29 November 2011

**Findel plc ("Findel" or "the Group")**

**Foundations laid for the Group's recovery with encouraging signs**

**Interim Results for the 26 weeks ended 30 September 2011**

Findel, a market leader in the UK home shopping, education supplies and healthcare markets, today announces its Interim Results for the 26 week period ended 30 September 2011.

**Financial Summary**

| | 2011 | 2010 (restated**) |
|---|---|---|
| **Revenue*** | £254.6m | £255.8m |
| **Revenue** | £254.6m | £264.0m |
| **Loss before tax*** | (£5.6m) | (£3.1m) |
| **Loss before tax** | (£10.7m) | (£15.0m) |
| **Net debt** | £256.9m | £336.8m |
| **Net assets** | £106.7m | £0.7m |
| **Loss per share** | (0.21p) | (1.96p) |

*before exceptional items and terminated operations
** restated for the change in accounting policy for retirement benefits, as set out in Note 3 to the Financial Statements.

**Highlights**

- Three-year turnaround plan underway with encouraging signs
  - Stable financial platform in place with significant improvements in both net debt and net assets following refinancing in March 2011
  - Action taken to improve supplier relationships with steady restoration of credit insurance
  - Early progress against the operational improvements set out for each business, though faster progress in some than others and remedial action being taken as appropriate
  - People and processes being strengthened throughout the Group
- Current trading since period end encouraging; 8 weeks to 25 November has seen sales 2.9% above prior year for the Group, with Express Gifts trading at 10.9% above prior year
- Halting over three years of sales decline in continuing businesses led by Express Gifts which delivered a 4.9% increase in H1 revenues
- Loss before tax* of £5.6m, largely reflecting the much poorer condition of the Group entering the period, the intrinsic seasonality of the Group and the need to rebuild in a challenging environment

**Roger Siddle, Group Chief Executive, commented:**

"We are halfway through the first year of our Full Potential plan and our focus is on consolidation and recovering from an extended period of extreme difficulty for the Group.

"In what has been a particularly challenging economic environment, we are encouraged by the development of the Group. We are particularly pleased that Express Gifts, our largest business, is on track for a very strong Christmas with current trading 10.9% ahead of last year.

"The investments and changes that we are making to our businesses as part of our three-year plan are improving the strength and resilience of the portfolio, as well as our trading performance. We believe this will start a trend of improving results in the second half and beyond which will, in turn, deliver improved shareholder returns over the medium term."

**Enquiries**

**Findel plc** **0161 303 3465**
Roger Siddle, Group Chief Executive
Tim Kowalski, Group Finance Director

**Tulchan Communications** **020 7353 4200**
Stephen Malthouse
Susanna Voyle
Lucy Legh

**Notes to Editors**

The Findel Group contains market leading businesses in the home shopping, education supplies and healthcare markets. It is primarily a distributor, handling and supplying specialist products manufactured by third parties.

The Group's activities are focused in five main operating segments, together with a small overseas sourcing operation:

- Express Gifts – one of the largest direct mail order businesses in the UK;
- Kleeneze – a leading network marketing company in the UK and the Republic of Ireland;
- Kitbag – a leading retailer of sports merchandise;
- the Education Supplies Division – one of the largest independent suppliers of resources and equipment (excluding information technology and publishing) to schools in the UK; and
- the Healthcare Division – one of the largest contract providers of Integrated Community Equipment Services (ICES) in the UK.

**INTERIM MANAGEMENT REPORT**

**Delivery of Full Potential – laying the foundations**

A year ago we outlined the findings of the Full Potential Review, the delivery of which was dependent on first establishing a stable financial platform. This was achieved in March 2011 with our successful refinancing and rights issue, enabling the turnaround plan to commence. The priority for 2011/12, the first year of the plan, has been to repair the damage resulting from an extended period of financial uncertainty. A material underinvestment in systems, strained supplier relationships and difficult stock management processes had left each of the five major operations in a weakened condition and inhibited recovery.

The Full Potential plan is a three year turnaround and not all of these challenges can be fixed in a short time frame. We have, however, made good progress in the first six months. We made immediate use of the new funding to release pressure in our supply chain to good effect, and have been pleased to see the gradual restoration of credit insurance to the Group. We have made early progress against the operational improvements set out for each business and have reinforced the management teams across the Group. Investments in systems have a longer lead-time and therefore many of the benefits, as anticipated, will not be seen until later in the three-year programme.

The Group is now showing signs of recovery; some of our businesses are making faster progress than anticipated and in the other businesses, where progress is slower, we are taking further actions. All this is being delivered against a difficult economic backdrop but we are encouraged by the overall progress being made. As an example, we have started to halt the trend of declining revenues experienced over the past three years by maintaining sales.

We remain confident that the investments and improvements we are making, underpinned by a stable financial platform, will deliver improved shareholder returns over the medium term.

**Group Financial Results**

The nature of the businesses within the Findel Group mean that profits have shown, and will continue to show a significant seasonal bias, with the majority of profit being earned in the second half. Given the significant constraints and pressures the Group faced at the start of the year, together with the actions we are taking, this imbalance will be increased in 2011/2012.

**i) Revenue of £250.5m from major operating divisions 1.9% ahead of the first half of 2010/11**

| | 2011 | 2010 | Change | |
|---|---|---|---|---|
| | £000 | £000 | £000 | |
| Express Gifts | 93,235 | 88,875 | 4,360 | *4.9%* |
| Kleeneze | 26,305 | 28,970 | (2,665) | *(9.2%)* |
| Kitbag | 30,124 | 26,128 | 3,996 | *15.3%* |
| Education Supplies | 62,511 | 69,132 | (6,621) | *(9.6%)* |
| Healthcare | 38,283 | 32,643 | 5,640 | *17.3%* |
| **Major divisions** | **250,458** | **245,748** | **4,710** | ***1.9%*** |
| Overseas sourcing** | 4,112 | 10,050 | (5,938) | *(59.1%)* |
| **Group revenue*** | **254,570** | **255,798** | **(1,228)** | ***(0.5%)*** |
| Terminated operations | - | 8,161 | (8,161) | |
| **Group revenue** | **254,570** | **263,959** | **(9,389)** | |

**ii) Group operating loss* of (£0.6m) in the first half of 2011/12 was £7.3m worse than the prior year – largely reflecting the much poorer condition of the Group entering the period and the need to rebuild in a challenging environment. Loss before tax* increased to £5.6m from £3.1m**

| | 2011<br>£000 | 2010<br>£000 | Change<br>£000 |
|---|---|---|---|
| Express Gifts | (1,780) | (1,688) | (92) |
| Kleeneze | 1,350 | 1,883 | (533) |
| Kitbag | (1,800) | 1,367 | (3,167) |
| Education Supplies | 620 | 3,143 | (2,523) |
| Healthcare | 804 | 1,287 | (483) |
| **Major Divisions** | **(806)** | **5,992** | **(6,798)** |
| Overseas sourcing** | 228 | 738 | (510) |
| **Group operating (loss)/profit*** | **(578)** | **6,730** | **(7,308)** |
| Net finance costs* | (5,045) | (9,858) | 4,813 |
| **Loss before tax*** | **(5,623)** | **(3,128)** | **(2,495)** |
| Exceptional items | (1,350) | (5,358) | 4,008 |
| Terminated operations | - | (2,347) | 2,347 |
| Loss on disposal of business | - | (1,336) | 1,336 |
| Exceptional finance costs | (3,680) | (2,835) | (845) |
| **Loss before tax** | **(10,653)** | **(15,004)** | **4,351** |

* before exceptional items and terminated operations

**The Group contains an overseas sourcing operation, Fine Art Developments Far East (FADFE). As described below, whilst this operation has historically been treated as part of the central operations of the Group and allocated to divisions accordingly, due to a change in focus for the operation we now report its external sales and profit separately.

Approximately £1.4m of the operating profit movement between this year and prior year is accounted for by non-recurring items or timing effects between first and second halves of the year. The performance of each of the primary divisions is discussed in more detail below.

**Divisional Performance Review**

**i) Express Gifts**; **strong growth in sales and customer numbers**

Full Potential focus: Rejuvenate a major player

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

Recognising in summer 2010, through declining response rates and customer numbers, that the value proposition for customers offered by Express Gifts had deteriorated significantly, we launched an improved pricing approach in the second half of last year which has continued through this period – absorbing VAT increases and reducing target margin percentages. This has seen an excellent response from customers, with sales in the first half of the year increasing by 4.9% to £93.2m (2010/11 restated: £88.9m).

Operating loss for the first half therefore increased slightly to £1.8m when compared to prior year £1.7m. However, the business has now entered its peak trading period and is currently seeing a 3.7% year-on-year increase in customer numbers. Trading since the period end is up by 10.9% versus prior year (8 weeks to 25 November) and we therefore expect that our investment in margin percentage will be compensated by delivery of total cash margin over the year. In addition, action has been taken on the cost base, including successful renegotiation of a range of delivery contracts, to provide further benefit in the second half.

Bad debt indicators remain stable compared to the prior year. In addition, significant progress is being made within Express Gifts on upgrading buying and merchandising effectiveness, which should provide further benefit to margin in future years. The comprehensive investment to replace legacy systems announced in the Full Potential Review is on track and within budget, although, as anticipated, these systems will take up

to three years to be fully implemented and yield their benefits. Our new behavioural scoring system has also been developed on time and on budget, and will start to be implemented at the end of 2011, and will have built sufficient data and information for benefits to start accruing from autumn 2012.

We believe that the growth in customer base, improvements to buying and merchandising and systems implementation provide a strong platform for future growth in income.

**ii) Kleeneze; increase in distributors helping to mitigate economic challenges**

Full Potential focus: Look for growth
- Revise approach to recruitment of new distributors
  - New geographies
  - New recruitment offers

After many years of falling distributor numbers at Kleeneze, evidence from the start of the calendar year indicates that our new recruitment initiatives, including our “Break Free” programme, have successfully resulted in an underlying increase in the number of ordering distributors. At the end of September, the number of active ordering distributors had increased by 15% compared to the previous year. However, the difficult economic environment facing Kleeneze’s customers has, as anticipated, led to lower average order values per distributor resulting in sales of £26.3m being below the prior year in the first half (2010/11 restated: £29.0m) and operating profit of £1.4m, down from £1.9m a year earlier. Encouragingly, the cumulative effects of increasing ordering distributors and new sales initiatives after the period end, including the launch of new products, appear to have had a positive effect. Trading since period end (8 weeks to 25 November) is only 2.5% behind prior year. Various cost saving initiatives have already been targeted for the second half of the year.

**iii) Kitbag; strengthening the platform to ensure profitable growth**

Full Potential focus: Accelerate profitable growth
- Accelerate roll-out of outsourced retail management
- Develop the pipeline of new sporting partnerships

During the period, Kitbag has maintained strong sales growth in new business, confirming outsourced retail management contracts with Leicester Tigers rugby club and Sunderland AFC (to commence in 2012), extending the current contract with Manchester United, and implementing a recent agreement with Talksport Radio (with 3m listeners) whereby Talksport will actively market our own online operation, Kitbag.com. As anticipated, the contract with West Ham Utd expired at the end of the 2010/11 season. The development pipeline remains strong, with discussions ongoing with a range of major sports operations. The business enjoyed year-on-year sales growth of over 15% during the period to £30.1m (2010/11 restated: £26.1m), though with some of this growth reflecting both the full period sales effect of contracts which were added during the period last year and our extensive stock clearance programme, which is described below. Current trading since the period end on an underlying basis is more reflective of current economic conditions, being flat on last year supported by a programme of promotional activity.

However, as indicated at the time of full-year results, Kitbag’s processes have been stretched by rapid growth and this growth has therefore failed to translate into appropriate levels of profitability. We are delighted to have recruited Andy Anson as the new Chief Executive for Kitbag, who took over the business on 27 June 2011. As the former CEO of the England World Cup bid, as former CEO of the ATP Europe Tennis Tour, and as a former commercial director for Manchester United, Andy brings a considerable amount of relevant skills and experience to the role. His focus is to continue to drive top line growth whilst driving the changes to the business operations and capabilities required to improve profitability over the medium term.

These changes have commenced, and some of the actions we have taken have, of necessity, impacted profits in the short-term for longer-term benefit. Margins are depressed as a result of the need for a material clearance programme of obsolete stock which had built up over a period of time. We have invested in people, processes and facilities in a number of areas including enhancing our buying and merchandising capabilities. In addition, we have now identified an increasing imbalance between the risk and reward for Kitbag in some of our existing partnership arrangements, particularly in a time of a more challenging retail environment, resulting in a number of underperforming contracts. We have had initial dialogue with partners around restructuring these arrangements, although it is likely that these will continue to impact profitability

negatively during the second half of this year. Overall, comparison with prior year performance is made complex by elements such as differing levels of sporting activity (e.g. Soccer World Cup in 2010) and a number of items with non-recurring impact, such as the VAT credits recognised in 2010/11. Approximately 50% of the movement in operating profit is accounted for by these items.

Based on the strength of the new business pipeline, the quality of the new leadership and the actions we are taking we remain confident about the prospects for significant future profitable growth in the years to come.

**iv) Education Supplies; improved service supporting turnaround**

Full Potential focus: Turnaround a market leader

- Improving supply chain management
- Enhancing customer contact processes
- Improving pricing and category management

Our Education Supplies business has seen some early success as it implements its turnaround plan, but still faces challenges. Overall sales for the division in the first half of 2011/12 at £62.5m are 9.6% lower than the first half of 2010/11 (£69.1m restated), although this reflects a mixed picture amongst the various brands within the division.

As previously reported, it is clear that where we have been able to combine new catalogue releases with our newly improved service levels, together with reinforcing our sales team, we are now seeing our business returning to year on year growth, particularly in regions where we have geographic strength such as the South-East. Since the period end, trading for these brands, which largely supply school operational needs, have grown 4.5% ahead of prior year. Our International export business, servicing demand for UK educational products in overseas schools, has shown strong growth in the first half of the year, being ahead 9% over prior year.

However, those brands whose main annual catalogues were issued before the refinancing in March, and thus had both significantly poorer service levels and less flexibility in product range selection at that time, are taking longer to restore their customer reputation with a consequential negative impact upon sales and margin. These brands are largely focused on curricular needs, rather than school operational needs, and so these difficulties are exacerbated by pressure on certain areas of school budgets, particularly in the nursery and primary sectors. Significant effort has been made to restore customer confidence in these brands, and encouragingly in recent weeks we have seen an increase in customer numbers suggesting a willingness to try our services once again.

Good progress has been made in improving both the buying and merchandising practices of the division, which has helped to bolster margins at a time of rising supplier cost inflation – though our overall goal is to gain a net improvement in gross margin and so, much work continues in this area. In addition, there has been a significant review of overheads across the division which is expected to produce a saving of approximately £2.0m in the second half of this year. The sales trend has continued since the half-year, although the growth in international sales has moderated as anticipated.

**v) Healthcare; steady progress**

Full Potential focus: Maintain prominent market position

- Develop the pipeline of new ICES contracts
- Capitalise on improved working capital conditions to support new contract tenders

Our Healthcare business has continued to see steady growth versus the prior year with revenues increasing to £38.3m from £32.6m – albeit with a portion of this growth at very low margins due to the structure of certain contracts. However, as flagged at the end of 2010/11, having replaced established contracts with newer contracts this year, the associated start-up costs together with loss of profits from contracts lost from the prior year have reduced the net profit margin in the short-term and operating profit declined to £0.8m from £1.3m a year earlier. During the period the business has achieved contract extensions for periods ranging from 18 months to 2 years and, whilst it unfortunately failed to renew one of its smaller contracts that expired at the end of the period, this results in net new business worth approximately £45m.

The pipeline for new ICES contracts continues to be promising, with no obvious impact from the government's proposed changes contained in the current Health and Social Care Bill. Competition for these

contracts remains significant but we continue to look to capitalise on our improved financial strength to support new tenders and are encouraged by the growth in the pipeline of opportunities. The growth in sales has moderated since the period end, as anticipated, in line with the contract mix.

**vi) Overseas sourcing (Fine Arts Development Far East (FADFE)) ; focus on supporting margin improvement for existing businesses**

Finally, as noted above we have now chosen to show separately the external sales and profit of our overseas sourcing operation, FADFE. Historically, FADFE costs and revenues have been allocated to divisions as a support item as they have been both small and consistent in the context of the overall Group. However, as part of our Full Potential initiatives to improve the buying processes across the Group, we have concluded that FADFE efforts should be much more focused on supporting the delivery of better margins for our main businesses, and we have recruited a new Managing Director for the business to drive these. As a result, it will not be a short term priority to replace external sales from contracts which come to an end – although we will continue to accept external business where we are approached. Consequently, the level of external revenue in the first half of 2011/12 for FADFE is some £5.9m lower than the prior year, with profit falling by some £0.5m.

**Taxation**

The group has recognised income tax credits in the first half totalling £7.1m (2010/11: nil), of which £3.3m is based on the estimated effective tax rate for the full year of 31.2%, (reflecting disallowable items, principally share based payments) and £3.8m relates to the satisfactory resolution of enquiries relating to previous years.

**Balance sheet and funding**

The group’s net debt at the end of September 2011 stood at £256.9m, some £79.9m lower than the equivalent position of £336.8m in September 2010. This reflects the exceptional costs of c.£25m largely incurred during the restructuring and refinancing from the second half of 2010/11, the net proceeds of the rights issue and debt release totalling £114.6m, and approximately £10m which has been invested in the working capital and fixed asset requirements of the businesses.

The funding facilities signed at the time of the refinancing are committed until March 2016, providing sufficient funding to enable the group to execute upon both its trading plans and Full Potential initiatives. The group has also operated comfortably within the covenants limits set in the new facilities.

Net interest charges* in the first half of 2011/12 were £5.0m, down substantially on the £9.9m charged in the prior year. This reflects both the lower level of average borrowings and the reduction in the borrowing margin from 5% to 3% following the refinancing in March 2011. In addition, the group incurred exceptional finance charges of £3.7m (2010/11: £2.8m) in respect of the finalisation of fees and other costs associated with the refinancing.

Good progress has been made throughout the group in improving relationships with suppliers, which had become increasingly strained during the extended period of financial uncertainty prior to the refinancing. Part of the proceeds of the refinancing was immediately used to ease pressure in the supply chain, with subsequent efforts being focused upon the renegotiation of normal payment terms. The level of creditor insurance available against Findel has gradually increased since the start of the year, although there remains a generally negative sentiment from the major participants towards the wider retail sector.

Net assets stood at £106.7m, compared to £0.7m at the end of September 2010.

The basic loss per share was 0.21p compared to a loss per share of 1.96p last year. The terms of the new credit facilities prohibit the payment of dividends for so long as those facilities are in place. This is consistent with the board's belief that the group should improve its liquidity and invest in its operations rather than paying dividends for the time being.

**Outlook**

In what has been a particularly challenging half we are encouraged by the strategic development of the business. That said, the outlook for both consumer and Government spending remains challenging and unclear. This uncertainty is obviously not helpful to the business turnaround that we are undertaking.

Nonetheless, we remain focused on implementing our three year Full Potential plan. The investments and changes that we are making to our businesses are improving the strength and resilience of the portfolio, as well as our trading performance. We believe this will start a trend of improving results in the second half and beyond which will, in turn, deliver improved shareholder returns over the medium term.

**Condensed Consolidated Income Statement**
26 week period ended 30 September 2011

| | Before exceptional items and terminated operations | Exceptional items (excluding items in terminated operations) | Terminated operations | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Revenue** | 254,570 | - | - | 254,570 |
| Cost of sales | (141,613) | - | - | (141,613) |
| **Gross profit** | 112,957 | - | - | 112,957 |
| Trading costs | (113,535) | (1,350) | - | (114,885) |
| Analysis of operating profit /(loss): | | | | |
| **- EBITDA** | 4,374 | (1,350) | - | 3,024 |
| - Depreciation and amortisation | (4,952) | - | - | (4,952) |
| - Impairment | - | - | - | - |
| - Profit on disposal of land and buildings | - | - | - | - |
| **Operating loss** | (578) | (1,350) | - | (1,928) |
| Analysis of finance costs: | | | | |
| - Movement on fair value of derivatives | - | (865) | - | (865) |
| - Other | (8,133) | (2,815) | - | (10,948) |
| Finance costs | (8,133) | (3,680) | - | (11,813) |
| Finance income | 3,088 | - | - | 3,088 |
| **Loss before tax** | (5,623) | (5,030) | - | (10,653) |
| Income tax income | 5,828 | 1,308 | - | 7,136 |
| **Profit/(loss) for the period** | 205 | (3,722) | - | (3,517) |
| | | | | |
| **Loss per share** | | | | |
| Basic | | | | (0.21)p |
| Diluted | | | | (0.21)p |

All results are from continuing operations.

**Condensed Consolidated Income Statement**
26 week period ended 1 October 2010

| | Before exceptional items and terminated operations £000 (Restated) | Exceptional items (excluding items in terminated operations) £000 (Restated) | Terminated operations £000 (Restated) | Total £000 (Restated) |
|---|---|---|---|---|
| **Revenue** | 255,798 | - | 8,161 | 263,959 |
| Cost of sales | (137,305) | - | (4,973) | (142,278) |
| **Gross profit** | 118,493 | - | 3,188 | 121,681 |
| Trading costs | (111,763) | (5,107) | (5,786) | (122,656) |
| Analysis of operating profit/(loss): | | | | |
| **- EBITDA** | 11,899 | (5,107) | (2,121) | 4,671 |
| - Depreciation and amortisation | (4,829) | - | (477) | (5,306) |
| - Impairment | (1,193) | - | - | (1,193) |
| - Profit on disposal of land and buildings | 853 | - | - | 853 |
| **Operating profit/(loss)** | 6,730 | (5,107) | (2,598) | (975) |
| Loss on disposal of businesses | - | - | (1,336) | (1,336) |
| Analysis of finance costs: | | | | |
| - Movement on fair value of derivatives | (217) | - | - | (217) |
| - Other | (12,555) | (2,835) | - | (15,390) |
| Finance costs | (12,772) | (2,835) | - | (15,607) |
| Finance income | 2,914 | - | - | 2,914 |
| **Loss before tax** | (3,128) | (7,942) | (3,934) | (15,004) |
| Income tax income | - | - | - | - |
| **Loss for the period** | (3,128) | (7,942) | (3,934) | (15,004) |
| | | | | |
| **Loss per share** | | | | |
| Basic | | | | (1.96)p |
| Diluted | | | | (1.96)p |

All results are from continuing operations.

The above income statement has been restated solely to reflect the accounting policy change in respect of defined benefit pension schemes, see note 3.

**Condensed Consolidated Income Statement**
52 week period ended 1 April 2011

| | Before exceptional items and terminated operations | Exceptional items (excluding items in terminated operations) | Terminated operations | Total |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| **Revenue** | 532,588 | - | 8,161 | 540,749 |
| Cost of sales | (284,927) | - | (4,973) | (289,900) |
| **Gross profit** | 247,661 | - | 3,188 | 250,849 |
| Trading costs | (220,952) | (20,617) | (5,703) | (247,272) |
| Analysis of operating profit/(loss): | | | | |
| **- EBITDA** | 37,383 | (20,617) | (2,038) | 14,728 |
| - Depreciation and amortisation | (9,886) | - | (477) | (10,363) |
| - Impairment | (1,301) | - | - | (1,301) |
| - Profit on disposal of land and buildings | 513 | - | - | 513 |
| **Operating profit/(loss)** | 26,709 | (20,617) | (2,515) | 3,577 |
| Loss on disposal of businesses | - | - | (1,482) | (1,482) |
| Gain on release of debt in consideration of allotment of convertible ordinary shares | - | 32,874 | - | 32,874 |
| Analysis of finance costs: | | | | |
| - Movement on fair value of derivatives | - | (377) | - | (377) |
| - Other | (25,562) | (16,272) | - | (41,834) |
| Finance costs | (25,562) | (16,649) | - | (42,211) |
| Analysis of finance income: | | | | |
| - Movement on fair value of derivatives | 6 | - | - | 6 |
| - Other | 5,858 | - | - | 5,858 |
| Finance income | 5,864 | - | - | 5,864 |
| **Profit/(loss) before tax** | 7,011 | (4,392) | (3,997) | (1,378) |
| Income tax (expense)/income | (2,168) | 12,070 | - | 9,902 |
| **Profit/(loss) for the period** | 4,843 | 7,678 | (3,997) | 8,524 |
| | | | | |
| **Earnings per share** | | | | |
| Basic | | | | 1.04p |
| Diluted | | | | 1.04p |

All results are from continuing operations.

**Condensed Consolidated Statement of Comprehensive Income**
26 week period ended 30 September 2011

| | **26 weeks to 30.9.2011 £000** | 26 weeks to 1.10.2010 £000 (Restated) | 52 weeks to 1.4.2011 £000 |
|---|---|---|---|
| Loss for the period (as previously reported) | | (15,502) | |
| Prior year adjustment (note 3) | | 498 | |
| (Loss)/profit for the period (restated) | **(3,517)** | (15,004) | 8,524 |
| Actuarial (losses)/gains on defined benefit pension schemes | **(8,610)** | 5,090 | 15,822 |
| Effective portion of changes in fair value of cash flow hedges | **(251)** | - | (86) |
| Currency translation gain/(loss) arising on consolidation | **90** | (103) | (146) |
| Tax relating to components of comprehensive income | **1,821** | - | 1,234 |
| **Total comprehensive income for the period** | **(10,467)** | (10,017) | 25,348 |

The total comprehensive income for the period is attributable to the equity shareholders of the parent company Findel plc. The condensed consolidated statement of comprehensive income for the period ended 1 October 2010 has been restated solely to reflect the accounting policy change in respect of defined benefit pension schemes.

**Condensed Consolidated Balance Sheet**
At 30 September 2011

| | **30.9.2011 £000** | 1.10.2010 £000 (Restated) | 1.4.2011 £000 |
|---|---|---|---|
| **Non-current assets** | | | |
| Goodwill | **47,299** | 47,299 | 47,299 |
| Other intangible assets | **65,596** | 67,374 | 66,528 |
| Property, plant and equipment | **38,035** | 39,432 | 37,647 |
| Deferred tax assets | **9,398** | - | 4,252 |
| Derivative financial instruments | **82** | - | 1,052 |
| | **160,410** | 154,105 | 156,778 |
| **Current assets** | | | |
| Inventories | **87,211** | 88,077 | 70,682 |
| Trade and other receivables | **213,590** | 214,589 | 194,953 |
| Derivative financial instruments | **139** | - | 155 |
| Cash and cash equivalents | **24,039** | 21,994 | 25,582 |
| | **324,979** | 324,660 | 291,372 |
| **Total assets** | **485,389** | 478,765 | 448,150 |
| **Current liabilities** | | | |
| Trade and other payables | **78,135** | 81,507 | 61,099 |
| Current tax liabilities | **3,440** | 7,411 | 7,258 |
| Obligations under finance leases | **-** | 338 | 5 |
| Bank overdrafts and loans | **-** | 27,443 | - |
| Derivative financial instruments | **-** | 223 | - |
| Provisions | **1,882** | 1,790 | 1,884 |
| | **83,457** | 118,712 | 70,246 |
| **Non-current liabilities** | | | |
| Bank loans | **280,909** | 331,053 | 253,381 |
| Provisions | **2,652** | 4,097 | 3,327 |
| Deferred tax liabilities | **-** | 7,318 | - |
| Retirement benefit obligation | **11,626** | 16,929 | 4,747 |
| | **295,187** | 359,397 | 261,455 |
| **Total liabilities** | **378,644** | 478,109 | 331,701 |
| **Net assets** | **106,745** | 656 | 116,449 |
| **Equity** | | | |
| Share capital | **125,942** | 24,472 | 125,942 |
| Capital redemption reserve | **403** | 403 | 403 |
| Share premium account | **93,454** | 79,240 | 93,454 |
| Translation reserve | **646** | 599 | 556 |
| Accumulated losses | **(113,700)** | (104,058) | (103,906) |
| **Total equity** | **106,745** | 656 | 116,449 |

The 1 October 2010 balance sheet has been restated solely to reflect the accounting policy change in respect of defined benefit pension schemes, see note 3.

**Condensed Consolidated Cash Flow Statement**
26 week period ended 30 September 2010

| | **26 weeks to 30.9.2011 £000** | 26 weeks to 1.10.2010 £000 (Restated) | 52 weeks to 1.4.2011 £000 |
|---|---|---|---|
| **Operating activities** | | | |
| (Loss)/profit for the period | **(3,517)** | (15,004) | 8,524 |
| Income tax income | **(7,136)** | - | (9,902) |
| Finance income | **(3,088)** | (2,914) | (5,864) |
| Finance costs | **11,813** | 15,607 | 42,211 |
| Gain on release of debt in consideration of allotment of convertible ordinary shares | **-** | - | (32,874) |
| Loss on disposal of businesses | **-** | 1,336 | 1,482 |
| **Operating (loss)/profit** | **(1,928)** | (975) | 3,577 |
| *Adjustments for:* | | | |
| Depreciation of property, plant and equipment | **3,640** | 3,998 | 7,535 |
| Impairment of property, plant and equipment and software and IT development costs | **-** | 1,193 | 1,301 |
| Amortisation of intangible assets | **1,312** | 1,310 | 2,828 |
| Share-based payment expense/(credit) | **763** | - | (1,321) |
| Profit on disposal of property, plant and equipment | **(108)** | (875) | (575) |
| Pension contributions less income statement charge | **(1,606)** | (1,566) | (3,210) |
| **Operating cash flows before movements in working capital** | **2,073** | 3,085 | 10,135 |
| Increase in inventories | **(16,505)** | (18,047) | (632) |
| (Increase)/decrease in receivables | **(18,614)** | (8,244) | 13,732 |
| Increase/(decrease) in payables | **14,502** | 4,354 | (12,946) |
| Decrease in provisions | **(677)** | (793) | (1,469) |
| **Cash (used in)/generated from operations** | **(19,221)** | (19,645) | 8,820 |
| Income taxes paid | **-** | (10) | (597) |
| Interest paid | **(4,862)** | (7,248) | (22,446) |
| Exceptional financing costs paid | **(729)** | (8,345) | (16,649) |
| **Net cash used in operating activities** | **(24,812)** | (35,248) | (30,872) |
| **Investing activities** | | | |
| Interest received | **31** | 6 | 9 |
| Proceeds on disposal of property, plant and equipment | **187** | 5,393 | 5,463 |
| Purchases of property, plant and equipment and software and IT development costs | **(4,488)** | (4,018) | (6,845) |
| Sale of subsidiaries | **-** | (1,884) | (2,030) |
| **Net cash used in investing activities** | **(4,270)** | (503) | (3,403) |
| **Financing activities** | | | |
| Repayments of obligations under finance leases | **(5)** | (673) | (1,006) |
| Net proceeds from issue of shares | **-** | - | 74,623 |
| Bank loans drawn/(repaid) | **30,904** | 21,555 | (56,736) |
| Securitisation loan repaid | **(3,376)** | (7,470) | (1,251) |
| **Net cash from financing activities** | **27,523** | 13,412 | 15,630 |
| **Net decrease in cash and cash equivalents** | **(1,559)** | (22,339) | (18,645) |
| Cash and cash equivalents at the beginning of the period | **25,582** | 44,331 | 44,331 |
| Effect of foreign exchange rate changes | **16** | 2 | (104) |
| **Cash and cash equivalents at the end of the period** | **24,039** | 21,994 | 25,582 |

The cash flow statement for the 26 week period to 1 October 2010 has been restated solely to reflect the accounting policy change in respect of defined benefit pension schemes, see note 3.

**Condensed Consolidated Statement of Changes in Equity**

| | Share capital £000 | Capital redemption reserve £000 | Share premium account £000 | Translation reserve £000 | Accumulated losses £000 | Total equity |
|---|---|---|---|---|---|---|
| At 1 April 2011 | 125,942 | 403 | 93,454 | 556 | (103,906) | 116,449 |
| Total comprehensive income for the period | - | - | - | 90 | (10,557) | (10,467) |
| Share-based payments | - | - | - | - | 763 | 763 |
| **At 30 September 2011** | **125,942** | **403** | **93,454** | **646** | **(113,700)** | **106,745** |

| | Share capital £000 | Capital redemption reserve £000 | Share premium account £000 | Translation reserve £000 | Accumulated losses £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| At 2 April 2010 (as previously reported) | 24,472 | 403 | 79,240 | 702 | (71,244) | 33,573 |
| Prior year adjustment (note 3) | - | - | - | - | (22,900) | (22,900) |
| At 2 April 2010 (restated) | 24,472 | 403 | 79,240 | 702 | (94,144) | 10,673 |
| Total comprehensive income for the period (restated) | - | - | - | (103) | (9,914) | (10,017) |
| At 1 October 2010 (restated) | 24,472 | 403 | 79,240 | 599 | (104,058) | 656 |

| | Share capital £000 | Capital redemption reserve £000 | Share premium account £000 | Translation reserve £000 | Accumulated losses £000 | Total equity £000 |
|---|---|---|---|---|---|---|
| At 2 April 2010 (restated) | 24,472 | 403 | 79,240 | 702 | (94,144) | 10,673 |
| Total comprehensive income for the period | - | - | - | (146) | 25,494 | 25,348 |
| Share issues | 68,596 | - | 14,214 | - | (1,061) | 81,749 |
| Share-based payments | - | - | - | - | (1,321) | (1,321) |
| Transfer to share capital to record convertible ordinary shares at their nominal value | 32,874 | - | - | - | (32,874) | - |
| At 1 April 2011 | 125,942 | 403 | 93,454 | 556 | (103,906) | 116,449 |

The total equity for the period is attributable to the equity shareholders of the parent company, Findel plc. Details of the prior year adjustment relating to the accounting policy change in respect of defined benefit pension schemes are set out in note 3.

**Notes to the Condensed Consolidated Financial Statements**

**1. General Information**

The condensed consolidated financial statements have been approved by the Board on 28 November 2011.

*Statement of compliance*
These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union ("EU") and the DTR of the UK FSA. As required by the latter, the interim financial statements have been prepared applying the accounting policies and presentation that were applied in the Company's published consolidated financial statements for the 52 weeks ended 1 April 2011. They do not include all the information required for full annual financial statements, and should be read in conjunction with the Group's consolidated financial statements as at and for the 52 weeks ended 1 April 2011.

The financial information for the period ended 1 April 2011 is not the Company's statutory accounts for that financial year. Those accounts which were prepared under IFRS as adopted by the EU (adopted IFRS) have been reported on by the Company's auditors and delivered to the Registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.

*Going concern basis*
In determining whether the group's financial statements for the period ended 30 September 2011 can be prepared on a going concern basis, the directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities in the current challenging economic climate. The key risks and uncertainties are referenced below.

The directors have reviewed the trading and cash flow forecasts as part of their going concern assessment, including reasonable downside sensitivities which take into account the uncertainties in the current operating environment including amongst other matters demand for the group's products, its available financing facilities, and movements in interest rates. These show that the group should be able to operate within its banking facilities and comply with its banking covenants.

Taking into account the above uncertainties and circumstances, the directors formed a judgement that there is a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the group's interim financial information.

*Risks and uncertainties*
The principal risks and uncertainties which could impact the Group's long-term performance remain those detailed on pages 17 to 18 of the Group's 2011 Annual Report and Accounts, a copy of which is available on the Group's website, www.findel.co.uk. These risks remain valid as regards their potential to impact the Group during the second half of the current financial year.

The Group has a comprehensive system of risk management installed within all parts of its business to mitigate these risks as far as is possible.

*Seasonality*
Sales within the Express Gifts operating segment are more heavily weighted towards the second half of the financial year, with approximately 55%-60% of annual sales occurring during that period.

**2. Accounting Policies**
The accounting policies applied by the group in these condensed consolidated interim financial statements are the same as those applied by the group in its consolidated financial statements as at and for the 52 weeks ended 1 April 2011.

The following new standards, amendments to standards and interpretations issued by the International Accounting Standards Board became effective during the period, but have no material effect on the group's financial statements:

- IAS 24, "Related Party Disclosures (revised)"
- IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"
- Improvements to IFRSs 2010

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group.

**3. Restatements in respect of prior years**
*Retirement benefit costs*
For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date.

As discussed in the 2011 Annual Report and Accounts, previously actuarial gains and losses that exceeded 10% of the greater of the present value of the group's defined benefit obligation and the fair value of the plan assets were amortised over the expected average remaining lives of the participating employees. The IASB has subsequently confirmed the removal of the choice of accounting on this corridor approach basis. This is in line with the group's decision, made in advance of the proposal becoming endorsed, to adopt a change in policy and now recognise actuarial gains and losses immediately in the Consolidated Statement of Comprehensive Income as permitted under IAS 19.

As a result of this change in policy, the amounts disclosed in the accounts have been changed, and the comparatives restated, as follows:

| | Retirement benefit asset/(liability) £000 | Accumulated losses 000 |
|---|---|---|
| Balance reported at 1 October 2010 | 383 | (86,746) |
| Effect of full provision accounting | (17,312) | (17,312) |
| Restated balance at 1 October 2010 | (16,929) | (104,058) |

As a result of the change in policy, the impact on the results for the 26 weeks ended 1 October 2010 was to reduce trading costs in the year by £498,000 with a subsequent increase in profit before tax; the reduction in loss per share was 0.07p. In addition, actuarial gains of £5,090,000 have now been recognised in the consolidated statement of comprehensive income.

The deferred tax asset on net retirement benefit obligations was not recognised.

**4. Trading costs**

| | **26 weeks to 30.9.2011 £000** | 26 weeks to 1.10.2010 £000 (Restated) | 52 weeks to 1.4.2011 £000 |
|---|---|---|---|
| Selling and distribution costs | **75,298** | 78,917 | 153,492 |
| Administrative expenses | **39,587** | 43,739 | 93,780 |
| Trading costs | **114,885** | 122,656 | 247,272 |

Details of the restatement are set out above in note 3.

## 5. Segmental analysis

### Operating segments

For management purposes, the group is currently organised into six operating segments: Express Gifts, Kleeneze, Kitbag, Education Supplies, Healthcare and Overseas Sourcing.

Overseas Sourcing was previously allocated across the other five segments. The segment is now reviewed separately by management and is therefore analysed as a separate segment below. The comparatives have been similarly restated.

Segment information about these operating segments is presented below.

### 26 weeks to 30 September 2011

***Segmental revenue***

| | Home Shopping | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Express Gifts £000 | Kleeneze £000 | Kitbag £000 | Education Supplies £000 | Healthcare £000 | Overseas Sourcing £000 | Terminated £000 | Total £000 |
| Sale of goods | 58,532 | 26,305 | 30,124 | 62,511 | 27,892 | 4,112 | - | 209,476 |
| Rendering of services | 12,830 | - | - | - | 10,391 | - | - | 23,221 |
| Interest | 21,873 | - | - | - | - | - | - | 21,873 |
| Total revenue | 93,235 | 26,305 | 30,124 | 62,511 | 38,283 | 4,112 | - | 254,570 |

***Loss after tax***

| | Home Shopping | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Express Gifts £000 | Kleeneze £000 | Kitbag £000 | Education Supplies £000 | Healthcare £000 | Overseas Sourcing £000 | Terminated £000 | Unallocated £000 | Total £000 |
| Continuing operating (loss)/profit before exceptional items and terminated operations | (1,780) | 1,350 | (1,800) | 620 | 804 | 228 | - | - | (578) |
| Exceptional items | (274) | - | (564) | (197) | (100) | - | - | (215) | (1,350) |
| **Reportable segment result** | (2,054) | 1,350 | (2,364) | 423 | 704 | 228 | - | (215) | (1,928) |
| Finance income | | | | | | | | | 3,088 |
| Finance costs | | | | | | | | | (11,813) |
| Loss before tax | | | | | | | | | (10,653) |
| Tax | | | | | | | | | 7,136 |
| Loss after tax | | | | | | | | | (3,517) |

## 5. Segmental analysis (continued)

### 26 weeks to 1 October 2010

### *Segmental revenue*

| | Home Shopping | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Express Gifts £000 | Kleeneze £000 | Kitbag £000 | Education Supplies £000 | Healthcare £000 | Overseas Sourcing £000 | Terminated £000 | Total £000 |
| Sale of goods | 55,335 | 28,970 | 26,128 | 69,132 | 22,296 | 10,050 | 8,161 | 220,072 |
| Rendering of services | 13,179 | - | - | - | 10,347 | - | - | 23,526 |
| Interest | 20,361 | - | - | - | - | - | - | 20,361 |
| Total revenue | 88,875 | 28,970 | 26,128 | 69,132 | 32,643 | 10,050 | 8,161 | 263,959 |

### *Loss after tax*

| | Home Shopping | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Express Gifts £000 (Restated) | Kleeneze £000 (Restated) | Kitbag £000 (Restated) | Education Supplies £000 (Restated) | Healthcare £000 (Restated) | Overseas Sourcing £000 (Restated) | Terminated £000 (Restated) | Unallocated £000 (Restated) | Total £000 (Restated) |
| Continuing operating (loss)/profit before exceptional items and terminated operations | (1,688) | 1,883 | 1,367 | 3,143 | 1,287 | 738 | - | - | 6,730 |
| Terminated operations | - | - | - | - | - | - | (2,347) | - | (2,347) |
| Exceptional items | (1,027) | (209) | (205) | (1,274) | (442) | - | (251) | (1,950) | (5,358) |
| **Reportable segment result** | (2,715) | 1,674 | 1,162 | 1,869 | 845 | 738 | (2,598) | (1,950) | (975) |
| Loss on disposal of businesses | | | | | | | | | (1,336) |
| Finance income | | | | | | | | | 2,914 |
| Finance costs | | | | | | | | | (15,607) |
| Loss before tax | | | | | | | | | (15,004) |
| Tax | | | | | | | | | - |
| Loss after tax | | | | | | | | | (15,004) |

Details of the restatement are set out in note 3.

## 5. Segmental analysis (continued)

### 52 weeks to 1 April 2011

### *Segmental revenue*

| | Home Shopping | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Express Gifts £000 | Kleeneze £000 | Kitbag £000 | Education Supplies £000 | Healthcare £000 | Overseas Sourcing £000 | Terminated £000 | Total £000 |
| Sale of goods | 141,779 | 56,786 | 58,017 | 122,937 | 46,933 | 14,074 | 8,161 | 448,687 |
| Rendering of services | 28,626 | - | - | - | 19,731 | - | - | 48,357 |
| Interest | 43,705 | - | - | - | - | - | - | 43,705 |
| Total revenue | 214,110 | 56,786 | 58,017 | 122,937 | 66,664 | 14,074 | 8,161 | 540,749 |

### *Profit after tax*

| | Home Shopping | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Express Gifts £000 | Kleeneze £000 | Kitbag £000 | Education Supplies £000 | Healthcare £000 | Overseas Sourcing £000 | Terminated £000 | Unallocated £000 | Total £000 |
| Continuing operating profit before exceptional items and terminated operations | 15,918 | 4,225 | 1,867 | 1,595 | 2,147 | 957 | - | - | 26,709 |
| Terminated operations | - | - | - | - | - | - | (2,264) | - | (2,264) |
| Exceptional items | (4,628) | (237) | (340) | (1,744) | (471) | - | (251) | (13,197) | (20,868) |
| **Reportable segment result** | 11,290 | 3,988 | 1,527 | (149) | 1,676 | 957 | (2,515) | (13,197) | 3,577 |
| Loss on disposal of businesses | | | | | | | | | (1,482) |
| Gain on release of debt in consideration of allotment of convertible ordinary shares | | | | | | | | | 32,874 |
| Finance income | | | | | | | | | 5,864 |
| Finance costs | | | | | | | | | (42,211) |
| Loss before tax | | | | | | | | | (1,378) |
| Tax | | | | | | | | | 9,902 |
| Profit after tax | | | | | | | | | 8,524 |

**6. Exceptional items** (excluding terminated operations)

The following is an analysis of the exceptional items arising during the period.

| | **26 weeks to 30.9.2011 £000** | 26 weeks to 1.10.2010 £000 | 52 weeks to 1.4.2011 £000 |
|---|---|---|---|
| **Exceptional operating costs** | | | |
| Restructuring costs | **1,050** | 2,492 | 16,206 |
| Warehouse reorganisation costs | **300** | 333 | 1,924 |
| Onerous lease provisions | **-** | - | 205 |
| Forensic accounting review costs | **-** | 1,558 | 1,558 |
| Abortive disposal costs | **-** | 724 | 724 |
| | **1,350** | 5,107 | 20,617 |
| **Exceptional other items** | | | |
| Gain on release of debt in consideration of allotment of convertible ordinary shares | **-** | - | (32,874) |
| **Exceptional financing costs** | | | |
| Debt refinancing costs | **3,680** | 2,835 | 16,649 |
| | **5,030** | 7,942 | 4,392 |

The exceptional operating costs are split by operating segment in note 5.

The gain on release of debt in consideration of allotment of convertible ordinary shares is not allocated to a specific operating segment.

The group incurred exceptional costs in the period of £3,680,000 (26 weeks ended 1 October 2010: £2,835,000; 52 weeks ended 1 April 2011: £16,649,000) in respect of the finalisation of fees and other costs associated with the amendments to its credit facilities in March 2011.

## 7. Loss on sale of terminated operations

Terminated operations comprise the Webb Group Limited sold on 8 June 2010, CWIO Limited (formerly Findel Direct Limited), Confetti Network Limited and I Want One of Those.com Limited sold on 11 August 2010, and The Cotswold Company and Letterbox terminated in 2009. All the terminated operations were part of the Home Shopping operating segment. The results of the terminated operations are presented in a separate column in the income statement.

| | 26 weeks to 1.10.2010 £000 | 52 weeks to 1.4.2011 £000 |
|---|---|---|
| **Consideration and costs** | | |
| Consideration | 600 | 702 |
| Sale costs | (1,323) | (1,571) |
| | (723) | (869) |
| **Net assets sold** | 613 | 613 |
| **Loss on sale** | (1,336) | (1,482) |
| | (723) | (869) |
| **Net cash outflow from sale of terminated operations** | | |
| Cash consideration | 600 | 702 |
| Sale costs paid | (1,323) | (1,571) |
| Cash and cash equivalents sold | (1,161) | (1,161) |
| | (1,884) | (2,030) |

## 8. Taxation

Income tax for the 26 week period ended 30 September 2011 is based on the estimated effective tax rate for the full year of 31.2%, giving rise to a tax credit in the period of £3,323,000. In addition there is a tax credit of £3,813,000 relating to the adjustment to the brought forward current tax liability following the settlement of enquiries during the period.

No tax credit was recognised in the prior period, as no deferred tax asset was recognised in respect of tax losses arising in the period.

## 9. Earnings per share

| | 26 weeks to 30.9.2011 £000 | 26 weeks to 1.10.2010 £000 (Restated) | 52 weeks to 1.4.2011 £000 |
|---|---|---|---|
| Net (loss)/profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share | **(3,517)** | (15,004) | 8,524 |
| Losses from terminated operations (net of tax) | **-** | 3,934 | 3,997 |
| Exceptional operating items (net of tax) | **999** | 5,107 | 13,939 |
| Gain on release of debt in consideration of allotment of convertible ordinary shares | **-** | - | (32,874) |
| Exceptional finance costs (net of tax) | **2,723** | 2,835 | 11,257 |
| Net profit/(loss) attributable to equity holders of the parent for the purpose of continuing earnings per share* | **205** | (3,128) | 4,843 |
| | | | |
| Weighted average number of shares (as previously reported) | **1,696,148,450** | 482,955,829 | 821,824,653 |
| Equity issue adjustment | **-** | 281,521,559 | - |
| Weighted average number of shares (revised) | **1,696,148,450** | 764,477,388 | 821,824,653 |
| (Loss)/earnings per share – basic | **(0.21)p** | (1.96)p | 1.04p |
| Earnings/(loss) per share – continuing* basic | **0.01p** | (0.41)p | 0.59p |
| (Loss)/earnings per share – diluted | **(0.21)p** | (1.96)p | 1.04p |
| Earnings/(loss) per share – continuing* diluted | **0.01p** | (0.41)p | 0.59p |

* continuing operations before exceptional items and terminated operations.

**10. Contingent liability**

*Payment Protection Insurance ("PPI")*

As outlined in the 2011 Annual Report and Accounts, the company's largest subsidiary, Express Gifts, is regulated by the Financial Services Authority ("FSA") as an insurance intermediary and, as such, is permitted to sell general insurance products, including Payment Protection Insurance ("PPI"). Express Gifts sold around 267,000 PPI policies in the period from January 2005 to August 2008.

The FSA published its final policy statement (PS 10/12) concerning the assessment and redress of PPI complaints on 10 August 2010. The British Bankers' Association sought a judicial review of this policy statement and of related guidance issued by the Financial Ombudsman Service. The judicial review was heard at the start of 2011 and concluded in favour of the FSA in April 2011.

Notwithstanding this judicial process, Express Gifts reviewed its processes for handling complaints relating to the potential mis-selling of PPI in due time. However, to date, it has only received complaints from around 1% of customers, which is very low relative to the number of policies sold, of which less than 7% have been upheld indicating an absence of systemic mis-selling.

At this time, and in the absence of further evidence, it is not felt possible to make a reliable estimate of the provision, if any, which may be required as a result of any future increase in the level of complaints received and upheld resulting from the new handling procedures.

**Responsibility Statement**

We confirm that to the best of our knowledge:

(a) the condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union;

(b) the interim Chairman's statement and condensed consolidated financial statements include a fair review of the information required by:

(i) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(ii) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

| R W J Siddle | T J Kowalski |
|---|---|
| Group Chief Executive | Group Finance Director |
| 28 November 2011 | 28 November 2011 |

This document may contain forward looking statements. In particular, but without limitation, nothing contained in this document should be relied upon or construed as a promise or a forecast, including any projection or management estimate, any statements which contain the words "anticipate", "believe", "intend", "estimate", "expect", "forecast" and words of a similar meaning, reflect the management of the Company's current beliefs and expectations and are subject to risks and uncertainties that may cause actual results to differ materially. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on such statements. Any forward looking statements speak only as at the date of this document, and except as required by applicable law, Findel plc undertakes no obligation to update or revise publicly any forward looking statements, whether as a result of new information or otherwise.

**Independent Review Report by KPMG Audit Plc to Findel plc**

**Introduction**

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the period ended 30 September 2011 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company for our review work, for this report, or for the conclusions we have reached.

**Directors' responsibilities**

The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

**Our responsibility**

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

**Scope of review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the period ended 30 September 2011 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

**John Costello**
**for and on behalf of KPMG Audit Plc**
Chartered Accountants
St James' Square, Manchester, M2 6DS

28 November 2011