FLYING BRANDS LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE 52 WEEKS ENDED 31 DECEMBER 2004

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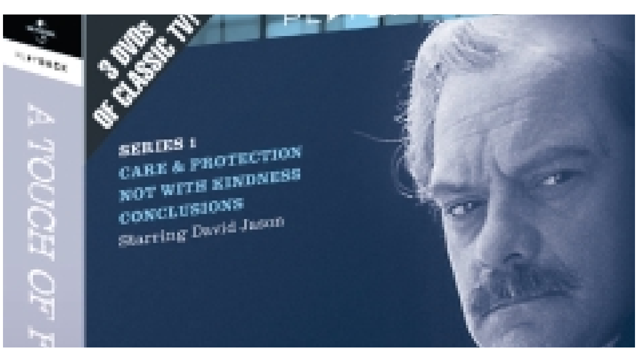
CONTINUING STRONG PROFIT GROWTH



FLYING BRANDS
DELIVERING IMPROVING QUALITY AND SERVICE TO ITS CUSTOMERS, AND VALUE TO ITS SHAREHOLDERS

CONTENTS

FINANCIALS

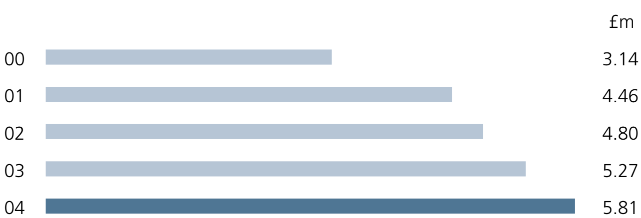
FINANCIAL CALENDAR

AGM	12 APRIL 2005
PAYMENT OF 2004 FINAL DIVIDEND	20 APRIL 2005
INTERIM RESULTS ANNOUNCED	29 JULY 2005

FLYING BRANDS
CONTINUING TO GROW PROFITS AND GENERATE CASH

+10%

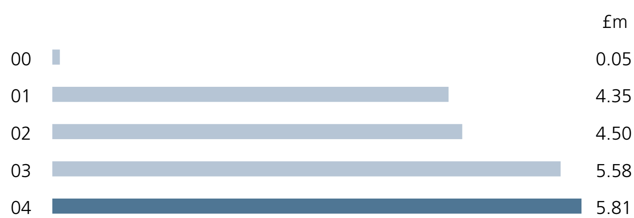
INCREASE IN **PROFIT** BEFORE TAXATION
AND ALL EXCEPTIONAL ITEMS
TO £5.81 MILLION



+4%

INCREASE IN **PROFIT** BEFORE TAXATION

TO £5.81 MILLION



FINANCIAL HIGHLIGHTS

> **SALES**	**£35.8m**	
> **PROFIT BEFORE TAXATION** AND ALL EXCEPTIONAL ITEMS	**£5.81m**	+10%
> **PROFIT BEFORE TAXATION**	**£5.81m**	+4%
> **EARNINGS PER SHARE** (ADJUSTED)	**17.3p**	+10%
> **EARNINGS PER SHARE**	**17.3p**	+3%
> **FINAL DIVIDEND PER SHARE**	**5.65p**	+8%
> **CASH BALANCE**	**£6.02m**	

FLYING BRANDS AT A GLANCE

FLYING FLOWERS
THE UK'S LARGEST POSTAL FLOWER BRAND

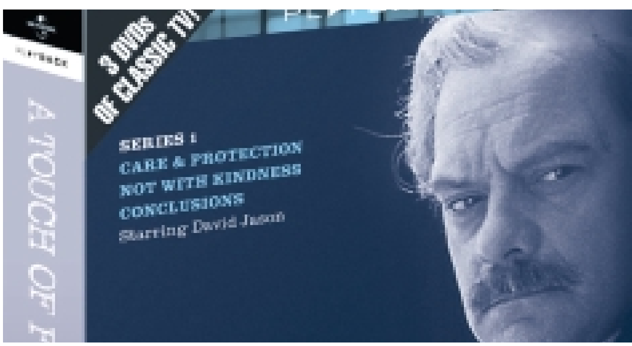
TOTAL SALES
£12.76m

CONTRIBUTION
£4.05m

GARDENING DIRECT
THE UK'S LEADING MAIL ORDER BEDDING PLANT SPECIALIST

TOTAL SALES
£15.25m

CONTRIBUTION
£5.27m



LISTEN2BOOKS
THE UK'S FASTEST GROWING MAIL ORDER AUDIO BOOKS RETAILER

TOTAL SALES
£3.55m

CONTRIBUTION
£0.47m

BENHAM
THE FIRST DAY COVER STAMPS AND GENERAL COLLECTABLES SPECIALIST

TOTAL SALES
£4.07m

CONTRIBUTION
£0.15m

WE ARE BETTER POSITIONED TO CAPTURE A WIDER SECTION OF THE MARKET

ALAN FRYER CHAIRMAN
11 MARCH 2005

OVERVIEW AND FINANCIAL RESULTS

Flying Brands delivered another good performance in 2004, with the strategies that were planned and tested in 2003 beginning to bear fruit. All of the Group's four brands have been developed and diversified significantly in the last twelve months, and we believe that we are now much better positioned to appeal to and capture a wider section of the market. It is also pleasing that, alongside this overall brand development, management were able to continue making the business as a whole more streamlined and efficient.

Profit before tax and exceptional items rose to £5.8m, an increase of 10% over 2003. Profit before tax increased by 4% to £5.8m. Adjusted earnings per share increased by 10% to 17.30p. Earnings per share increased by 3% to 17.30p. The improvement in profits is attributable to an improved performance from Listen2Books, higher interest receivable, and also further reducing overheads.

Sales were flat on the prior year, an otherwise good performance marred by a disappointing Christmas campaign from Flying Flowers. After an excellent first half, with many of the new initiatives (principally diversification into new gift areas) testing well, the brand had a soft second half, suffering from a tough retail trading environment. Nevertheless, the strategy of positioning Flying Flowers more as an outlet for excellent value low priced gifts is encouraging customers to buy from us more often. Gardening Direct also had a strong Spring campaign, allowing management to invest more in reactivating lapsed customers in the Autumn. Listen2Books had a very good year, increasing sales and profits, although Benham failed to sustain the progress made in 2003. Management will only pursue sales that are either profitable in themselves or deliver a fast return on investment.

Continuing strong cash generation has left us with a cash balance of £6.02m (2003: £3.92m) on the balance sheet and our lack of gearing leaves us in a strong position to develop our growth plans for the business. We remain optimistic about the opportunities that we will be pursuing in 2005 and beyond.

DIVIDEND

The directors are recommending a final dividend of 5.65p (2003: 5.22p). Together with the interim dividend of 2.75p (2003: 2.53p), this will represent a total dividend of 8.40p (2003: 7.75p), an increase of 8.4% for the year. Dividend cover is 2.06 times.

OUTLOOK

Our challenge for 2005 is to roll out successfully the new product tested in 2004, aimed both at extending the appeal of our brands to a wider market, and we see continuing internet development as being integral to this, as well as continuing to drive up frequency of purchase from our existing customers.

We will continue to search for suitable acquisitions in the gifts, hobbies and entertainment sectors. We are applying strict selection criteria to ensure that the acquisition enhances shareholder value; getting it right is more important than timing because we believe that there is significantly more that we can achieve with our existing brands.

We expect to remain strongly cash generative, and will apply our considerable resources to delivering greater shareholder returns.

EMPLOYEES

Our staff are the lifeblood of our business, and they can feel proud of their achievements in 2004. Exciting times lie ahead, and I'm sure they share my optimism for this current year and beyond.

WE WILL CONTINUE TO MAXIMISE PROFIT GROWTH AND CASH GENERATION

MARK DUGDALE CHIEF EXECUTIVE
11 MARCH 2005

It has been a good year for Flying Brands, the most pleasing aspects being that the plans for brand development initiated in 2003 started to deliver positively in 2004. It has been and remains our intention to widen the appeal of all our brands so that our existing customers have greater choice and that a new and different type of customer will find what we have to offer more appealing. As the cost per new customer gradually increases from conventional print media, we see the Internet as central to our growth plans. We are also committed to improving the quality of our products whilst maintaining our competitive pricing so that the businesses within Flying Brands become synonymous with value and service.

The increase in profitability over 2003 was achieved in the face of continuing delivery cost increases (approximately 10%); I am pleased to report that we have negotiated a new contract with our postal services for 2005 that will result in lower increases in this crucial area for us.

Top line growth has proved elusive over the last two years. We have been pursuing a deliberate policy of only chasing profitable sales by eliminating fringe and risky new customer recruitment; however, it is becoming increasingly expensive to recruit new customers, so it is essential that we continue to improve customer retention (up to 53% overall in 2004 from 48% the year before) and drive up both annual customer spend (up to £21.60 in 2004 from £19.24 in 2003) and frequency of purchase (up from 0.79 in 2003 to 0.89 in 2004 across the whole active trading database) to offset a generally higher recruitment cost per new customer. We were well positioned for sales growth at the half year, but trading conditions were much tougher in the second half, resulting in an outcome below our expectations.

STRATEGIC FOCUS

We will continue to run our core business to maximise profit growth and cash generation, whilst ensuring that sufficient investment is made in our existing brands to drive up longer term sales growth. This means that we need to continue to build our active customer database (defined as customers who have made at least one purchase from us in the last 12 months) either through new customer recruitment or through the reactivation of lapsed customers.

We did well in 2004: the total active database increased by 4% over 2003 from 894K to 932K; more importantly, customers who ordered more than once increased by 9% from 691K to 753K, pointing to the success both of our targeted mailings and the deployment of our database management skills. We are finding that we are able to mail our best customers more often, whilst the widening of the overall product ranges gives them more reasons to buy more frequently.

We recognise the growing importance of the Internet to our business as on line sales moved from 6.5% of total revenues in 2003 to 8.1% in 2004, and total on line sales themselves increased 24%. Our brand web sites have developed to a much higher level of sophistication and customer involvement whilst remaining both easy to navigate and order from. We now have over 130K e-mail addresses, a sophisticated e-mail marketing plan and are working hard at search engine optimisation to drive potential new customers to our sites. Our web sites are regularly refreshed with special seasonal offers and a more editorial approach whilst still dedicated to driving sales.

Running in parallel with this strategy lies our commitment to make appropriate acquisitions to drive top line and profits growth as well as economies of scale through our infrastructure. We deliberately set ourselves a series of strict criteria when assessing potential businesses. This should ensure that the companies or brands that we acquire add real value to the Group as a whole, but for which we have paid a fair price. An acquisition is key to our overall strategy so getting it right is more important than setting a tight timescale.

Notwithstanding these issues, we believe that the cash and profits that we generate, linked to the potential of both the Internet and the continuing efficiencies of our infrastructure, stand Flying Brands in good stead. We are close to achieving what we said we were going to with our current brands, and we are now in a much better position to see these brands expand and attract more overall spend and new customers.

OPERATING RESULTS FOR THE PERIOD

	2004		2003		2002	
	Sales £'000	**Profit* £'000**	Sales £'000 (restated)	Profit* £'000	Sales £'000 (restated)	Profit* £'000
Flying Flowers	**12,759**	**4,051**	12,812	4,243	13,333	4,292
Gardening Direct	**15,249**	**5,274**	14,769	5,180	15,981	4,849
Listen2Books	**3,548**	**472**	3,360	198	2,605	(59)
Kelvedon and Jersey overheads	**–**	**(3,715)**	–	(4,021)	–	(3,817)
	31,556	**6,082**	30,941	5,600	31,919	5,265
Benham	**4,065**	**154**	4,828	241	4,930	192
Other	**147**	**58**	143	144	261	68
Corporate overheads	**–**	**(695)**	–	(795)	–	(636)
Interest	**–**	**209**	–	75	–	(88)
	35,768	**5,808**	35,912	5,265	37,110	4,801
Disclosure in the Financial Statements:						
Profit before operating exceptional items		**5,599**		5,190		4,889
Net interest receivable/(payable) and similar charges		**209**		75		(88)
		5,808		5,265		4,801

* Profit before taxation and operating exceptional items.

FLYING FLOWERS DESPATCHED NEARLY 1 MILLION BOUQUETS IN 2004

FLYING FLOWERS

Sales were £12.8m (2003: £12.8m) with a contribution of £4.1m (2003: £4.2m) and a contribution margin of 32% (2003: 33%). Internet sales increased by 13% to £1.62m, representing 13% of total sales (2003: 12%).

Flying Flowers remains the UK's leading postal delivered bouquet business, despatching nearly 1m bouquets a year. Although predominantly active around the peaks of Valentine's Day, Mother's Day and especially Christmas, we have managed to increase our activity at other times of the year, with Easter, for instance, emerging as an important marketing opportunity. We are continuing to seek out more promotional occasions through the year and have increased the number of mailings our best customers receive from eight to ten. The number of active customers who have bought from Flying Flowers more than once increased in 2004 by 5% over prior year, and 40 new products were introduced (46% of the total). Our Mother's Day promotion won the Direct Marketing Association's "People's Choice" mail order award for creativity and responsiveness.

Although Flying Flowers had a disappointing Christmas campaign in 2004, the rest of the year was the best the brand has experienced for some time, with positive sales growth across all other areas of activity.

The success of the brand outside of Christmas was driven by several factors:

- Giving customers reasons to buy flowers throughout the year
- Introducing a lower (£9.99) price point
- Introducing new bouquets and flower varieties
- Successful diversification into other low price gift products
- Creating different and more relevant offers to different customer segments
- Better management of new customer recruitment and old customer reactivation
- More dynamic on line presence
- Improving quality (reduced customer complaints)
- Encouraging growth of our guaranteed delivery date Ultimate offer

The new gift types (pot plants, personalised teddy bears, wine gift sets) lifted response and we will be promoting these (together with new gift products) alongside our flower bouquets as a unified catalogue in 2005.

The web site is regularly updated to offer special seasonal bouquets and suggest relevant and up to the minute reasons for giving gifts at different times of the year. Our intention is to create an exciting gift solution site.

KELVEDON PARK CALL CENTRE

PACKING FLOWERS IN JERSEY

GARDENING DIRECT INTRODUCED 170 NEW PRODUCTS IN 2004

GARDENING DIRECT

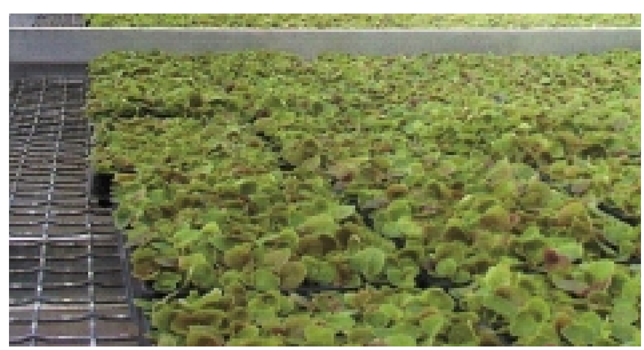
Sales increased to £15.2m (2003: £14.8m). Considerable investment was focused on the Autumn campaign to reactivate lapsed customers which both drove top line sales as well as the size of the active customer database going into 2005, increasing by 4%. Despite this, contribution still improved to £5.3m (2003: £5.2m). Contribution margin was 35% (2003: 35%), and Internet sales grew by 47%, which now represents 6% of total sales (2003: 4%).

Gardening Direct is the UK's largest home delivery provider of bedding plants, which we grow (over 120m per year) in our two nurseries on Jersey. We work hard to ensure that our quality is of the highest standards, a fact that was recognised by Gardening Which where our products and service received very high positive recognition in all categories. We are constantly testing new varieties and looking to assist home gardeners of all types in delivering beautiful borders, hanging baskets and flower beds. 2004 saw 170 new products launched, which amounted to 49% of the total.

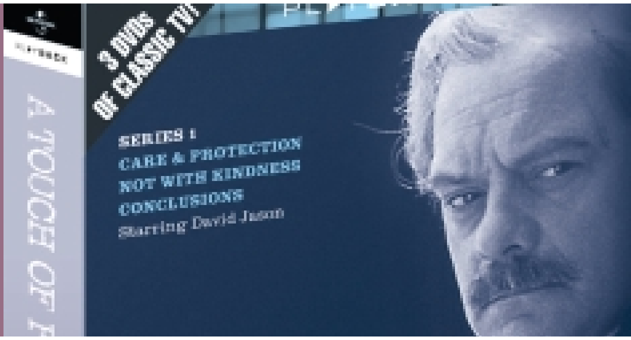
We also realise that customers expect us to provide excellent value for money, which is why we cut many of our prices in 2004. As a result the number of units despatched to our existing customers increased by 14% over 2003, and overall customer retention improved from 43% in 2003 to 51% in 2004. Spend per customer also increased from £17.22 to £20.54.

2004 was the first year where Gardening Direct offered a comprehensive Internet service. We have made the site much easier to navigate, have introduced special offers and a customer preference listing. With over 40K e-mail addresses, we also are able to send out tactical promotions at different stages of the season.

We are working hard to increase sales of non plant gardening products (hardware, accessories and gifts) which now account for more than £0.5m in revenue. This demonstrates our commitment to expand the Gardening Direct franchise to serve our existing customers better, as well as attract new ones to grow the brand profitably.



OUR GROWING FACILITIES IN JERSEY



DIVERSIFICATION OF LISTEN2BOOKS WILL GROW THE BRAND MORE QUICKLY

LISTEN2BOOKS

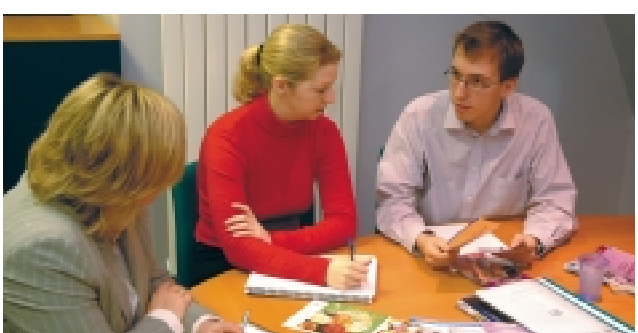
Sales for Listen2Books increased to £3.5m, up from £3.4m in 2003, with contribution increasing to £0.5m (2003: £0.2m). On line sales increased by 26%, with on line now representing 9% of total sales compared to 7% in 2003.

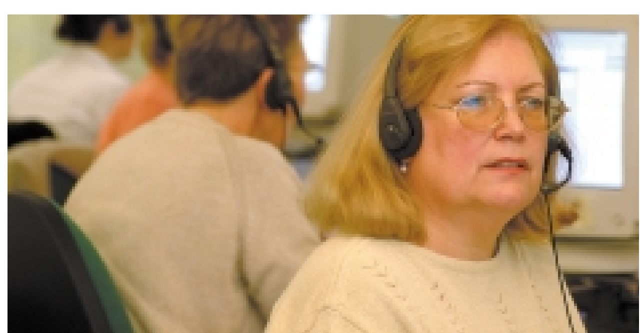
The brand has enjoyed a good year and has emerged as a significant player in the audio book market place. New product introductions (340 audio, video and DVD titles in 2004), many of which were either exclusive or backed up by editorial support, have ensured that customer spend has increased from £20.87 in 2003 to £25.10 in 2004. The active trading database increased by 7%, with customers who buy more than once growing by 22%.

In addition during 2004, we successfully introduced CDs as an alternative format to cassettes (approximately 50% of all titles featured are dual format but this is increasing all the time) and have seen a 25% take up of CDs where they have been offered. We believe that this will widen the appeal of the brand to a younger market. We also tested 52 video/DVD titles (of similar genre to our core audio books offer) in the autumn and these were sufficiently promising for us to integrate video/DVD within the main audio catalogue from January 2005.

The web site is now far more dynamic and offers visitors the opportunity to download samples of many audio books as a 'taster' to help the uninitiated understand just how good and easy to use audio books really are. We feature a Best Sellers section driven by actual sales, new releases changed weekly and recommendations based on previous customers' purchases.

Diversification into other home entertainment areas such as video and DVD will both grow the brand more quickly and create a rounded offer that should have a wider appeal than merely audio books themselves.





NEW INITIATIVES AT BENHAM WILL IMPROVE PERFORMANCE

BENHAM

Benham experienced a tough year, with sales of £4.1m (2003: £4.8m) and profit £0.15m (2003: £0.24m). 2004 did not provide as many new product opportunities as 2003 (such as the Queen's Jubilee or Rugby World Cup).

During the second half of 2004, we successfully installed a mail order fulfilment system at Benham which will enable us both to run the brand far more closely alongside our other businesses and also provide us with management information to develop Benham far more proactively. We also anticipate establishing an improved web site in 2005: we believe that Benham products are ideally suited to be traded on line.

In 2004, we migrated much of Benham's stock to a new despatch facility at our headquarters in Jersey, which will also give us much greater control over this critical aspect of its business.

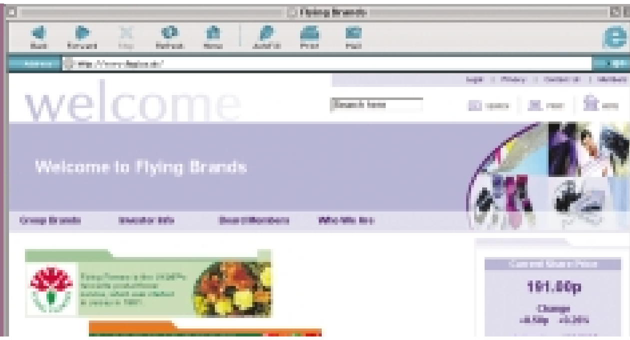
Coupled to these developments, we have reviewed our overall product strategy and will be looking to create more opportunities for our existing customers both to buy more and to spend more.

These combined actions should result in Benham returning to growth in 2005.

INFRASTRUCTURE AND OPERATIONS

We have continued to improve the overall efficiency of our operations, which have been streamlined by moving order inputting to Kelvedon Park (our call centre in Essex), alongside our telephone handling division. This will help reduce the under capacity in Kelvedon as well as centralising all packing and despatch operations in Jersey, where a high level of expertise is being developed.

The second phase of the three year renovation project at Retreat Farm in Jersey (our headquarters and fulfilment centre) was completed in 2004. We created a larger storage and despatch area for Listen2Books and Gardening Direct hard goods, and a despatch centre for Benham. These developments not only anticipate the growth in gardening hard goods, audio books, video and DVD, but also anticipate an acquisition when the time comes. In addition, we cultivated a "trial garden" to assess how new Gardening Direct plants progress in "customer conditions", which also enables us to manage our own photography for promotion. The final phase, to be completed in 2005, will focus mainly on the replacement of the refrigeration units, essential in prolonging the longevity of Flying Flowers' stems. The current units have reached the end of their useful lives; there will also be the conversion of the remaining glass panes to polycarbonate which are safer, longer lasting and allow for constant temperature through the seasons.



INTERNET SALES INCREASED BY 22%

We are also beginning the process of phasing out the use of polystyrene despatch boxes on Flying Flowers in favour of cardboard. Not only is this more environmentally friendly, it allows a partial rebranding, better reflecting where the brand is today and also enables us to prepare for the introduction of Royal Mail's "size based pricing" policy which may be introduced from the middle of 2006.

The Marketing Department has now been reorganised into brand focused teams, served by a central database function, and we have seen clear benefits in the approaches being taken to increasing the brands' franchises and in targeting our offers more effectively.

OUTLOOK

Flying Brands has many strengths:

- Market leading strong brands
- Increasing Internet presence
- Highly cash generative
- Very profitable (whether measured against revenue or capital employed)
- Progressive dividend policy
- Strong balance sheet
- Efficient operations with flexible infrastructure
- Currently debt free and no pension liabilities
- Significant freehold property portfolio

In developing this business to increase the value for shareholders, we intend to build on these strengths:

- Widen the appeal of our existing brands, offering greater choice/value
- Embrace the Internet as the major growth opportunity
- Add brands and services to our portfolio to become a rounded retailer
- Increase cash and profits generation
- Maintain a progressive dividend policy
- Continue to improve operational efficiencies
- Accept debt for acquisitions but to a prudent level

I believe that we have a major opportunity, given the strength of our current position, to become a much more significant retail presence and really provide our shareholders with increasingly better returns. We will do this sensibly and in line with our strategy, but we are committed to achieving it.

I would like to thank the team at Flying Brands for their tenacity, creativity and hard work during 2004: I know that our shareholders appreciate their efforts.

THIS IS THE FOURTH CONSECUTIVE YEAR OF STRONG GROWTH IN PROFIT BEFORE EXCEPTIONAL ITEMS

DAVID HARBORD FINANCE DIRECTOR
11 MARCH 2005

RESULTS

The Group has had another successful year of profit growth, with profit before tax up by 4.2% and profit before exceptional items up 10.3%. Last year's profit before tax included a £0.31m exceptional profit on the sale of subsidiaries and businesses and freehold property.

This is the fourth consecutive year of strong growth in profit before exceptional items.

Flying Flowers sales were flat, and there was a small reduction in contribution arising from discounting to reactivate old customers and higher postage costs. Gardening Direct was able to achieve modest sales growth while also increasing contribution, and Listen2Books had a significant increase in contribution as we continued to maximise payback of the investment made in the brand since 2001.

Overheads came down by £0.30m, of which £0.24m related to reduced depreciation on our call centre systems.

Benham had a disappointing year with profits down from £241k to £154k. It has been a year of great change for Benham, with the implementation of a fully integrated direct marketing solution in Q4 and migration of its despatch operation to Jersey.

Corporate overheads comprise the cost of the Chief Executive and Finance Director, the Non Executive Directors and the legal, professional and other fees connected with the running of a public company. These reduced by £0.1m, following the one off costs in 2003 connected with the board restructure that took place in the latter part of 2002.

CASH FLOW

The net cashflow from operating actitives was £6.75m compared to £7.69m in 2003. This reduction was due to a fall in depreciation and amortisation charges of £0.29m, and a net movement of £1.08m in working capital.

The increase in working capital arose from an increase in Listen2Books stock to support the expanded range of products now offered to our customers, and the impact of our major supplier now applying normal payment terms.

Tax paid was £0.05m lower than last year and capital expenditure reduced by £0.02m. Receipts from sales of capital expenditure reduced by £0.30m following last year's sale of a freehold property. Last year also had the benefit of the settlement of the outstanding debtor relating to the sale of a subsidiary in 1999, which contributed £0.50m to cashflow.

The Group repurchased 496,980 of its own shares at an average price of £2.01p. The special resolution to authorise the Group to be enabled to buy its own shares is included in the AGM notice enclosed with this Report.

FLYING BRANDS IS ONE OF JERSEY'S LARGEST NON-FINANCIAL LISTED COMPANIES

IT IS THE GROUP'S POLICY TO TAKE A CONSERVATIVE STANCE ON TREASURY MATTERS AND MAXIMISE CASH GENERATION

The Group made dividend payments of £2.06m. Dividend cover is 2.06 times which the Board believes is a sensible and sustainable level.

The combined impact of these cashflows was a net increase in cash of £2.10m, compared to an increase of £2.73m in 2003, taking the net cash position of the group to £6.02m.

TREASURY POLICY

The Group's financial position has changed considerably in the last few years.

	2000 £'000	2001 £'000	2002 £'000	2003 £'000	**2004 £'000**
Profit/(loss) after taxation	(820)	3,452	3,527	4,405	**4,462**
Dividends	1,941	1,930	1,964	2,010	**2,164**
Net (debt)/funds	(4,744)	(2,352)	(98)	3,920	**6,022**

It is the group's policy to take a conservative stance on treasury matters and maximise cash generation. This is tied to our strategy which aims to utilise cash generated to acquire complementary businesses. We recognise that cash does not provide a satisfactory return to shareholders, no matter how well it is managed, but we believe it is in the best interests of shareholders to retain a large proportion of it, as we look to make acquisitions in the next 12 months.

There is little currency risk in the group. The majority of the Group's overseas purchases are hedged using forward contracts for up to 80% of the forecast requirement.

The cashflow profile of the Group is very seasonal but as in 2003, no bank facility is required. Where possible, cash is placed on deposit for periods of no greater than two months, which again is in accordance with our strategic objectives.

TAXATION

The Group pays taxation in Jersey and the UK depending on the domicile of its respective subsidiaries. The taxation charge for 2004 is 23.2% (compared to 21% in 2003). The increase in average rate of taxation was due to the non taxable nature of the exceptional items last year, without which the average rate of taxation in 2003 was 22.2%.

INTERNATIONAL FINANCIAL REPORTING STANDARDS

The Group has carried out a detailed review of the implications of the mandatory introduction of International Financial Reporting Standards ("IFRS"). Because of the relatively uncomplicated nature of the Group's financial structure and lack of borrowings, the Group considers that the only material impact will arise from the implementation of IFRS2, Share based payments, specifically regarding the recognition of a charge to the profit and loss account to reflect the cost of share option grants. The Group is currently considering the implication in practice of the application of this standard, and will be incorporating its effect into its Interim results in 2005.

DIRECTORS AND ADVISORS

ALAN FRYER
NON-EXECUTIVE CHAIRMAN
Aged 63, appointed to the Board in 1999, appointed Chairman in 2002. Formerly Group Deputy Chief Executive of Smith & Nephew PLC (retired December 2000).

MARK DUGDALE
CHIEF EXECUTIVE
Aged 46, appointed to the Board in November 2002. Formerly Managing Director of Dial Home Shopping Limited (part of Arcadia Group plc) and Hamilton Group (Europe); also a former Marketing Director of Innovations Mail Order plc. He is a Non-Executive Director of Digivate Limited.

DAVID HARBORD ACA
FINANCE DIRECTOR & COMPANY SECRETARY
Aged 44, joined the Company and appointed to the Board in 1999. Formerly Finance Director of Westmill Foods Limited, a subsidiary of Associated British Foods PLC. He qualified as an accountant in 1986 with Touche Ross & Co.

TIM BODEN
MARKETING DIRECTOR
Aged 37, appointed to the Board in 2002. He joined the Company in 1995 as product manager at Flying Flowers, being promoted to Marketing Manager in 1998. Previously he worked for Innovations Mail Order plc.

PAUL FRASER
NON-EXECUTIVE DIRECTOR
Aged 49, joined the Company and appointed to the Board in 1998. Moved to non-executive role in 2002. Over twenty years experience of mail order and retail collectables. He is Chairman of The Stanley Gibbons Group Limited.

LEN SANDERSON*
NON-EXECUTIVE DIRECTOR
Aged 51, appointed to the Board in 2000. Former Managing Director of the Telegraph Sales, part of the Telegraph Group Limited. Non-Executive Chairman of KYN Publishing Limited.

TIM TROTTER*
NON-EXECUTIVE DIRECTOR
Aged 46, appointed to the Board in 2000. Non-Executive Director of Vislink PLC and Chairman of Smithfield Consultants Limited. Formerly Chairman of Ludgate Group Limited.

***** Members of the Audit Committee and the Remuneration Committee

REGISTERED OFFICE
Retreat Farm, St Lawrence, Jersey JE3 1GX

COMPANY NUMBER
2044

STOCKBROKERS
Collins Stewart
88 Wood Street, London EC2V 7QR

AUDITORS
PricewaterhouseCoopers CI LLP, Chartered Accountants
Twenty Two Colomberie, St Helier, Jersey JE1 4XA

LEGAL ADVISORS
Ogier and Le Masurier
PO Box 404, Whitely Chambers, Don Street, St Helier, Jersey JE4 9WG

Pinsent Masons
Dashwood House, 69 Old Broad Street, London EC2M 1NR

BANKERS
Barclays Bank PLC
PO Box 8, 13 Library Place, St Helier, Jersey JE4 8NE

REGISTRARS
Capita IRG plc
Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ

DIRECTORS' AND CORPORATE GOVERNANCE REPORT

The Directors present their report and the audited financial statements for the 52 weeks ended 31 December 2004.

INCORPORATION

The Company is incorporated in Jersey, Channel Islands.

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are required by the Companies (Jersey) Law 1991 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 Group profit or loss for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies (Jersey) Law 1991. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud, error and non compliance with law and regulations.

Although an overseas company, the Directors have sought to ensure that the financial statements of the Company and the Group comply materially with the disclosure requirements of the UK Companies Act 1985 and the listing requirements for a UK company.

PRINCIPAL ACTIVITIES

The principal activities of the Group are unchanged from last year being volume mail order and collectables retailing.

BUSINESS REVIEW AND FUTURE PROSPECTS

A commentary of the Group's progress during the year and its future prospects are set out in the Chairman's and Chief Executive's Statements on pages 3 to 10 and the Financial Review on pages 11 to 12.

FLYING BRANDS HOLDINGS (UK) PLC

During 1996 the Group created a twinned share structure to enable UK based shareholders to receive a UK dividend and thereby avoid being double taxed on the Jersey dividend. Consequently all shareholders hold in addition to their shares in Flying Brands Limited an equivalent number of shares in Flying Brands Holdings (UK) PLC.

Although the results for the 52 weeks ended 31 December 2004 of Flying Brands Holdings (UK) PLC are included in the consolidated financial statements of Flying Brands Limited, in accordance with UK Company Law a separate set of financial statements for Flying Brands Holdings (UK) PLC will be sent to shareholders.

RESULTS AND DIVIDENDS

The Group profit on ordinary activities before taxation amounted to £5.81m (2003: £5.58m).

An interim dividend of 2.75p was paid in 2004 (2003: 2.53p).

The Directors recommend a final cash dividend for the year of 5.65p per ordinary share (2003: 5.22p).

Subject to the approval of members at the Annual General Meeting the dividend will be paid on 20 April 2005 to shareholders on the register on 29 March 2005.

The retained profit for the financial year amounted to £2.30m (2003: £2.40m).

DIRECTORS

The Directors of the Company at the end of the year are shown on page 13. Mr DC Harbord, Mr MTN Dugdale and Mr LM Sanderson retire by rotation, and, being eligible, offer themselves for re-election. The service contracts of all directors are noted in the remuneration committee report on pages 40 to 43.

Biographical details of the Directors are given on page 13.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT CONTINUED

DIRECTORS' INTERESTS

The interests of the Directors in the shares of the Company at 31 December 2004, together with their interests at 2 January 2004 are shown in the Remuneration Committee Report on pages 40 to 43.

SHARE CAPITAL

Details of the share capital of the Company and the movements during the year, are set out in Note 21 to the accounts.

The Directors' interests in share options are set out within the Remuneration Committee Report on page 43.

Apart from service contracts none of the Directors had a material interest in any contract of significance to which the Company or any of its subsidiaries was a party during the financial year.

POLICY ON PAYMENT OF CREDITORS

It is Group policy, in respect of all of its suppliers, to settle the terms of payment when agreeing each transaction, to ensure that suppliers are made aware of the terms of payment and to abide by those terms. In general the Group pays creditors at the end of the month following date of invoice. The average number of creditor days in relation to trade creditors outstanding at the year end was 44 days.

CHARITABLE AND POLITICAL DONATIONS

The Company did not make any political or charitable donations during the year.

INTANGIBLE ASSETS

No value is attributed in the Balance Sheet to the Group's brand names or its extensive databases of customers.

SUBSTANTIAL SHAREHOLDINGS

As at 28 February 2005, other than the Directors' holdings noted above, the Company was aware of the following interests in 3% or more of its issued share capital:

Sussex Research Limited: 3,615,999 (13.7%)
Fidelity International Limited and Mr Edward C Johnson 3rd: 851,600 (3.2%)

PURCHASE OF SHARES

The company purchased 496,980 of it own shares having a nominal value of £4,970 for a total consideration of £999,990. This represents 1.9% of the company's issued share capital. The shares were purchased because the directors were of the opinion that the purchase of its own shares at an average price of £2.01p per share would enhance shareholder value.

EMPLOYEES

The Company's policy is to provide equal opportunities to all present and potential employees, including, where practical, those who are disabled.

There is regular communication with staff at all levels. Staff are kept informed of performance and objectives of the Group throughout the year through their line managers, staff meetings and the Interim and Annual published results.

SECRETARY

The Secretary of the Company is Mr D C Harbord ACA who had been Secretary for the entire year.

AUDITORS

Following the conversion of our auditors PricewaterhouseCoopers to Limited Liability Partnership (LLP) from 1 October 2004, PricewaterhouseCoopers resigned on 22 October 2004 and the directors appointed its successor, PricewaterhouseCoopers CI LLP, as auditors. A resolution to appoint PricewaterhouseCoopers CI LLP as auditors to the company will be proposed at the annual general meeting.

CORPORATE GOVERNACE

The board is committed to ensuring the highest standards of corporate governance, and endorses with a small number of exceptions listed below, the supporting principles and provisions set out in the Combined Code on Corporate Governance of the Financial Reporting Council ("the Code") which came into effect for financial years beginning after 1 November 2003.

The Company has regularly updated its corporate governance policies and procedures to reflect the changes made to corporate governance guidelines in the last few years. The following describes the ways in which the Company complies with the detailed provisions of the Code. It includes full disclosure of the limited number of areas in which the Company is non compliant, and explanations as to why this is so.

BOARD OF DIRECTORS

The Board meets at least eight times a year and currently comprises three Executive Directors and four Non-Executive Directors.

NON-EXECUTIVE DIRECTORS

Name	Position	Years of Service as Non-Executive Director	Meetings attended: Board	Audit	Remuneration
Mr A R Fryer	Non-Executive Chairman – Non Independent Chairman of Nominations Committee	5	8	–	–
Mr L M Sanderson	Senior Independent NED Chairman of Remuneration Committee Member of Audit Committee Member of Nominations Committee	4	8	4	3
Mr T H S Trotter	Independent NED Chairman of Audit Committee Member of Remuneration Committee Member of Nominations Committee	4	8	4	3
Mr P I Fraser	Substantial shareholder – Non Independent Former Joint Chief Executive (1998 – 2000)	4	7	–	–

The Non-Executive Directors meet once a year to review the performance of the Executive Directors. The performance of the Chairman is reviewed informally on an annual basis by the other Non-Executive Directors, and in particular by the Senior Non-Executive Director. The performance of the other Non-Executive Directors is reviewed informally by the Chairman on an annual basis. The Non-Executive Directors have agreed to formalise these processes in 2005, to set objectives and appraise performance annually.

The terms of appointment of the Non-Executive Directors are described in the Remuneration Committee report on pages 40 to 43, and are made available for inspection at the AGM, along with the service contracts for the Executive Directors. None of the Non-Executive Directors has a fixed term of office in his letter of appointment. The Company has agreed a policy that Non-Executive Directors will not exceed six years in their role from the date of the board restructuring in March 2002 other than in exceptional circumstances.

The letter of appointment of the Chairman provides that he spends up to thirty and no less than twenty five days per year in the performance of his duties.

RE-ELECTION

The Articles of Association require each Director to retire and submit himself for re-election every three years, but also that at least one third of the Directors must be submitted for re-election every year. As a result of these provisions and the number of Directors this normally means that Directors retire and submit themselves for re-election every two years.

On an annual basis, the Chairman considers the performance of the board and discusses with the Company Secretary the re-election process. Given the continued success of the Company the Chairman has confirmed that those Directors being submitted for re-election in 2005 (as set out on page 14) continue to be highly effective, qualified and committed to their respective roles.

BOARD OBJECTIVES

The key objectives of the Board are as follows:

- The agreement of strategy
- The agreement of the detailed set of objectives and policies that facilitate the achievement of strategy
- Monitoring the performance of executive management in the delivery of objectives and strategy
- Monitoring and safeguarding the financial position of the Company to ensure that objectives and strategy can be delivered
- Approval of major capital expenditure and other expenditure that is not part of the defined objectives or strategic plan
- Approving corporate transactions – this includes any potential acquisition or disposal
- Delegating clear levels of authority to the executive management team. This is represented by the defined system of internal controls which is reviewed by the Audit Committee
- Providing the appropriate framework of support and remuneration structures to encourage and enable executive management to deliver the objectives and strategies of the Company
- Monitoring the risks being entered into by the Company and ensuring that all of these are properly evaluated
- Approval of all external announcements

A schedule is maintained of matters reserved for Board decision.

The Board met eight times in 2004 and each Director attended every meeting during the year with the exception of Paul Fraser who attended seven meetings but was unable to attend the meeting in December.

For each Board meeting, each board member receives a full pack of required information, including financial reports, detailed project updates and a formal agenda together with any relevant documentation. This pack is circulated a number of days in advance of the meeting.

INSURANCE COVER

The Company maintains cover of £5m to cover its Directors and officers against the cost of defending themselves against civil legal proceedings taken against them. To the extent permitted by law the company also indemnifies its Directors and officers. Neither protection applies in the event of fraud or dishonesty.

NOMINATIONS COMMITTEE

The Nominations Committee meets once a year unless an exceptional need arises in relation to a matter of board appointment. Terms of reference for the Nominations Committee do not exist because of the relatively low number of board appointments. On an annual basis the Board considers the need to introduce formal terms of reference. Succession planning is considered in depth during the annual strategy review by the Board. In the event of a new board appointment the Nominations Committee defines a job description and manages the process by which a suitable individual is chosen.

No formal induction process exists for new Directors, but the Chairman ensures that each individual is given a tailored introduction to the Company and the requirements of the role.

APPRAISAL OF EXECUTIVE DIRECTORS

The Chief Executive carries out an annual formal appraisal of the performance of the other Executive Directors which takes into account the objectives set in the previous year and the individual's performance in the fulfilment of these objectives. No formal appraisal has taken place of the Chief Executive, however this process has now been put in place for 2005. The Chief Executive is given a formal schedule of objectives on a bi-annual basis and progress against this is monitored by the Chairman. All the appraisals of the Executive Directors will be provided to the Remuneration Committee.

REMUNERATION COMMITTEE

The report of the Remuneration Committee is included on pages 40 to 43. Formal terms of reference for the Remuneration Committee have been documented and are made available for review at the AGM.

AUDIT COMMITTEE

Formal terms of reference for the Audit Committee have been documented and are made available for review at the AGM.

The terms of reference of the Audit Committee include the following requirements:

- To monitor the integrity of financial statements and of any formal announcements relating to the Company's financial performance
- To review the Company's internal controls and risk management systems
- To make recommendations to the Board in relation to internal control matters that need improvement or modification
- To make recommendations to the Board in relation to the appointment, re-appointment and removal of the external auditor and to approve remuneration
- To establish whistle blowing procedures. These were set up and communicated in 2004

No internal audit function exists due to the size of the Company. This is reviewed annually by the Audit Committee which reflects on any increased risk or regulatory changes in the period under review in making their recommendation to the Board.

The Chairman of the Audit Committee does not have any direct, recent or relevant accountancy experience but the Board considers that he has sufficient business experience to enable him to perform the role.

The Company engages its auditors for some non audit services, including advice on taxation and VAT. The Audit Committee is satisfied that the provision of these services does not compromise the independence of the auditors. The extent of these fees are documented in note 5 of the annual report.

The Audit Committee meets at least four times a year. In addition to the two Non-Executive Directors, the external auditors and Finance Director are invited to attend part of the meetings where relevant.

DIRECTORS' AND CORPORATE GOVERNANCE REPORT CONTINUED

INTERNAL CONTROLS

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. The system of internal control is formally documented and is designed to ensure effective and efficient operations and compliance with relevant laws and regulations. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss, as it is designed to manage, rather than eliminate, the risk of failure to achieve business objectives.

The Finance Director carries out a six monthly formal review of the Company's system of internal controls and risk management systems. This review is formally circulated to the Board and discussed as an agenda item. The Audit Committee raises any particular concerns relating to internal controls and risk management systems and on occasion requires independent review of particular issues for its committee meetings. On advice from the Audit Committee, the Board does not consider any additional independent verification of the system of internal control to be required, on the basis of the size of the Company and the non complex nature of both its management systems and financial structure.

DIALOGUE WITH MAJOR SHAREHOLDERS

The Company places considerable importance on communications with shareholders. Regular meetings take place with major shareholders with the Company delegating authority to the Chairman, CEO and Finance Director to present the strategy and financial results of the Company. Major shareholders are made aware that the Senior Non-Executive Director is also available should they wish to communicate directly with him but none have yet taken advantage of this provision.

ANNUAL GENERAL MEETING

At its AGM the Company complies with the provisions of the Code relating to the disclosure of proxy votes, the separation of resolutions and attendance of directors, particularly committee chairmen. The timing of the despatch of the formal notice of the Annual General Meeting also complies with the Code.

STATEMENT ON GOING CONCERN

The Directors, having made appropriate enquiries, confirm that they believe that the Group has adequate resources to continue in operational existence for the foreseeable future and for this reason they continue to adopt the going concern basis in preparing the financial statements.

By order of the Board
D C Harbord
Secretary

11 March 2005

Registered office
Retreat Farm
St Lawrence
Jersey CI

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE 52 WEEKS ENDED 31 DECEMBER 2004

	notes	**2004** **£'000**	2003 (53 weeks) £'000 (restated)
Turnover	2	**35,768**	35,912
Cost of sales		**(24,540)**	(24,670)
Gross profit		**11,228**	11,242
Operating expenses	3	**(5,629)**	(6,052)
Operating profit		**5,599**	5,190
Profit on sale of subsidiaries and businesses	14	**–**	287
Profit on sale of freehold property		**–**	23
Net interest receivable/(payable) and similar charges	4	**209**	75
Profit on ordinary activities before taxation	5	**5,808**	5,575
Tax on profit on ordinary activities	8	**(1,346)**	(1,170)
Profit for the financial year		**4,462**	4,405
Dividends	10	**(2,164)**	(2,010)
Retained profit for the year	23	**2,298**	2,395
Earnings per Ordinary Share	11	**17.30p**	16.86p
Exceptional items		**–**	(1.19p)
Adjusted Earnings per Ordinary Share		**17.30p**	15.67p
Diluted Earnings per Ordinary Share	11	**17.11p**	15.56p

All activities derive from continuing operations.

There is no material difference between the profit on ordinary activities before taxation and the retained profit for the year stated above and their historical cost equivalents.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE 52 WEEKS ENDED 31 DECEMBER 2004

	2004 **£'000**	2003 (53 weeks) £'000
Profit for the financial year	**4,462**	4,405
Exchange adjustments offset in reserves	**–**	12
Total recognised gains for the year	**4,462**	4,417

RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

FOR THE 52 WEEKS ENDED 31 DECEMBER 2004

	2004 **£'000**	2003 (53 weeks) £'000
Profit for the financial year	**4,462**	4,405
Dividends	**(2,164)**	(2,010)
Retained profit	**2,298**	2,395
Purchase of own shares	**(1,000)**	(496)
Issue of own shares	**207**	104
Exchange difference	**–**	12
Net increase in equity shareholders' funds	**1,505**	2,015
Opening equity shareholders' funds	**14,351**	12,336
Closing equity shareholders' funds	**15,856**	14,351

BALANCE SHEETS

AS AT 31 DECEMBER 2004

	notes	**Group 2004 £'000**	Group 2003 £'000	**Company 2004 £'000**	Company 2003 £'000
Fixed assets					
Intangible assets	12	**–**	7	**–**	–
Tangible assets	13	**13,081**	14,042	**–**	–
Investments	15	**820**	927	**22,189**	22,321
		13,901	14,976	**22,189**	22,321
Current assets					
Stocks	16	**2,674**	2,394	**–**	–
Debtors – due after more than one year	17	**–**	21	**–**	–
– due within one year	17	**1,322**	996	**1,199**	2,544
Cash at bank and in hand		**6,022**	3,920	**–**	7
		10,018	7,331	**1,199**	2,551
Creditors: amounts falling due within one year	18	**(7,158)**	(6,804)	**(2,669)**	(1,356)
Net current assets/(liabilities)		**2,860**	527	**(1,470)**	1,195
Total assets less current liabilities		**16,761**	15,503	**20,719**	23,516
Creditors: amounts falling due after more than one year	19	**(846)**	(1,007)	**–**	–
Provisions for liabilities and charges	20	**(59)**	(145)	**–**	–
Net assets		**15,856**	14,351	**20,719**	23,516
Capital and reserves					
Called-up share capital	21	**265**	268	**264**	267
Share premium	23	**15,936**	15,731	**15,936**	15,731
Revaluation reserve	23	**457**	464	**–**	–
Capital reserve	23	**(17)**	(17)	**670**	670
Capital redemption reserve	23	**10**	5	**10**	5
Profit and loss account	23	**(795)**	(2,100)	**3,839**	6,843
Equity shareholders' funds		**15,856**	14,351	**20,719**	23,516

The financial statements on pages 19 to 37 were approved by the Board of Directors on 11 March 2004 and signed on its behalf by

MTN Dugdale
Director

DC Harbord
Director

CONSOLIDATED CASH FLOW STATEMENT

FOR THE 52 WEEKS ENDED 31 DECEMBER 2004

	notes	**2004** **£'000**	2003 (53 weeks) £'000
Net cash inflow from operating activities	24	**6,754**	7,689
Returns on investments and servicing of finance			
Interest received		**209**	75
Taxation			
Jersey tax paid		**(520)**	(677)
UK corporation tax paid		**(666)**	(563)
		(1,186)	(1,240)
Capital expenditure and financial investment			
Payment to acquire tangible fixed assets		**(976)**	(994)
Receipts from sales of tangible fixed assets		**49**	345
		(927)	(649)
Acquisitions and disposals			
Receipt of deferred consideration		**–**	495
Equity dividends paid		**(2,062)**	(1,975)
Net cash inflow before financing		**2,788**	4,395
Financing			
Issue of ordinary share capital		**207**	104
Capital element of finance lease payments		**–**	(89)
Banks loan repayments		**–**	(1,200)
Exercise of options held in ESOP		**107**	15
Payments to buy own shares		**(1,000)**	(496)
Net cash outflow from financing		**(686)**	(1,666)
Increase in cash	26	**2,102**	2,729

NOTES TO THE FINANCIAL STATEMENTS

1 PRINCIPAL ACCOUNTING POLICIES

The financial statements have been prepared under the historical cost convention as modified by the revaluation of certain freehold land and buildings and in accordance with accounting standards currently applicable in the United Kingdom. The Directors consider that the accounting policies set out below are suitable, have been consistently applied, and are supported by reasonable judgements and estimates.

Basis of consolidation
The consolidated financial statements include the assets, liabilities and results of the Company and all its subsidiary undertakings. The results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of their acquisition or up to the date of disposal.

Intra-Group sales and profits are eliminated on consolidation, and all sales and profit figures relate to external transactions only.

Turnover
Turnover represents the invoiced value of goods supplied and is stated net of VAT. Turnover is recognised at the date of despatch of goods to customers. Any refunds or replacements are recognised in the period in which the refund or replacement is made. Credit card commission and the cost of overseas bouquets are treated as costs of sales.

Goodwill and intangible assets
Purchased goodwill is capitalised, classified as an asset and amortised over its estimated useful economic life. The gain or loss on the disposal of a subsidiary or associated undertaking is calculated by comparing the carrying value of the net assets sold (including any unamortised goodwill) with the proceeds received. Prior to 1998 the Group's policy was to write off goodwill in the year of acquisition to the profit and loss account reserve. Any permanent diminution in value is recognised by immediate write-off through the profit and loss account.

Other intangible fixed assets are amortised on a straight line basis over their estimated useful economic lives ranging from 5 to 7 years.

Tangible fixed assets
Interest in land and buildings is stated at cost or valuation. The group has taken advantage of the transitional provision available under FRS 15 (Tangible Fixed Assets) which allows for the book value of the freehold land and buildings to be 'frozen' and treated as historic cost. Freehold land and buildings were last revalued for the purpose of the financial statements on 1 July 1993. Fixed assets held under finance leases are stated at the present value of the minimum lease payments due at the inception of the lease, or at fair value where this is considered a sufficiently close approximation to present value. Other tangible fixed assets are stated at their purchase price, including any incidental expenses of acquisition.

Depreciation is calculated to write down the net book value of tangible fixed assets, less their estimated residual value, on a straight line basis, over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

	%
Freehold land and buildings, including glasshouses	0 – 4
Plant and equipment	10 – 20
Computer hardware, included in plant and equipment	20 – $33^1/_3$
Motor vehicles, including tractors	15 – 25

Fixed asset investments
Investments held as fixed assets are stated at cost less provision for any impairment.

1 PRINCIPAL ACCOUNTING POLICIES CONTINUED

Stock
Stocks are valued at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

Included within goods held for resale are certain First Day Cover stocks. These stocks are valued as a proportion of their anticipated realisable value, as a best estimate of the lower of cost and net realisable value, based on the expert opinion of the Group's philatelists. Provision is made for slow moving stock.

Prepayments
The seasonality of the business at Gardening Direct means that certain external costs relating to order processing and marketing for the Spring season are included in prepayments.

Marketing expenditure
The Group charges external campaign marketing expenditure to the profit and loss account in the accounting period in which the related sales campaign takes place. Any losses on recruitment sales are taken to the profit and loss account as incurred.

Finance leases
Where fixed assets are financed by entering into leasing agreements, which transfer to the lessee substantially all benefits and risks of ownership, the assets are treated as if they had been purchased and are included in tangible fixed assets, and the capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements; the capital element is applied to reduce the outstanding obligations and the interest element is charged against profit, in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the estimated useful lives of the assets.

Operating leases
Rentals payable under operating leases are taken to the profit and loss account on a straight line basis over the lease term.

Foreign currencies
Transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rate ruling at the balance sheet date. Exchange gains or losses are included in operating profit. The results of subsidiary undertakings denominated in foreign currencies are translated at the average exchange rate for the year.

Taxation
The charge for taxation is based on the results for the year as adjusted for tax purposes.

Deferred taxation
Deferred taxation is provided on all timing differences arising from the different treatment of items for accounts and taxation proposes, calculated at rates at which it is estimated that tax will arise. Deferred tax balances are not discounted.

Pensions
The Group makes contributions to some employees' and Directors' personal pension plans which are accounted for on an accruals basis.

Accounting policies
There was only one change to accounting policy in the year which was to record sales for the Flying Flowers brand on a basis consistent with other brands. The change in policy means that credit card commission and the costs of overseas bouquets are treated as a cost of sales rather than as a deduction from turnover. The effect of this in 2004 was to increase turnover and cost of sales by £0.55m. The effect on 2003 was to increase turnover and cost of sales by £0.58m.

2 SEGMENTAL ANALYSIS

The Directors of Flying Brands Limited are of the opinion that, whilst the Group markets a number of different brands, all the business of the Group is operated within the mail order retail segment.

TURNOVER BY GEOGRAPHICAL AREA	2004 Sales by destination £'000	Sales by origin £'000	2003 Sales by destination (53 weeks) £'000 (restated)	Sales by origin (53 weeks) £'000 (restated)
Jersey, Channel Islands	**75**	**33,248**	115	32,641
United Kingdom	**34,741**	**2,520**	34,789	3,271
Europe	**367**	**–**	357	–
Outside Europe	**585**	**–**	651	–
	35,768	**35,768**	35,912	35,912

PROFITS AND ASSETS BY GEOGRAPHICAL AREA	2004 Profit before taxation £'000	Net assets £'000	2003 Profit before taxation (53 weeks) £'000	Net assets £'000
Jersey, Channel Islands	**4,195**	**23,200**	3,705	22,179
United Kingdom	**1,613**	**(7,344)**	1,870	(7,828)
Europe	**–**	**–**	–	–
Outside Europe	**–**	**–**	–	–
	5,808	**15,856**	5,575	14,351

3 OPERATING EXPENSES

	2004 £'000	2003 (53 weeks) £'000
Selling and distribution	**839**	741
Administrative expenses	**4,790**	5,311
	5,629	6,052

4 NET INTEREST RECEIVABLE/(PAYABLE) AND SIMILAR CHARGES

	2004 £'000	2003 (53 weeks) £'000
Interest payable on finance leases and hire purchase contracts	–	(2)
Interest receivable	**209**	77
	209	75

5 PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION

	2004 £'000	2003 (53 weeks) £'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation charge for the year:		
Tangible owned fixed assets	**1,860**	2,071
Amortisation of intangible assets	**7**	88
Auditors' remuneration (parent company £nil (2003: nil))	**74**	72
Auditors' remuneration (tax compliance services)	**24**	24
Auditors' remuneration (other taxation advisory services)	**44**	59
(Profit)/loss on sale of tangible fixed assets	**28**	(26)
Hire of land and buildings under operating leases	**13**	27

6 DIRECTORS' EMOLUMENTS

	2004 £'000	2003 (53 weeks) £'000
Fees	**123**	118
Salary and benefits	**473**	475
Pension	**33**	34
	629	627

The detailed numerical analysis of Directors' remuneration is included in the Remuneration Committee Report on page 42 and forms part of these financial statements.

7 EMPLOYEE INFORMATION

The average monthly number of persons (including Executive Directors) employed by the Group during the year was as follows:

	2004 Number	2003 (53 weeks) Number
	341	335

	2004 £'000	2003 (53 weeks) £'000
Staff costs (for the above persons)		
Wages and salaries	**5,419**	5,246
Social security costs	**368**	398
	5,787	5,644

8 TAX ON PROFIT ON ORDINARY ACTIVITIES

	2004 £'000	2003 (53 weeks) £'000
Current tax		
Jersey income tax at 20%	**849**	714
UK corporation tax at 20% to 30%	**549**	590
Over/(under) provision in previous years	**34**	(31)
Total current tax	**1,432**	1,273
Deferred tax		
Decrease in provision for the year (see note 20)	**(86)**	(103)
Total tax on profit on ordinary activities	**1,346**	1,170

8 TAX ON PROFIT ON ORDINARY ACTIVITIES CONTINUED

The tax assessed for the period is different from the standard rate of income tax, as explained below:

	2004 £'000	2003 (53 weeks) £'000
Profit on ordinary activities before tax	**5,808**	5,575
Profit on ordinary activities multiplied by the standard rate of Jersey income tax of 20%	**1,162**	1,115
Adjustments to tax in respect of prior periods	**34**	(28)
Adjustments in respect of foreign tax rates (principally UK)	**106**	174
Expenses not deductible for taxation purposes	**22**	14
Depreciation in excess of Capital allowances	**127**	133
Permanent differences	**(19)**	(135)
Current tax charge for period	**1,432**	1,273

9 PROFIT FOR THE FINANCIAL YEAR

Of the profit for the financial year, the parent company's profit of £27,000 (2003: profit £108,000) is dealt with in the financial statements of Flying Brands Limited.

10 DIVIDENDS

	2004 £'000	2003 (53 weeks) £'000
Dividends on equity shares:		
Interim paid dividend of 2.75p per ordinary share (2003: 2.53p)	**706**	662
Final proposed dividend of 5.65p per ordinary share (2003: 5.22p)	**1,453**	1,356
Under/(over) provision in prior year	**5**	(8)
	2,164	2,010

11 EARNINGS PER ORDINARY SHARE

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year, excluding those held in the employee share trust which have not vested unconditionally to the employee and are accordingly ignored for this purpose.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The Group has only one category of dilutive potential ordinary shares: those share options granted to employees where the exercise price is less than the average market price of the Company's ordinary shares during the year.

	2004 Earnings £'000	**2004 Weighted average number of shares**	2003 Earnings £'000	2003 Weighted average number of shares
Basic	**4,462**	**25,795,412**	4,405	26,124,989
Diluted	**4,462**	**26,076,592**	4,405	26,285,229

12 INTANGIBLE FIXED ASSETS

THE GROUP	Intellectual property £'000
Cost	
At 2 January 2004 and 31 December 2004	**398**
Amortisation	
At 3 January 2004	391
Charge for the year	7
At 31 December 2004	**398**
Net book value at 31 December 2004	**–**
At 2 January 2004	7

13 TANGIBLE FIXED ASSETS

THE GROUP	Freehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
Cost or valuation				
At 2 January 2004	11,105	13,631	284	25,020
Additions	326	473	177	976
Disposals	(10)	(1,281)	(120)	(1,411)
At 31 December 2004	**11,421**	**12,823**	**341**	**24,585**
Depreciation				
At 2 January 2004	1,670	9,167	141	10,978
Charge for the year	335	1,466	59	1,860
Disposals	(9)	(1,243)	(82)	(1,334)
At 31 December 2004	**1,996**	**9,390**	**118**	**11,504**
Net book value at 31 December 2004	**9,425**	**3,433**	**223**	**13,081**
At 2 January 2004	9,435	4,464	143	14,042

14 PROFIT ON SALE OF SUBSIDIARIES AND BUSINESSES

The Group disposed of the Blooms of Bressingham Limited nursery business in 1998, part of the consideration for which was deferred. During 2003 the Group received the final settlement of the outstanding amount due which resulted in an exceptional gain of £308,000 being recognised. The group also incurred fees of £21,000 on the liquidation of its Holland subsidiary, Bunches BV the assets of which were sold in 2000.

15 FIXED ASSET INVESTMENTS

THE GROUP	**2004 £'000**	2003 £'000
Investments at cost		
Own shares 587,925 ordinary shares (2003: 668,140) of 1p each in Flying Brands Limited (Market value at 31 December 2004: £1,219,944 (2003: £978,825))	**820**	927

Own Shares
These shares are held in an ESOP trust and are all under option to employees and form part of the options described in the Remuneration Committee Report and Note 22 to the financial statements. None of the option exercise prices are lower than the cost of the shares and therefore no charge to the profit and loss account arises. All dividends are waived whilst the shares are held in the ESOP trust.

15 FIXED ASSET INVESTMENTS CONTINUED

THE COMPANY			2004 £'000	2003 £'000
Investments in wholly owned subsidiary companies at written down cost				
Flying Flowers International Limited	9,000	ordinary £1 shares	**15,921**	15,921
Benham Collectors Club Limited	10	ordinary £1 shares	**185**	185
			16,106	16,106
Advances to Group companies				
Flying Flowers International Limited			**6**	6
Flying Brands Holdings (UK) PLC			**1,924**	1,924
Flying Flowers (UK) Limited			**3,333**	3,358
			21,369	21,394
Own shares (see above)			**820**	927
			22,189	22,321

The loans due from Flying Flowers International Limited, Flying Brands Holdings (UK) PLC and Flying Flowers (UK) Limited are interest-free and unsecured with no fixed terms of repayment. In the opinion of the Directors the loans are recoverable in full.

Interest in principal Group undertakings
The Directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. The following information relates to those subsidiary undertakings whose results or financial position, in the opinion of the Directors, principally affect the Group:

Name of subsidiary	Country of incorporation	Description of shares held	Principal activity	Proportion of nominal value of issued shares held by Group	Company
Flying Flowers (Jersey) Limited	Jersey	Ordinary £1 shares	Mail order flowers	100%	–
DPA Direct Limited	England & Wales	Ordinary £1 shares	Mail order plants	100%	–
Benham Covers Limited	England & Wales	Ordinary 10p shares	Mail order first day covers	100%	–

16 STOCKS

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Raw materials	**813**	**–**	659	–
Goods for resale	**1,768**	**–**	1,673	–
Livestock	**13**	**–**	13	–
Growing stock	**80**	**–**	49	–
	2,674	**–**	2,394	–

17 DEBTORS

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Amounts falling due within one year				
Trade debtors	**161**	**–**	109	–
Other debtors	**1**	**–**	57	–
Prepayments and accrued income	**1,160**	**–**	830	–
Amounts owed by subsidiary undertakings	**–**	**1,199**	–	2,544
	1,322	**1,199**	996	2,544
Amounts falling due after more than one year				
Advance corporation taxation recoverable	**–**	**–**	21	–
Total debtors	**1,322**	**1,199**	1,017	2,544

The amounts owed by subsidiary undertakings are interest free and unsecured with no fixed terms of repayment, with the exception of an amount of £404,000 which bears interest at 2.5% above the bank base rate and which is repayable by monthly instalment.

18 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Bank overdraft	**–**	**1,212**	–	–
Trade creditors	**3,844**	**–**	3,578	–
Current taxation	**969**	**–**	583	–
Other creditors and accruals	**892**	**4**	1,287	–
Dividend payable	**1,453**	**1,453**	1,356	1,356
	7,158	**2,669**	6,804	1,356

19 CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Group 2004 £'000	Company 2004 £'000	Group 2003 £'000	Company 2003 £'000
Taxation	**846**	**–**	1,007	–

20 PROVISIONS FOR LIABILITIES AND CHARGES

	£'000
Deferred tax	
At 2 January 2004	145
Credited to the profit and loss account (see note 9)	(86)
At 31 December 2004	**59**

The deferred tax liability is in respect of accelerated capital allowances.

21 CALLED-UP SHARE CAPITAL

	2004 £'000	2003 £'000
Authorised		
35,000,000 Ordinary shares of 1p each	**350**	350
Allotted, called up and fully paid		
26,307,818 (2003: 26,644,861) Ordinary shares of 1p each	**264**	267
A Shares in Flying Brands Holdings (UK) PLC		
26,307,818 (2003: 26,644,861) Ordinary shares of 0.005p each	**1**	1
	265	268

A total of 159,937 shares were issued during the year in satisfaction of employee share options. During the year the company repurchased 496,980 ordinary shares of 1p each with a nominal value of £4,970 for a total consideration of £999,980.

22 OPTIONS IN SHARES OF FLYING BRANDS LIMITED

In addition to the Directors' share options disclosed in the Directors' Report the following options have been granted to employees and remain capable of exercise:

Date of Grant	Exercise Period	No. of Ordinary Shares	Exercise Price
18 September 1996	18 September 1999 to 18 September 2006	23,489	149.04p
20 August 1999	20 August 2000 to 20 August 2007	25,699	299.67p
14 October 1998	14 October 2001 to 14 October 2008	43,459	117.96p
14 October 1999	14 October 2002 to 14 October 2009	7,954	134.69p
29 December 2000	29 December 2003 to 29 December 2010	7,105	123.00p
21 March 2001	21 March 2004 to 21 March 2011	71,759	108.00p
4 March 2002	4 March 2005 to 4 March 2012	76,883	166.00p
19 May 2004	19 May 2007 to 19 May 2014	184,935	192.50p

23 SHARE PREMIUM AND RESERVES

THE GROUP	Share premium £'000	Revaluation reserve £'000	Capital reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 3 January 2004	15,731	464	(17)	5	(2,100)
Profits retained for the year	–	–	–	–	2,298
Share buyback	–	–	–	5	(1,000)
Transfer between reserves	–	(7)	–	–	7
New issue of shares	205	–	–	–	–
At 31 December 2004	**15,936**	**457**	**(17)**	**10**	**(795)**

THE COMPANY	Share premium £'000	Revaluation reserve £'000	Capital reserve £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 2 January 2004	15,731	–	670	5	6,843
Transfer from profit and loss account	–	–	–	–	(2,004)
Share buyback	–	–	–	5	(1,000)
New issue of shares	205	–	–	–	–
At 31 December 2004	**15,936**	**–**	**670**	**10**	**3,839**

Cumulative historic goodwill written-off to reserves

	£'000
At 2 January 2004 and 31 December 2004	**3,723**

Capital reserve
The capital reserve of the Group comprises a premium of £104,000 which was written-off in 1988 on the purchase of the minority interest in the subsidiary company, Retreat Farm (1988) Limited, (now Flying Flowers (Jersey) Limited), and the assignment of a loan in 1982 of £87,000. A gain on sale of subsidiaries of £687,000 arose following a Group reorganisation during 1995.

24 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2004 £'000	2003 £'000
Operating profit	**5,599**	5,190
Depreciation	**1,860**	2,071
(Profit)/loss on sale of tangible fixed assets	**28**	(3)
Decrease/(increase) in stocks	**(280)**	442
Decrease/(increase) in debtors	**(326)**	270
(Decrease)/increase in creditors	**(134)**	(369)
Amortisation of other intangible assets	**7**	88
Net cash inflow from operating activities	**6,754**	7,689

25 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS/(DEBT)

	2004 £'000	2003 £'000
Increase in cash in the year	**2,102**	2,729
Cash outflow from reduction in debt and lease financing	**–**	1,289
Movement in net debt in the year	**2,102**	4,018
Net funds at 2 January 2004	**3,920**	(98)
Net funds at 31 December 2004	**6,022**	3,920

26 ANALYSIS OF CHANGES IN NET DEBT

	At 2 January 2004 £'000	Cash flows £'000	At 31 December 2004 £'000
Cash at bank and in hand	3,920	2,102	**6,022**

27 COMMITMENTS

Financial Commitments

At 31 December 2004 the Group had annual commitments under non-cancellable operating leases as follows:

	2004 Land & buildings £'000	2003 Land & buildings £'000
Expiring between 1 and 2 years	**–**	2
Expiring between 2 and 5 years	**13**	25
	13	27

Capital Commitments

	2004 £'000	2003 £'000
Authorised and contracted for	**114**	128

28 CONTINGENT LIABILITIES

(a) All Jersey and UK based Group companies have given unlimited guarantees to Barclays Bank PLC in respect of facilities provided to the Group.

(b) There are unregistered promissory notes of £8,250,000 in respect of the Group's freehold property.

(c) The Company provided a guarantee in respect of an operating lease commitment of Stanley Gibbons Holdings Plc (part of The Stanley Gibbons Group Limited) on 16 August 2000. The lease is for £300,000 p.a. and expires in 2010.

29 FINANCIAL INSTRUMENTS

The section headed Treasury Policy within the Financial Review on page 12 details the Group's policy for the holding and issuing of financial instruments. FRS 13 'Derivatives and other financial instruments disclosures' requires numerical disclosures in respect of financial assets and liabilities and these are set out below. The Group has taken advantage of the exemption available under the FRS and details in respect of short term debtors and creditors are accordingly excluded. The Group has no financial assets other than cash, investments and debtors.

(a) Fair value of financial assets and liabilities

	2004 Book value £'000	2003 Book value £'000
Financial assets		
Cash at bank and in hand	**6,022**	3,920
Fixed asset investments (note 16)	**820**	927
	6,842	4,847
Financial liabilities		
Bank loans	**–**	–
Finance leases	**–**	–
	–	–

The fair value which has been calculated by discounting expected cash flows at prevailing interest rates at the year end is not materially different from the book value.

(b) Maturity and Interest Rate Profile
The group had no financial liabilities other than short term trade creditors and accounts, which are all documented in £ sterling, at 2 January 2004 and 31 December 2004.

(c) Currency exposures
Foreign currency exposure based on net foreign currency monetary assets is £nil (2003: £nil).

(d) Gains and losses on hedges
There are no unrecognised or deferred gains and losses on hedges on long term liabilities.

30 PENSION ARRANGEMENTS

For many employees the Group makes contributions to personal defined contribution schemes based on a fixed percentage of those employees' basic remuneration.

30 RELATED PARTY

Mr T H S Trotter is Chairman of Smithfield Consultants Limited, who were paid £26,346 during the year for financial public relations consultancy services.

FIVE YEAR SUMMARY

	2000 £'000 (restated)	2001 £'000 (restated)	2002 £'000 (restated)	2003 £'000 (restated)	**2004 £'000**
Turnover	43,989	33,350	37,110	35,912	**35,768**
Operating profit before exceptional items and goodwill	3,533	4,671	4,889	5,190	**5,599**
Net interest (payable)/receivable	(396)	(216)	(88)	75	**209**
	3,137	4,455	4,801	5,265	**5,808**
Exceptional items	(175)	(104)	(297)	23	**–**
Goodwill	–	–	–	–	**–**
(Loss)/profit on sale of subsidiaries and businesses	(2,908)	–	–	287	**–**
Profit/(loss) before taxation	54	4,351	4,504	5,575	**5,808**
Taxation	(874)	(899)	(977)	(1,170)	**(1,346)**
Profit/(loss) after taxation	(820)	3,452	3,527	4,405	**4,462**
Dividends	(1,941)	(1,930)	(1,964)	(2,010)	**(2,164)**
Retained profit/(loss)	(2,761)	1,522	1,563	2,395	**2,298**
Adjusted earnings per share	10.73p	13.52p	14.31p	15.67p	**17.30p**
Earnings per share	(3.10)p	13.13p	13.43p	16.86p	**17.30p**
Dividends per share	7.35p	7.35p	7.50p	7.75p	**8.40p**
Share capital and premium	15,817	15,817	15,899	15,999	**16,201**
Reserves	(6,369)	(5,128)	(3,563)	(1,648)	**(345)**
Net assets excluding goodwill	9,448	10,689	12,336	14,351	**15,856**

*This result includes companies disposed of and demerged during the relevant periods.

AUDITORS' REPORT

Independent Auditors Report to the members of FLYING BRANDS LIMITED

We have audited the financial statements which comprise the consolidated profit and loss account, the statement of total recognised gains and losses, the reconciliation of movements in equity shareholders' funds, the balance sheets, the consolidated cash flow statement and the related notes.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable Jersey law and United Kingdom accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Article 110 of the Companies (Jersey) Law 1991 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies (Jersey) Law. 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 the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises the chairman's statement, the chief executive's report, the financial review, the directors' and corporate governance report, and the remuneration committee report.

We review whether the corporate governance statement reflects the company's compliance with the nine provisions of the 2003 FRC 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 to form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements 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.

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 at 31 December 2004 and of the profit and cash flows of the group for the year then ended in accordance with United Kingdom accounting standards and have been properly prepared in accordance with the Companies (Jersey) Law 1991.

PricewaterhouseCoopers CI LLP
Chartered Accountants
Jersey, Channel Islands

11 March 2005

The maintenance and integrity of the Flying Brands Limited web site is the responsibility of the directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

REMUNERATION COMMITTEE REPORT

The Remuneration Committee presents its report for the 52 weeks ended 31 December 2004.

MEMBERSHIP OF THE REMUNERATION COMMITTEE

At 31 December 2004, the Remuneration Committee is comprised of Mr LM Sanderson (Chairman) and Mr THS Trotter, the two independent Non-Executive Directors on the Board.

The Committee makes its decisions following consultation with the Chief Executive and the other Non-Executive Directors. No other third parties have provided advice that materially assisted the Remuneration Committee during the year.

The remuneration of the Non-Executive Directors with the exception of the Chairman, is determined by the Board.

COMPLIANCE

The Company has complied materially with The United Kingdom Directors' Remuneration Report Regulations 2002 ("the Regulations"). In accordance with the Regulations, a resolution to approve this report will be proposed at the Annual General Meeting ("AGM") of the Company. The vote will have advisory status, will be in respect of the remuneration policy and overall remuneration packages and will not be specific to individual levels of remuneration.

REMUNERATION POLICY FOR EXECUTIVE DIRECTORS

The Remuneration Committee seeks to provide the remuneration packages necessary to attract, retain and motivate Executive Directors of the quality required to manage the business of the Group and seeks to avoid paying more than is necessary for this purpose. In establishing the level of remuneration of each Director the Committee has regard to packages offered by similar companies.

Consistent with this policy, the benefit packages awarded to Executive Directors comprise a mix of performance and non-performance elements. The proportion of each Executive Director's pay that is based on performance ranges from 45% for the Chief Executive if the Group achieves a 15% increase in adjusted Earnings Per Share ("EPS"), to 45% for each of the other Executive Directors if the Group achieves an 18% increase in adjusted profit before taxation over the prior year.

The main components of the remuneration packages for Executive Directors are:

a) Contracts

All Executive Directors have a one-year rolling service contract and contractual termination payments in all cases equal the value of Director's annual salary together with benefits and accrued bonus.

b) Basic salary and benefits

Salaries and benefits are approved annually. Basic benefits include a fully expensed company car together with private medical insurance, death in service cover and PHI.

c) Bonuses

There are 2 separate bonus schemes.

The Chief Executive has a contractual scheme that is based on the increase in adjusted EPS over the prior year. Payments start at the level of 20% of salary for the achievement of 5% plus the increase in the retail price index for the year ("RPI") over prior year, and increases at 2.5% for each additional 1% increment in EPS. The maximum payment under the scheme is 45% for achievement of 15% plus RPI of adjusted EPS above prior year.

The other two Executive Directors also have contractual schemes based on an increase in adjusted profit before taxation. These payments commence at a payment of 10% of salary for achievement of an 8% increase in adjusted profit before taxation and increases up to a maximum of a 45% bonus for an increase of 18% in adjusted profit before taxation over the prior year.

d) Share Option Schemes

Awards of Share Options to Directors and senior employees have been made in the past as an incentive to improve the Group's performance.

The original scheme was set up in 1993 for a period of 10 years and no further options can now be granted under that scheme. Exercise of options granted under the 1993 scheme are subject to a performance condition. The condition is that an average annual increase in the adjusted EPS in excess of 5% plus RPI must have been achieved during any consecutive three year period prior to the date of exercise of the option, with the first year commencing no earlier than the financial year ending in the 12 months prior to the date the option was granted.

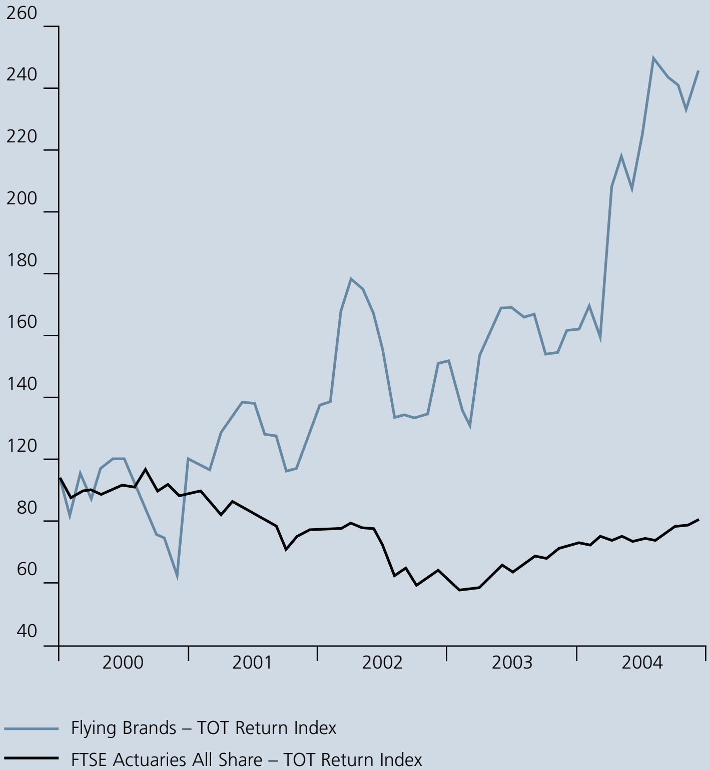
A new scheme was set up in 2004 for a period of 10 years. Exercise of options granted from 2004 are subject to a performance condition. The condition is that the average annual increase in the adjusted EPS in excess of 5% plus RPI must have been achieved in the 3 years following the date of the grant of the option.

e) Pensions

Executive Directors select a money purchase scheme and the company makes a payment of 9% of salary, excluding bonus and benefits, per year to the chosen scheme.

PERFORMANCE GRAPH

As required by the Regulations the graph below shows the performance of Flying Brands Limited, measured by total shareholder return (total share price growth plus dividends paid), against a 'broad equity market index' over the past five years. We have chosen the All Share Index because this is a recognised broad equity market index of which Flying Brands Limited is a member.



source: DATASTREAM

The Group has performed ahead of the All Share Index since the demerger of Stanley Gibbons Group Limited in September 2000.

NON-EXECUTIVE DIRECTORS

The Non-Executive Directors' terms of engagement are set out in a letter of appointment. The Chairman has a one-year rolling term of office. The other Non-Executive Directors have a six-month rolling term of office unless they are not re-elected at the AGM. None of the Non-Executive Directors' appointments have a fixed term.

DIRECTORS' INTERESTS IN THE COMPANY'S SHARES	31 December 2004	2 January 2004
T K Boden	**27,900**	27,900
M T N Dugdale	**30,000**	30,000
P I Fraser	**5,646,719**	5,646,719
A R Fryer	**15,500**	15,500
D C Harbord	**1,000**	1,000
L M Sanderson	**30,012**	30,012
T H S Trotter	**13,000**	13,000

The Directors' interests in shares are all beneficial.

There has been no change in the interests set out above between 31 December 2004 and 11 March 2005.

AUDITABLE INFORMATION

The following tables and supporting notes have been audited:

DIRECTORS' EMOLUMENTS			2004			2003
	Salary & Fees £'000	Bonus £'000	Pension £'000	Benefits £'000	Total £'000	Total £'000
A R Fryer	**62**	**–**	**–**	**–**	**62**	60
M T N Dugdale	**185**	**47**	**17**	**14**	**263**	253
D C Harbord	**101**	**15**	**9**	**12**	**137**	129
T K Boden	**79**	**12**	**7**	**8**	**106**	100
P I Fraser	**19**	**–**	**–**	**–**	**19**	18
L M Sanderson	**21**	**–**	**–**	**–**	**21**	20
T H S Trotter	**21**	**–**	**–**	**–**	**21**	20
T Dunningham*	**–**	**–**	**–**	**–**	**–**	27
	488	**74**	**33**	**34**	**629**	627

* Employed by the Group as a Director for Part of the year.

Mr MTN Dugdale is a Non-Executive Director of Digivate Limited. He receives an annual fee of £6,000 and attends meetings, as agreed, in time allowed by the Group.

Mr AR Fryer's services were invoiced by Tuckenhay Consultants Limited.

Mr THF Trotter's services were invoiced by Trotter and Company Limited.

DIRECTORS' SHARE OPTIONS Date of grant	Earliest exercise date	Expiry date	Exercise price (1p shares)	Number at 3 Jan 2004	Granted in year	Exercised in year	**Number at 31 Dec 2004**
M T N Dugdale							
04.11.02	04.11.05	04.11.12	124.00	282,258	–	–	**282,258**
19.05.04	19.05.07	19.05.14	192.50	–	93,766	–	**93,766**
				282,258	93,766	–	**376,024**
D C Harbord							
07.04.99	07.04.02	07.04.09	131.51	98,879	–	98,879	**–**
21.03.01	21.03.04	21.03.11	108.00	78,703	–	–	**78,703**
04.03.02	04.03.05	04.03.12	166.00	42,169	–	–	**42,169**
19.05.04	19.05.07	19.05.14	192.50	–	50,909	–	**50,909**
				219,751	50,909	98,879	**171,781**
T K Boden							
18.09.96	18.09.99	18.09.06	149.04	19,463	–	–	**19,463**
14.10.98	14.10.01	14.10.08	117.96	18,019	–	–	**18,019**
29.12.00	29.12.03	29.12.10	123.00	22,561	–	–	**22,561**
04.03.02	04.03.05	04.03.12	166.00	37,349	–	–	**37,349**
19.05.04	19.05.07	19.05.14	192.50	–	40,260	–	**40,260**
				97,392	40,260	–	**137,652**
P I Fraser							
14.10.98	14.10.01	02.09.05	117.96	144,156	–	–	**144,156**

All share options were granted at nil cost to the Directors and were in respect of past performance.

No share options have lapsed during the financial year ended 31 December 2004 and none of the terms and conditions of the share options was varied during the year.

The market price of the shares on 22 February 2005 was £2.05. The range of market prices during the year was between £1.43 and £2.36.

The options referred to above have been granted under the UK and Jersey Executive Share Option Schemes.

Apart from the share option schemes described above, the Group is not party to any arrangements whereby Directors or their families may acquire interests in the Company or any other company.

DC Harbord made a taxable gain of £56,351 on exercise of share options in March 2004.

PI Fraser was granted his share options during his term of office as an Executive Director.

L M Sanderson
Chairman of the Remuneration Committee
11 March 2005

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Flying Brands Limited will be held at Retreat Farm, St Lawrence, Jersey, Channel Islands on Tuesday 12 April 2005 at 9.30 am for the following purposes:

Ordinary Business

Resolution 1 To receive and adopt the accounts for the 52 weeks ended 31 December 2004 and the Reports of the Directors and Auditors thereon.

Resolution 2 To approve the Remuneration Committee Report for the 52 weeks ended 31 December 2004.

Resolution 3 To declare a final net dividend for the 52 weeks ended 31 December 2004 of 5.65 pence per share.

Resolution 4 To re-appoint Mr DC Harbord, who retires in accordance with Article 117 of the Articles of Association and offers himself for re-election, as a Director of the Company.

Resolution 5 To re-appoint Mr MTN Dugdale, who retires in accordance with Article 117 of the Articles of Association and offers himself for re-election, as a Director of the Company.

Resolution 6 To re-appoint Mr LM Sanderson, who retires in accordance with Article 117 of the Articles of Association and offers himself for re-election, as a Director of the Company.

Resolution 7 To appoint PricewaterhouseCoopers CI LLP, as Auditors of the Company and to authorise the Directors to determine their remuneration.

Special Business

To consider the following business and if thought fit to pass Resolution 8 as a Special Resolution:

Resolution 8 That the Company be generally and unconditionally authorised pursuant to Article 57(2) of the Companies (Jersey) Law 1991 to make one or more market purchases of its own shares, such purchases to be of Ordinary Shares of 1p each in the capital of the Company ("Ordinary Shares") on the London Stock Exchange, provided that:

a) the maximum number of Ordinary Shares hereby authorised to be purchased shall be 2,630,782 Ordinary Shares, being approximately 10 per cent of the issued capital of the Company;

b) the minimum price which may be paid for any such Ordinary Shares shall be 1p per Ordinary Share (exclusive of expenses);

c) the maximum price which may be paid for such Ordinary Shares shall be an amount equal to 5 per cent above the average middle market quotations for a Unit (comprising one Ordinary Share and one "A" ordinary share of Flying Brands Holdings (UK) PLC) as derived from the Daily Official List of the UK Listing Authority for the five business days immediately preceding the day on which any such Ordinary Shares are purchased or contracted to be purchased;

d) unless otherwise varied renewed or revoked the authority hereby conferred shall expire at the earlier of 31 July 2005 and the conclusion of the Annual General Meeting of the Company to be held in 2006;

e) prior to expiry of the authority hereby conferred the Company may enter into a contract or contracts for the purchase of Ordinary Shares which may be executed in whole or in part after such expiry and may purchase Ordinary Shares pursuant to such contract or contracts as if the authority hereby conferred had not so expired.

By Order of the Board
D C Harbord, Secretary

Notes:

1 Subject to note 3 below any member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote on their behalf who need not be members of the Company. The lodging of a proxy will not prevent a member from attending the meeting and voting in person.

2 To be valid the instrument appointing a proxy, together with any necessary authority under which it is executed needs to be lodged with the Company's Registrars, Capita IRG plc, Balfour House, 390-398 High Road, Ilford, Essex IGl 1BR not less than 48 hours before the time for commencement of the meeting.

3 Pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995 the Company hereby gives notice that only those shareholders registered on the Register of Members as at 11.00 am on 10 April 2005 shall be entitled to attend and vote at the meeting in respect of the number of shares registered against their name at that time.

4 Copies of the Director's service agreements and a summary of their interests and transactions in shares of the Company are available during normal business hours at the offices of the Company's Registrar and at the meeting for the period of 15 minutes prior to commencement and its conclusion.

www.fbgl.co.uk

www.flyingflowers.com

www.gardeningdirect.com

www.listen2books.co.uk

www.benhamcovers.com

www.victory-cards.com

FLYING BRANDS LIMITED

REGISTERED OFFICE
& HEADQUARTERS
Retreat Farm
St Lawrence
Jersey JE3 1GX

UK OFFICE
Kelvedon Park
London Road
Rivenhall
Witham
Essex CM8 3HB