FINDEL FY 2011 RESULTS

7 June 2011

Agenda

Introduction - Roger Siddle, CEO
Financial Review - Tim Kowalski, FD
Business Review - Roger Siddle, CEO
Summary & Outlook - Roger Siddle, CEO

Introduction

- A challenging year; however reached the end of period of financial uncertainty
  - Comprehensive balance sheet restructuring
  - Launched turnaround plan
  - Disposal of underperforming businesses
- Results reporting today reflect the old balance sheet
  - Robust performance considering constraints
- Already made some early progress on delivery against the 3 year Full Potential plan

Focused on delivering the 3 year turnaround plan

Recap of Full Potential Review

- Focus on basics and day-to-day processes
  - Home Shopping
    - Core, credit based business (Express Gifts): rejuvenate a major player
    - Kleeneze: look for growth
    - Kitbag: accelerate profitable growth
  - Education: turn around a market leader
  - Healthcare: maintain prominent market position
- Period of stability needed
  - Benefits of stable financing alone are significant
  - Investment of approximately £35m required to deliver Full Potential plan
- Potential for improved performance and cash generation over the next few years

Significant opportunity

Financial Review
Tim Kowalski, FD

Robust results in a year of significant challenges

- FY2011 has been focused on sorting out the balance sheet
- Year-on-year comparisons complicated by several non-recurring issues
  - Move from Benchmark to more conventional measures to improve transparency
  - One-off charges in both 2011 and 2010
- Improved internal controls and key central functions have been strengthened; without adding significant cost
- Sales held back by consumer confidence, public sector uncertainty and inventory shortages arising from cash constraints

All businesses have remained profitable - despite challenges

A year dominated by a constrained balance sheet

£m	2009	2010	2011
Cash	9.9	44.3	25.6
Bank debt	(291.3)	(256.6)	(160.0)
Securitised debt	(94.7)	(97.3)	(93.4)
Net debt	**(376.1)**	**(309.6)**	**(227.8)**
Net assets	24.6	10.7	116.4
Gearing	**15.3x**	**29.0x**	**2.0x**

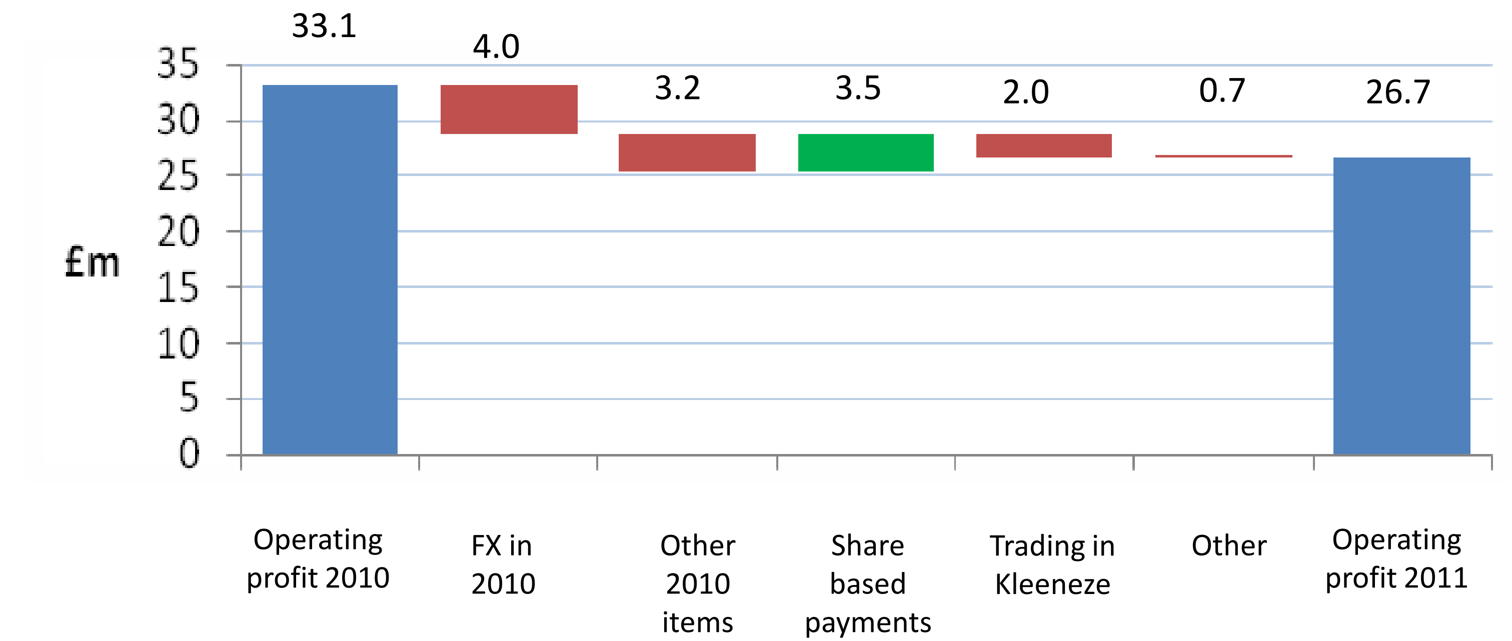
- Operating with headroom below £10m for most of last year in a group with annual turnover of >£500m
- Significant pressures placed upon supply chain and distraction for management
- New funding received on 22 March 2011
- Sufficient headroom now to release supplier pressures and fund FPR initiatives
- Balance sheet transformed with gearing now at 2.0x

Movement in net debt

£m	2011	2010
Operating cashflow*	26.7	32.6
Interest paid	(22.5)	(20.0)
Tax received / (paid)	(0.6)	8.9
Capex less depreciation	6.9	7.2
Working capital movements	(1.3)	6.8
Free cashflow	**9.2**	**35.6**
Share issuance	74.6	74.4
Debt release	40.0	0.0
Exceptional items and terminated operations	(39.3)	(31.9)
Other items	(2.8)	(11.5)
Movement in net debt	**81.8**	**66.5**

- Net debt reduced by a total of £148m in last two years, although still too high
- Significant exceptional cash costs associated with two refinancings, forensic accounting review and disposal of Findel Direct businesses

Profit drivers



- Moved away from “Benchmark profit” to operating profit
- Central costs fully allocated across the businesses, broadly in proportion to revenue
- Non-recurrent accounting items

Underlying performance generally in-line after non-recurring items

Financial Performance

£m	Revenue*		Operating profit*		Operating margin*		
	Year to 1 April 2011	Year to 2 April 2010	Year to 1 April 2011	Year to 2 April 2010**	Year to 1 April 2011	Year to 2 April 2010**	
Home Shopping:							
Express Gifts	222.3	229.0	16.5	20.2	7.4%	8.8%	One-off FX and bad-debt gains in 2010
Kleeneze	59.9	64.4	4.4	6.5	7.3%	10.1%	Fewer distributors, lower revenue and profit
Kitbag	58.0	48.3	1.9	1.7	3.3%	3.5%	New multi-channel contracts
	340.2	**341.7**	**22.8**	**28.4**	**6.7%**	**8.3%**	
Education Supplies	125.8	141.8	1.7	2.1	1.4%	1.5%	Supplier issues and non-recurrence of Projects
Healthcare	66.7	63.5	2.2	2.6	3.3%	4.1%	Loss of Dorset ICES contract at start of 2011
Total Group	**532.6**	**547.0**	**26.7**	**33.1**	**5.0%**	**6.1%**	

All five businesses remained profitable

* before exceptional items and terminated operations

** excludes loss from former associate of £0.4m

Summary

- Sales held back by consumer confidence and public sector uncertainty
- Compounded by supply chain challenges driven by cash constraints

BUT…

- All businesses remained profitable; despite challenges
- Bad debts under control
- Refinancing complete; most important development of 2011
  - Net debt £82m lower at £227.8m
  - Gearing significantly reduced from 29.0x to 2.0x

Financial platform in place to underpin Full Potential

Business Review
Roger Siddle, CEO

Business has stronger foundations

- Group's funding position has been transformed, providing headroom to deliver turnaround strategy and restore value in the businesses
- Leadership team has been reinvigorated
  - New CEO & CFO
  - Substantial changes to Education management team
  - Reinforced management team in Kitbag; looking to do the same within Express Gifts and Kleeneze
- Improved transparency of business performance

Foundations in place – work now starts in earnest

Investment planned in four areas

Systems

Especially Express Gifts & some Education

Growth

Working capital, property refurbishment
(Kitbag, Healthcare)

Resourcing to Win

Ensuring major opportunities adequately resourced

Supply Chain

Ease pressure to provide benefits for Group AND suppliers

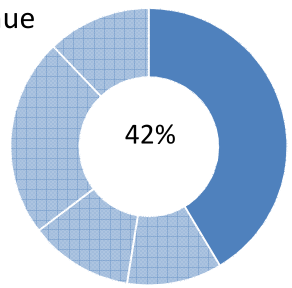
Five businesses with significant potential

Express Gifts

Rejuvenate a major player

- Upgrade and integrate core systems
- Implement behavioural credit scoring system
- Improve buying and merchandising processes

Express Gifts



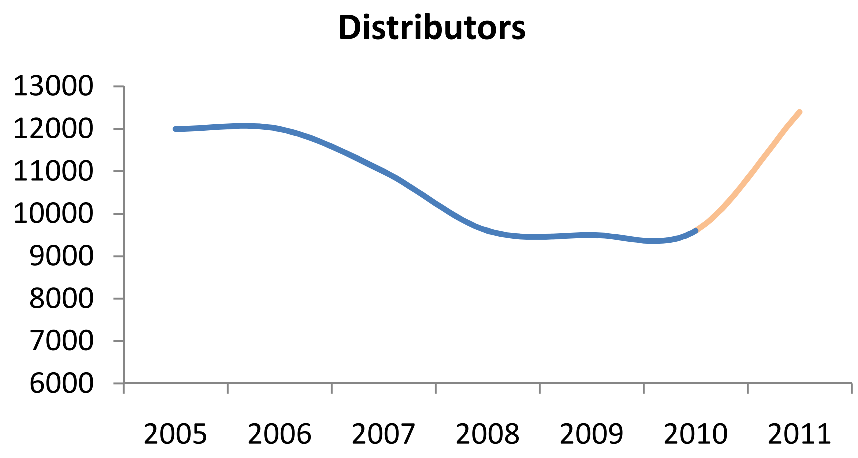
- Systems implementation programme is underway and on track
- Buying initiatives aimed at reducing lost sales have proved successful
  - Full review of our entire buying operation commenced
- Focus on an improved value proposition for customers in key lines is proving effective
  - Significant improvement to response rates, without impact to overall contribution
  - Decline in cash margin reversed
- Behavioural credit scoring implementation underway

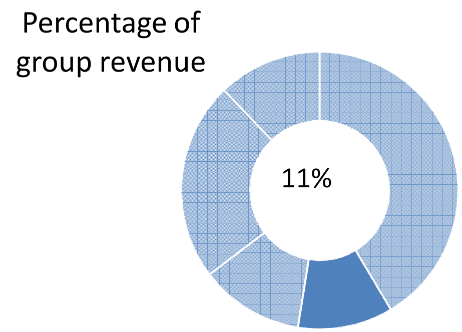
Rejuvenating a major player

Five businesses with significant potential

Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring system • Improve buying and merchandising processes
Kleeneze	Look for growth	• Identify geographic areas with few distributors • Revise the recruitment offer to new distributors

Kleeneze





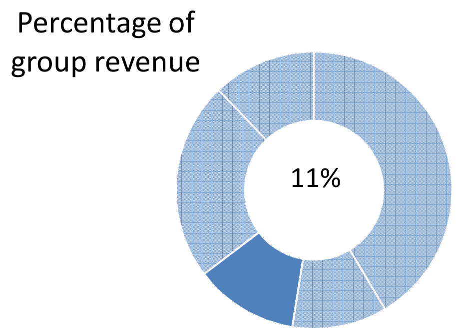
- Focus on increasing distributor numbers
  - Variety of pilots trialled to grow distributor base
- Encouraging signs but still yet to be proven – productivity of 'Break Free' distributors still uncertain
  - We now have 12,400 distributors versus 9,600 at the same point last year

Looking for growth

Five businesses with significant potential

Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring system • Improve buying and merchandising processes
Kleeneze	Look for growth	• Identify geographic areas with few distributors • Revise the recruitment offer to new distributors
Kitbag	Accelerate profitable growth	• Accelerate roll-out of outsourced retail management to other football clubs • Develop the pipeline of new sporting partnerships

Kitbag



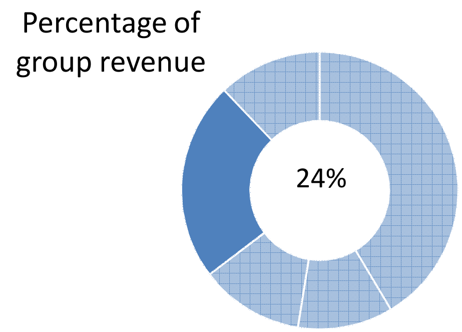
- Continued to make progress on new business wins
  - UEFA Champions League, European Championship, an established Premier League Club, Leicester Tigers rugby club and an international rugby organisation
- Current trading is strong, reflecting the success of our partner clubs
- Margins are depressed due to the simultaneous need for end of season and other obsolete stock clearance
- Work remains to be done on improving the overall profitability – processes stretched by rapid growth

Accelerating profitable growth

Five businesses with significant potential

Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring system • Improve buying and merchandising processes
Kleeneze	Look for growth	• Identify geographic areas with few distributors • Revise the recruitment offer to new distributors
Kitbag	Accelerate profitable growth	• Accelerate roll-out of outsourced retail management to other football clubs • Develop the pipeline of new sporting partnerships
Education Supplies	Turn around a market leader	• Improving supply chain management • Enhancing customer contact processes • Improving pricing and category management

Education Supplies



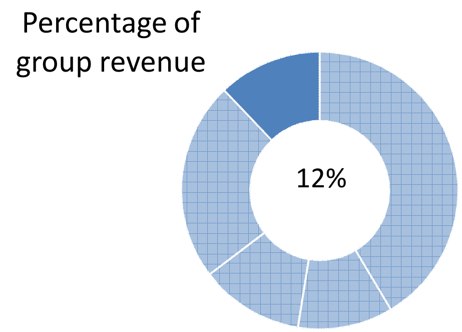
- Significant progress on our buying initiatives
  - Rationalising product ranges to reduce both complexity and cost prices
  - Renegotiating trading terms with our top suppliers
- Selling activities restructured and telesales management introduced with signs of early success
  - Customers managed within this service moving from year-on-year sales decline to growth
- Current performance suggest new catalogues and improved service levels is supporting turnaround
  - Longer timeline to recovery with earlier publications

Turning around a market leader

Five businesses with significant potential

Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring system • Improve buying and merchandising processes
Kleeneze	Look for growth	• Identify geographic areas with few distributors • Revise the recruitment offer to new distributors
Kitbag	Accelerate profitable growth	• Accelerate roll-out of outsourced retail management to other football clubs • Develop the pipeline of new sporting partnerships
Education Supplies	Turn around a market leader	• Improving supply chain management • Enhancing customer contact processes • Improving pricing and category management
Healthcare	Maintain prominent market position	• Develop the pipeline of new ICES contracts • Capitalise on improved working capital conditions to support new contract tenders

Healthcare



- Additional working capital positions Findel well for expanded pipeline of ICES contracts
  - £35m aggregate contract value identified over next 2 years
  - Growing ICES market
- Successful in winning 4 new ICES contracts totalling approximately £9.6m in annual value, together with other contracts providing an additional £0.6m
  - Though disappointingly lost 2 ICES contracts totalling £7.2m in annual value
- Overall market leading position maintained and improved – customer confidence improved

Maintaining leading position

3 year programme to deliver Full Potential plan

	FY 11/12	FY 12/13	FY 13/14
EGL	• Implementing EGL credit systems • Implementing core systems • Early buying benefits	• Credit systems benefits emerging • Further systems implementation – benefits emerging • Increased buying benefits	• Further systems implementation – benefits emerging
Kleeneze	• Distributor growth		
Kitbag	• Contract wins	• Maturity profile	
Education	• Early sourcing benefits emerging • Other early wins (e.g. Telephony)	• Phase 2 benefits emerging	• Full sourcing benefits
Healthcare	• Contract retention / win rate		

Early days but on track

Outlook

- Successful refinancing
- Focused on executing the plans from the Full Potential Review
- Good progress made to date against plans
- Current year has started well and trading in line with expectations
- Backdrop remains challenging but confident on right path to deliver improved shareholder returns over the medium term

Firmly focused on delivering Full Potential

Thank you

Supplementary Information

New lending facilities

- The Group has entered into new five-year lending facilities comprising:
  - £196.8m new revolving credit facilities priced at 3% margin to LIBOR
  - £105m new securitisation facility priced at variable rates (amended to make it coterminous with the revolving credit facilities)
- £40m of net proceeds used to repay debt and an additional £40m of debt will be released
  - In consideration of the release of debt, the Lenders will be allotted and issued Convertible Shares which will be convertible into Ordinary Shares dependent on Findel's future share price performance or in the event of a takeover offer
- Management believes that the new lending facilities offer much improved operational flexibility in terms of covenants and availability compared to the existing facilities
  - Five year deal agreed with banks with facilities expiring in 2016
  - Availability varies in accordance with seasonal working capital requirements
  - Covenant levels provide significantly greater operational flexibility

Stable funding platform for implementation of the FPR

Convertible shares

- In consideration for the £40m of debt released, the Lenders will be allotted and issued Convertible Shares
  - Convertible into Ordinary Shares dependent on share price performance or in the event of a takeover offer
- Key terms:
  - Exercisable 2013-2021
  - If converted, represent c.10% of the enlarged share capital of the Group[1]
  - Only exercisable once 1 month VWAP is above 23.97 pence/share or in the event of a takeover offer
  - Until converted:
    - no voting rights, save as required to protect class rights
    - adjustment mechanism for any dividends or other distributions made prior to conversion and anti-dilution protections
  - Other conditions:
    - Distribution of dividend no more than 50% of net income of the Group in respect of any financial year without consent
    - Borrowing from a shareholder holding more than 5% unless such shareholder is an 'Approved Lender' and borrowing is on arm's length terms

Financial performance

£m	**Revenue**		Gross Margin		Trading costs		**Operating profit**	
	Year to 1 April 2011	**Year to 2 April 2010**	Year to 1 April 2011	Year to 2 April 2010	Year to 1 April 2011	Year to 2 April 2010	**Year to 1 April 2011**	**Year to 2 April 2010**
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	340.2	**341.7**	**191.6**	**198.3**	**(168.8)**	**(169.9)**	**22.8**	**28.4**
Education Supplies	125.8	141.8	42.4	49.5	(40.7)	(47.4)	1.7	2.1
Healthcare	66.7	63.5	13.7	14.5	(11.5)	(11.9)	2.2	2.6
Total Group	**532.6**	**547.0**	**247.7**	**262.3**	**(221.0)**	**(229.2)**	**26.7**	**33.1**

* excludes loss from former associate of £0.4m

Summary balance sheet

£m	2011	2010	Change
Fixed assets	151.5	162.4	-10.9
Working capital	199.3	196.0	3.3
Net debt	-227.8	-309.6	81.8
Other items	-6.6	-38.1	31.5
Net assets	**116.4**	**10.7**	**105.5**