Exceptional items	3	—	(3,274)	(3,274)	—
Goodwill amortisation		—	(2,903)	(2,903)	(2,356)
Total operating profit		60,776	(6,177)	54,599	48,366
Continuing operations		59,838	(5,220)	54,618	48,366
Acquisitions		938	(957)	(19)	—
Total operating profit and profit before interest	1 & 2	60,776	(6,177)	54,599	48,366
Interest	4	(12,744)	—	(12,744)	(9,560)
Profit before taxation	5	48,032	(6,177)	41,855	38,806
Taxation	6	(13,568)	917	(12,651)	(10,601)
Profit after taxation		34,464	(5,260)	29,204	28,205
Equity minority interests		(582)	—	(582)	(705)
Profit for the period		33,882	(5,260)	28,622	27,500
Equity dividends	7	(13,640)	—	(13,640)	(11,968)
Retained profit for the period	19	20,242	(5,260)	14,982	15,532
Earnings per share – basic	8			34.54p	33.40p
Earnings per share – excluding exceptional items and goodwill amortisation	8			40.89p	36.26p
Earnings per share – diluted	8			34.05p	32.95p

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

Balance Sheets

year ended 31 March 2005

	Notes	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Fixed assets					
Intangible assets	10	65,218	42,773	—	—
Tangible assets	11	57,147	54,819	15,089	15,606
Investments	12	15,221	15,221	136,697	136,697
		137,586	112,813	151,786	152,303
Current assets					
Stocks	13	101,388	81,528	—	—
Debtors Trade debtors subject to non-recourse finance	14	144,275	123,970	—	—
Non-recourse finance	14	(79,389)	(70,615)	—	—
		64,886	53,355	—	—
Debtors not subject to non-recourse finance	14	73,407	57,821	203,777	180,189
Cash at bank and in hand		4,147	6,707	8,652	17,836
		243,828	199,411	212,429	198,025
Creditors: amounts falling due within one year	15	(123,227)	(90,055)	(123,528)	(124,718)
Net current assets		120,601	109,356	88,901	73,307
Total assets less current liabilites		258,187	222,169	240,687	225,610
Creditors: amounts falling due after more than one year	16	(131,110)	(111,301)	(130,000)	(110,000)
Provisions for liabilities and charges	17	(6,247)	(6,175)	(6,222)	(5,982)
		120,830	104,693	104,465	109,628
Capital and reserves					
Called up share capital	18	4,233	4,200	4,233	4,200
Capital redemption reserve	19	403	403	403	403
Share premium account	19	22,926	21,723	22,926	21,723
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	66,842	51,940	50,556	56,955
Equity shareholders' funds		120,751	104,613	104,465	109,628
Equity minority interests		79	80	—	—
		120,830	104,693	104,465	109,628

Approved by the board on 26 May 2005

K Chapman
D B Dutton
} Directors

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

Group Cash Flow Statement

year ended 31 March 2005

	Notes	2005 £000	2004 £000
Net cash inflow from operating activities	20(a)	34,912	36,246
Returns on investments and servicing of finance			
Interest received		102	212
Interest paid		(12,717)	(9,454)
Interest element of finance leases		(84)	(82)
Dividends paid to minorities		(706)	(318)
Net cash outflow from returns on investments and servicing of finance		(13,405)	(9,642)
Taxation: Corporation tax paid		(11,779)	(2,473)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(8,985)	(10,976)
Sale of tangible fixed assets		2,578	1,751
Purchase of trade investments		—	(242)
Net cash outflow from capital expenditure and financial investment		(6,407)	(9,467)
Acquisitions and disposals			
Purchase of businesses and subsidiary undertaking		(33,153)	(7,099)
Net overdrafts acquired with subsidiary undertaking		(783)	—
Net cash outflow from acquisitions and disposals		(33,936)	(7,099)
Dividends: Equity dividends paid		(12,317)	(10,619)
Net cash outflow before financing		(42,932)	(3,054)
Financing			
Issue of ordinary share capital		1,236	481
Increase in borrowings	20(b)	25,000	—
Capital element of finance lease payments	20(b)	(897)	(1,025)
Net inflow/(outflow) from financing		25,339	(544)
Decrease in cash	20(b)	(17,593)	(3,598)

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 2005

	2005 £000	2004 £000
Profit for the financial year	28,622	27,500
Currency translation differences on foreign currency net investments	(80)	(463)
Total recognised gains and losses for the year	28,542	27,037

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 2005

	2005 £000	2004 £000
Profit for the financial year	28,622	27,500
Dividends	(13,640)	(11,968)
New shares issued	1,236	481
	16,218	16,013
Other recognised gains and losses relating to the year	(80)	(463)
Net increase in equity shareholders' funds	16,138	15,550
Equity shareholders' funds at 1 April	104,613	89,063
Equity shareholders' funds at 31 March	120,751	104,613

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. 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 2005 £000	Turnover 2004 £000	Operating profit 2005 £000	Operating profit 2004 £000	Net assets 2005 £000	Net assets 2004 £000
Home Shopping	225,835	208,740	42,703	33,885	152,836	129,671
Services	71,053	76,189	2,598	2,678	7,054	8,521
Educational Supplies	161,218	136,175	15,475	14,159	121,808	83,650
Exceptional items (note 3)	—	—	(3,274)	—	—	—
Goodwill amortisation	—	—	(2,903)	(2,356)	—	—
	458,106	421,104	54,599	48,366	281,698	221,842
Unallocated net liabilities:						
Investments					15,221	15,221
Net bank borrowings					(150,553)	(108,587)
Taxation					(14,226)	(13,673)
Dividends payable					(11,310)	(10,110)
					120,830	104,693

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 £22.1m, operating profit before goodwill amortisation and exceptional items of £0.9m, exceptional items of £0.5m and goodwill amortisation of £0.4m. Due to their subsequent integration it is not possible to separately identify the net assets relating to these acquisitions at the balance sheet date.

The exceptional costs charged in operating profit 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 2005 £000	Turnover 2004 £000	Operating profit 2005 £000	Operating profit 2004 £000	Net assets 2005 £000	Net assets 2004 £000
UK	443,916	409,261	53,304	47,025	110,662	95,523
Europe	—	—	(3)	(8)	1,885	1,838
Other overseas	14,190	11,843	1,298	1,349	8,283	7,332
	458,106	421,104	54,599	48,366	120,830	104,693

The above analysis of turnover shows the geographical segments from which products are supplied. The analysis of turnover by geographical destination is UK £439.6m (2004: £399.5m), Europe £9.2m (2004: £6.5m), Asia £5.5m (2004: £8.7m) and Other overseas £3.8m (2004: £6.4m).

2 Analysis of operating profit

	2005 Continuing £000	2005 Acquisitions £000	2005 Total £000	2004 Total £000
Turnover	436,011	22,095	458,106	421,104
Cost of sales	(230,968)	(15,356)	(246,324)	(237,773)
Gross profit	205,043	6,739	211,782	183,331
Selling and distribution costs	(87,636)	(2,518)	(90,154)	(74,852)
Administrative expenses	(62,789)	(4,240)	(67,029)	(60,113)
Operating profit	54,618	(19)	54,599	48,366

Included within administrative expenses is goodwill amortisation of £2.9m (2004: £2.4m), of which £0.4m arises on acquisitions in the year and exceptional items of £3.3m, of which £0.5m arises on acquisitions in the year, as described in note 3.

Notes to the Financial Statements

3 Exceptional items reported within operating profit

	Group 2005 £000	Group 2004 £000
Reorganisation costs		
Site rationalisation and closure costs	1,023	—
Stock rationalisation	108	—
Redundancies	1,293	—
Consultancy	366	—
Other	484	—
	3,274	—

Reorganisation costs relate to a restructuring of the Educational Supplies division, £0.5m relates to acquisitions in the year.

4 Interest

	2005	2004
On bank loans and overdrafts	12,762	9,620
On finance leases	84	82
	12,846	9,702
On bank deposits	(102)	(92)
On overpaid tax	—	(50)
	12,744	9,560

5 Profit on ordinary activities before taxation

	2005	2004
Stated after accounting for:		
Directors' emoluments	2,510	1,514
Amortisation of goodwill	2,903	2,356
Depreciation – owned assets	5,803	5,780
Depreciation – assets under finance leases	1,125	1,111
Auditors' remuneration – audit	270	215
Auditors' remuneration – non audit – VAT consultancy	149	223
– other	251	321
Hire of plant and machinery – operating leases	2,305	2,097
Hire of other assets – operating leases	6,088	4,306

Information regarding directors' emoluments, pension benefits, interests in the company's shares and share options are set out in the Board Report on directors' remuneration on pages 18 to 24.

6 Tax on profit on ordinary activities

	Group 2005 £000	Group 2004 £000
Current tax		
UK Corporation tax	11,677	6,348
Overseas tax	226	232
Prior year adjustments	633	210
	12,536	6,790
Deferred tax		
UK deferred tax – origin and reversal of timing differences	905	4,141
Overseas tax – origin and reversal of timing differences	—	(13)
Prior year adjustments	(790)	(317)
	115	3,811
Group tax charge	12,651	10,601

The tax credit attributable to exceptional items is £917,000 (2004: nil).

6 Tax on profit on ordinary activities – continued

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:

	Group 2005 £000	Group 2004 £000
Profit on ordinary activities before taxation	41,855	38,806
Tax on profit on ordinary activities at standard UK tax rate of 30% (2004: 30%)	12,556	11,642
Effects of:		
Expenses not deductible for tax purposes	339	(87)
Movements on deferred tax assets (not previously recognised)/utilisation of losses	(721)	(1,322)
Lower tax rates on overseas earnings	(162)	(169)
Marginal relief	(8)	(12)
Sub-total	12,004	10,052
Movement on deferred tax	(905)	(4,141)
Goodwill amortisation	804	669
Sub-total	11,903	6,580
Adjustments to tax charge in respect of prior periods	633	210
Current tax charge for the year	12,536	6,790

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.

7 Dividends

	Group 2005 £000	Group 2004 £000
Interim paid of 3.50p (3.10p) per share	2,965	2,610
Final proposed of 12.90p (11.40p) per share	10,922	9,576
Less: attributable to own shares held in Employee Benefit Trust	(247)	(218)
	13,640	11,968

8 Earnings per share

	2005	2004
Basic earnings	28,622	27,500
Exceptional items	3,274	—
Goodwill amortisation	2,903	2,356
Tax attributable to exceptional items	(917)	—
Earnings excluding exceptional items and goodwill amortisation	33,882	29,856
	No.	No.
Weighted average number of shares in issue	82,857,757	82,345,856
Dilutive share options	1,190,022	1,113,066
Adjusted weighted average number of shares	84,047,779	83,458,922
Earnings per share – basic	34.54p	33.40p
Earnings per share – excluding exceptional items and goodwill amortisation	40.89p	36.26p
Earnings per share – diluted	34.05p	32.95p

Dilutive share options represent the calculated dilutive effect of share options outstanding at the balance sheet and goodwill amortisation date in accordance with the reporting requirements of FRS 14. The directors believe it is appropriate to show earnings per share excluding exceptional items and goodwill amortisation since this is considered to be a significant performance measure.

Notes to the Financial Statements

9 Staff costs and employee numbers

	Group 2005 £000	2004 £000
Staff costs including directors		
Wages and salaries	53,842	46,671
Social security	4,436	3,379
Other pension costs	2,352	1,001
	60,630	51,051
	No.	No.
Average number of employees		
Administration	1,771	1,523
Production	22	19
Selling/distribution	1,406	1,326
	3,199	2,868

10 Fixed assets – intangible

	Goodwill £000
Cost	
At 1 April 2004	49,232
Adjustments to prior year goodwill	317
Additions	25,031
At 31 March 2005	74,580
Amortisation	
At 1 April 2004	6,459
Provided during the year	2,903
At 31 March 2005	9,362
Net book value at 31 March 2005	65,218
Net book value at 31 March 2004	42,773

The adjustments to prior year goodwill represents final adjustments to the provisional fair values of net assets acquired with prior year immaterial acquisitions.

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 2004	28,214	1,936	67,980	2,139	100,269
Additions	146	200	8,257	382	8,985
Acquisitions	—	—	1,944	259	2,203
Disposals	—	—	(21,165)	(459)	(21,624)
Exchange differences	—	—	(5)	—	(5)
At 31 March 2005	28,360	2,136	57,011	2,321	89,828
Depreciation					
At 1 April 2004	4,594	218	39,702	936	45,450
Provision for year	472	53	5,881	522	6,928
Disposals	—	—	(19,289)	(405)	(19,694)
Exchange differences	—	—	(3)	—	(3)
At 31 March 2005	5,066	271	26,291	1,053	32,681
Net book value at 31 March 2005	23,294	1,865	30,720	1,268	57,147
Net book value at 31 March 2004	23,620	1,718	28,278	1,203	54,819
Company					
Cost					
At 1 April 2004	18,429	343	176	2,206	21,154
Additions	—	—	11	382	393
Disposals	—	—	(34)	(459)	(493)
Group transfers	—	—	—	56	56
At 31 March 2005	18,429	343	153	2,185	21,110
Depreciation					
At 1 April 2004	4,281	101	150	1,016	5,548
Provision for year	328	14	19	494	855
Disposals	—	—	(33)	(405)	(438)
Group transfers	—	—	—	56	56
At 31 March 2005	4,609	115	136	1,161	6,021
Net book value at 31 March 2005	13,820	228	17	1,024	15,089
Net book value at 31 March 2004	14,148	242	26	1,190	15,606

The net book value of plant, equipment and motor vehicles held under finance leases at 31 March 2005 was group £3.9m (2004: £4.8m) and company £nil (2004: £nil).

Leasehold property includes short-term leases costing group £1.95m (2004: £1.95m) and company £0.34m (2004: £0.34m) which after depreciation have a net book value to the group of £1.87m (2004: £1.72m) and to the company of £0.23m (2004: £0.24m).

Freehold land and buildings for the group and for the company include land costing group £4.33m (£4.33m) and company £1.06m (2004: £1.06m) on which no depreciation has been charged.

Notes to the Financial Statements

12 Fixed assets – investments

Group

	Investments £000
Cost or valuation	
At 1 April 2004 and 31 March 2005	15,221
Provisions	
At 1 April 2004 and 31 March 2005	—
Net book value at 31 March 2004 and 31 March 2005	15,221

Company	Shares in group undertakings £000	Investments £000	Total £000
Cost or valuation			
At 1 April 2004 and 31 March 2005	125,153	15,221	140,374
Provisions			
At 1 April 2004 and 31 March 2005	3,677	—	3,677
Net book value at 31 March 2004 and 31 March 2005	121,476	15,221	136,697

Group and company investments at 1 April 2004 and 31 March 2005 comprised 30% of the issued share capital of Webb Group Limited, plus 34.8% of the issued share capital and £2.34m nominal value of non-voting preference shares of Confetti Network Limited (CNL). In addition the company held warrants to subscribe to 53,853,792 ordinary shares at par value of 0.1p each, expiring on 31 December 2006, in CNL. Both Webb Group and CNL are registered in England and Wales. In accordance with FRS 9 "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.

Principal subsidiary undertakings are listed on page 51.

13 Stocks

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Raw materials	512	184	—	—
Work in progress	—	14	—	—
Finished goods	100,876	81,330	—	—
	101,388	81,528	—	—

14 Debtors

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Trade debtors subject to non-recourse financing	144,275	123,970	—	—
Non-recourse financing received	(79,389)	(70,615)	—	—
	64,886	53,355	—	—
Other trade debtors	44,795	38,129	628	319
Amounts due from subsidiary undertakings	—	—	190,664	170,252
Other debtors	11,557	10,024	11,062	8,955
Prepayments and accrued income	17,055	9,668	1,423	663
	138,293	111,176	203,777	180,189

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 GRE Trust Company (Ireland) 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 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Bank loans and overdrafts	23,169	3,113	14,052	15,738
Obligations under finance leases (note 23)	421	880	—	—
Amounts received in advance	7,148	8,641	—	—
Trade creditors	51,099	42,948	655	795
Amounts due to subsidiary undertakings	—	—	96,498	94,590
Corporation tax	7,979	7,498	—	2,796
Indirect tax and social security	5,681	3,105	371	154
Other creditors	532	256	—	—
Accruals and deferred income	15,888	13,504	1,224	1,240
Dividend due to minority shareholder	582	705	—	—
Proposed dividend	10,728	9,405	10,728	9,405
	123,227	90,055	123,528	124,718

16 Creditors: amounts falling due after more than one year

	Group 2005 £000	Group 2004 £000	Company 2005 £000	Company 2004 £000
Bank loans	130,000	110,000	130,000	110,000
Obligations under finance leases (note 23)	1,110	1,301	—	—
	131,110	111,301	130,000	110,000

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

Notes to the Financial Statements

17 Provisions for liabilities and charges

	Group	Company
Deferred tax:	£000	£000
At 1 April 2004	6,175	5,982
Charge to profit and loss account	115	240
Balances acquired in period	(43)	—
At 31 March 2005	6,247	6,222

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

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
Accelerated capital allowances	4,118	4,354	3,010	3,028
Short term timing differences	2,129	1,821	3,212	2,954
	6,247	6,175	6,222	5,982

18 Share capital

		Group		Company	
	Number of shares	2005 £000	2004 £000	2005 £000	2004 £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	84,662,274	4,233	4,200	4,233	4,200

During the year the company allotted 666,031 ordinary shares with a nominal value of £33,302 for consideration of £1,236,233 in connection with the company's share option schemes.

Share options outstanding at 31 March 2005

	Number of shares	Exercise price	Exercise period
1997 share option scheme	217,287	214.0p	May 2001 – May 2005
	85,105	141.0p	May 2002 – May 2006
	14,540	205.0p	May 2002 – Dec 2006
	294,524	360.75p	May 2007 – Dec 2011
1997 approved share option scheme	56,072	214.0p	May 2001 – May 2008
	3,276	141.0p	May 2002 – May 2009

Exercise of options is conditional upon the group achieving growth in earnings per share targets. 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 2004	403	21,723	29,518	(3,171)	51,940
Share issues	—	1,203	—	—	—
Retained profit for the year	—	—	—	—	14,982
Exchange differences	—	—	—	—	(80)
At 31 March 2005	403	22,926	29,518	(3,171)	66,842

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 2005. 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 (2004: £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 2004	403	21,723	29,518	(3,171)	56 ,955
Share issues	—	1,203	—	—	—
Retained loss for the year	—	—	—	—	(6,399)
At 31 March 2005	403	22,926	29,518	(3,171)	50,556

The profit for the year of the company before dividends amounted to £7.2m (2004: £16.0m).

20 Cash flow

	Group 2005 £000	Group 2004 £000
(a) Reconciliation of operating profit to net cash inflow from operating activities		
Operating profit	54,599	48,366
Depreciation and amortisation	9,831	9,247
Profit on disposal of fixed assets	(647)	(267)
Increase in stocks	(14,251)	(9,740)
Increase in debtors	(15,405)	(16,142)
Increase in creditors	785	4,782
	34,912	36,246

(b) Analysis of net debt

	31 March 2004 £000	Cash flow £000	Exchange movements £000	Other non-cash changes £000	31 March 2005 £000
Cash at bank and in hand	6,707	(2,537)	(23)	—	4,147
Overdrafts	(3,113)	(15,056)	—	—	(18,169)
	3,594	(17,593)	(23)	—	(14,022)
Debt due less than one year	—	(5,000)	—	—	(5,000)
Debt due after one year	(110,000)	(20,000)	—	—	(130,000)
Finance leases	(2,181)	897	2	(249)	(1,531)
	(112,181)	(24,103)	2	(249)	(136,531)
Total	(108,587)	(41,696)	(21)	(249)	(150,553)

Notes to the Financial Statements

20 Cash flow – continued

	Group 2005 £000	Group 2004 £000
(c) Reconciliation of net cash inflow to movement in net debt		
Decrease in cash for the year	(17,593)	(3,598)
Cash outflow from changes in debt and lease financing	(24,103)	1,025
Other non cash changes	(249)	—
Translation differences	(21)	(90)
Movement in net debt in the year	(41,966)	(2,663)
Net debt at the start of the year	(108,587)	(105,924)
Net debt at the end of the year	(150,553)	(108,587)

21 Capital commitments

Neither the group nor the company had any capital commitments at 31 March 2005 or 31 March 2004.

22 Financial instruments

(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 96% 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 2005 there were contracts outstanding totalling £13.8m (2004: £19.9m). 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 2005 or 31 March 2004 between the book values and the fair values of the group's financial assets.

	Group 2005 £000	Group 2004 £000
The currency profile of financial assets is as follows:		
Sterling	—	—
Euros	248	—
US dollars	1,670	6,033
Hong Kong dollars	1,471	95
Other	62	94
	3,451	6,222

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 2005 or 31 March 2004 between the book values and the fair values of the group's financial liabilities.

	Group	
	2005	2004
	£000	£000
The currency profile of financial liabilities is as follows:		
Sterling	154,001	114,797
Euros	—	2
US dollars	—	10
Hong Kong dollars	3	—
	154,004	114,809
The maturity profile of financial liabilities is as follows:		
Within one year or on demand	22,894	3,507
Between one and two years	422	364
Between two and five years	130,688	110,919
In more than five years	—	19
	154,004	114,809
(d) Borrowing facilities		
The group had undrawn committed borrowing facilities as follows:		
Expiring in one year or less	52,756	71,060
Expiring in more than one but not more than two years	—	—
Expiring in more than two years	30,000	50,000
	82,756	121,060

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 2005 and 31 March 2004 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	
	2005	2004	2005	2004
	£000	£000	£000	£000
(a) Operating leases				
Group				
Annual operating lease commitments expiring:				
Within one year	1,106	781	107	26
In the second to fifth years	763	653	1,378	1,261
After five years	5,487	3,805	479	—
	7,356	5,239	1,964	1,287
Company				
Annual operating lease commitments expiring:				
Within one year	—	—	107	24
In the second to fifth years	—	—	731	658
After five years	2,180	1,730	—	—
	2,180	1,730	838	682

Notes to the Financial Statements

23 Financial commitments – continued

Leases of land and buildings are subject to rent reviews.

	Group		Company	
	2005	2004	2005	2004
	£000	£000	£000	£000
(b) Finance leases				
Finance lease obligations falling due:				
Within one year	421	880	—	—
In the second to fifth years	1,110	1,282	—	—
In more than five years	—	19	—	—
	1,531	2,181	—	—

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 2004 using the projected unit method. The principal actuarial assumptions adopted in that valuation were that the annual rate of return on investments would be between 0.25% and 1.50% higher than the annual increase in total pensionable remuneration and between 2.25% and 3.50% higher than the annual increase in present and future pensions in payment. The actuarial value of the assets was sufficient to cover 83% 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 £44.8m. The next valuation is due in April 2007.

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 6 April 2004. The principal of these schemes, accounting for 84% of the combined assets and 85% 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 0.50% and 3% higher than the annual increase in total pensionable remuneration and between 2% and 4.5% higher than the annual increase in present and future pensions in payment. The actuarial value of the assets was sufficient to cover 71% 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 £11.4m. The next valuation is due in April 2007.

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 between 0.5% to 3% higher than the annual increase in total pensionable remuneration and between 2.25% and 4.5% 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 £2.67m (2004: £1.43m) and there is a pension prepayment in the balance sheet of £7.83m (2004: £6.72m).

24 Pensions – continued

b) FRS17 retirement benefits

Major assumptions	2005 %	2004 %	2003 %
Rate of general increase in salaries	4.75	4.75	4.25
Rate of increase to pensions in payment	3.00	3.00	2.50
Rate of increase to deferred pensions	3.00	3.00	2.50
Discount rate for scheme liabilities	5.40	5.50	5.50
Inflation	3.00	3.00	2.50

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

	2005		2004		2003	
	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	37,340	7.50	32,098	7.50	26,634
Bonds	5.00	26,611	5.00	24,121	5.00	22,509
Other	4.50	1,153	4.50	630	4.50	488
		65,104		56,849		49,631
Present value of scheme liabilities		(88,331)		(76,375)		(72,676)
Deficit in the plans		(23,227)		(19,526)		(23,045)
Related deferred tax asset		6,968		5,858		6,914
Net pension liability		(16,259)		(13,668)		(16,131)

	2005 £000	2004 £000
(i) Analysis of amount charged to operating profit		
Current service cost	1,544	1,390
Past service cost	—	905
Total operating charge	1,544	2,295
(ii) Analysis of amount credited to other financial income		
Expected return on pension assets	3,703	3,068
Interest cost	(4,233)	(3,863)
Net return	(530)	(795)
(iii) Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL)		
Actual return less expected return on pension scheme assets	2,812	6,959
Experience gains and losses arising on the schemes liabilities	(2,737)	81
Changes in financial assumptions underlying the schemes liabilities	(4,784)	(3,848)
Actuarial gain recognised in the STRGL	(4,709)	3,192
(iv) Movements in deficit during the year		
Deficit at beginning of year	(19,526)	(23,045)
Movement in year:		
Current service cost	(1,544)	(1,390)
Contributions	3,082	3,417
Past service costs	—	(905)
Other finance income	(530)	(795)
Actuarial gain/(loss)	(4,709)	3,192
Deficit at end of year	(23,227)	(19,526)

Notes to the Financial Statements

24 Pensions – continued

(v) History of experience gains and losses

	2005	2004	2003
Difference between the expected and actual return on schemes' assets			
Amount (£000)	2,812	6,959	(16,061)
Percentage of schemes' assets	4%	12%	(32%)
Experience gain/(loss) on schemes' liabilities			
Amount (£000)	(2,737)	81	2,148
Percentage of present value of schemes' liabilities	(3%)	0%	3%
Total amount recognised in Statement of Total Recognised Gains and Losses			
Amount (£000)	(4,709)	3,192	(20,146)
Percentage of the present value of schemes' liabilities	(5%)	4%	(28%)

(vi) Profit and loss reserve

	2005 £000	2004 £000
Profit and loss reserve excluding pension reserve	66,842	51,940
Pension reserve	(24,086)	(20,390)
	42,756	31,550

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 2005 group purchases from Herbert Walker on normal commercial terms amounted to £1.13m (2004: £0.89m) and in the same period the group supplied goods and services to Herbert Walker of £0.11m (2004: £0.10m). At 31 March 2005 the group indebtedness to Herbert Walker was £0.1m (2004: £0.09m) and that of Herbert Walker to the group was £0.04m (2004: £0.02m).

26 Acquisitions

(i) Acquisition of GLS Educational Supplies limited

On 2 December 2004 the group acquired the entire share capital of GLS educational Supplies limited.

	Book value £000	Fair value adjustments £000	Accounting policy alignments £000	Fair value £000
The assets and liabilities acquired were as follows:				
Fixed assets	12,995	(11,449) (a)	(215) (b)	1,331
Current assets				
Stocks	4,435	(457) (c)	—	3,978
Debtors	8,525	(200) (d)	—	8,325
Creditors	(7,049)	—	—	(7,049)
Overdraft	(783)	—	—	(783)
Net assets acquired	18,123	(12,106)	(215)	5,802
Goodwill				21,849
				27,651
Satisfied by:				
Cash				26,950
Acquisition expenses				701
				27,651

26 Acquisitions – continued

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 off of purchased goodwill in GLS balance sheet

(b) alignment of depreciation rates in line with Findel group policies

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

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

GLS Educational Supplies reported a profit after tax of £0.1m in the financial year to 31 October 2003 and a profit after tax of £0.2m in the thirteen month period to acquisition. In the period post acquisition GLS contributed turnover of £14.9m and operating profit of £0.4m.

(ii) Acquisition of Huntleigh National Care

On 13 November 2004 the group acquired the business and assets of Huntleigh National Care from Huntleigh plc.

	Book value £000	Fair value adjustments £000	Fair value £000
The assets and liabilities acquired were as follows:			
Fixed assets	872	—	872
Current assets			
Stocks	1,650	—	1,650
Debtors	3,725	—	3,725
Creditors	(2,242)	(1,685) (a)	(3,927)
Net assets acquired	4,005	(1,685)	2,320
Goodwill			3,182
			5,502
Satisfied by:			
Cash			5,336
Acquisition expenses			166
			5,502

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) provisions made for onerous contracts

As the acquired business was a division within Huntleigh plc, standalone results prior to acquisition are not readily available. In the period post acquisition the business contributed sales of £7.2m and operating profit of £0.5m.

Notice of Annual General Meeting

Notice is hereby given that the fiftieth 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 4 July 2005 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 2005 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 2005.

3. To declare a final dividend for the year ended 31 March 2005.

4. To re-elect Mr D A Johnson as a director.

5. To re-elect Dr I J Bolton as a director.

6. To elect Mr D B Dutton 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 £506,021 representing 11.92% of the issued ordinary share capital of the company at 26 May 2005 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 £506,021 representing the company's authorised but unissued share capital as at 26 May 2005. The company holds no treasury shares within the meaning of S.162A of the said Act as at 26 May 2005. 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, pursuant to S.95 of the Companies Act 1985 the directors be and are hereby authorised:

(i) subject to the passing of the previous resolution, 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; and

(ii) to sell Equity Securities (within the meaning of S.94 of the said Act) for cash which before the sale were held by the company as treasury shares (within the meaning of S.162A of the said Act)

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 or sale 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 or sale (otherwise than pursuant to sub-paragraph (a) above) of Equity Securities in respect of and up to an aggregate nominal amount of £212,198 representing 5% of the issued ordinary share capital of the company at 26 May 2005

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 or sold after such time and in such event the directors may allot or sell 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 or sell shares from treasury 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 or sell from treasury a limited number of shares for cash, up to a nominal amount of £212,198 equivalent to 5% of the company's issued share capital at 26 May 2005, or pursuant to a rights issue, 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 annual general meeting 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:

1. The maximum aggregate number of shares to be so acquired shall not exceed 8,487,956 ordinary shares of 5p each with a nominal value of £424,397 representing 10% of the issued ordinary share capital of the company at 26 May 2005.
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 8,487,956 ordinary shares (representing 10% of the issued ordinary share capital of the company as at 26 May 2005) 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 total number of shares that may be issued on the exercise of outstanding options as at 26 May 2005 was 381,084 which represents approximately 0.45% of the issued share capital (excluding treasury shares) at that date. If the company were to purchase shares up to the maximum permitted by this resolution, the proportion of shares subject to outstanding options would represent approximately 0.50% of the resultant issued share capital (excluding treasury shares).

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 2006.

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. The Companies Act 1985 permits companies to hold any shares acquired by way of market purchases in treasury rather than having to cancel them. The company would consider holding any of its own shares purchased under the authority granted by Resolution 10 as treasury shares (within the meaning of S.162A of the said Act). This would give the company the ability to re-issue treasury shares as and when required quickly and cost effectively and would provide the company with additional flexibility in the management of its capital base. No dividends will be paid on shares while held in treasury and no voting rights will attach to those 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 annual general meeting or 15 months after the passing of such resolution.

By order of the board
I J Bolton
Secretary
26 May 2005

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.

(e) Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting to be held on 4 July 2005 and any adjournment(s) thereof by using the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message, regardless or whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID 7RA01) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Principal Subsidiary Undertakings

The principal subsidiary undertakings at 31 March 2005 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
Nottingham Rehab Limited	Healthcare

Registered and incorporated overseas

Holland	
Findel Europe B.V.	Holding Company
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