Findel plc

INTERIM REPORT 2013

www.findel.co.uk

Highlights

- Excellent progress in the first half
  - Revenue grew by 5.2%, representing the 4th consecutive six-month period of year on year growth
  - Loss before tax* reduced to (£0.4m) from (£6.0m)
- Express Gifts, the group's largest business (accounting for c. 50% of revenues) again delivered a strong performance
  - Express Gifts sales up 10.7%, operating profits* up £3.8m leading to an H1 operating profit as the division maintained its attractively priced core offer whilst deepening range and selection
  - Education sales up 8.2%, operating profits* up £3.6m as the benefits of a much improved customer proposition begin to come through
  - Kleeneze sales decline slowed following management actions
  - A challenging period for Kitbag
- Overall net debt £15.4m lower following receipt of net proceeds from sale of healthcare division partially offset by growth of EGL receivables. Balance sheet gearing (net debt to net assets) reduced from 2.8x to 2.2x
- 80bp improvement in rolling 12 month group operating margin* from 4.6% to 5.4%, on track to meet medium-term operating margin targets
- Continuing progress since period end; 8 weeks to 22 November has seen sales 3.4% above prior year for the group, with Express Gifts and Education showing continued growth

Delivering and deleveraging

The group is now into the third year of its turnaround plan following the successful refinancing in March 2011. We are making excellent progress with a substantial improvement in key financial measures.

Group sales for the half year increased by 5.2% to £243.6m (2012: £231.7m). Trading seasonality within the group, notably for Express Gifts, means that the majority of the group's profits are earned in the second half of the year. Nonetheless, the group returned to operating profitability in the first half after being loss-making in the equivalent periods in the previous two years.

The loss before tax reduced to £0.4m (2012: £6.0m). Core net debt has reduced by £21.2m to £131.7m (2012: £152.9m). Total net debt has reduced by £15.4m to £236.7m (2012: £252.1m). Net assets increased from £90.0m to £105.6m. The group's gearing (net debt to net assets) at the half-year reduced significantly from 2.8x to 2.2x. This is a very pleasing performance.

The completion of the sale of the **Healthcare** division at the start of the financial year for gross consideration of £24m has allowed management to focus upon the remaining businesses. Our largest business, **Express Gifts**, maintained its strong trajectory with sales growth of 10.7% and a move from an operating loss in the first half last year to an operating profit* of £3.3m (2012: operating loss of £0.5m). Customer numbers grew at 8.4%, with customer retention also improving by some 150bp. Bad debt indicators remain stable, and the annualised bad debt charge for the business reduced to around 11.0% of revenue (March 2013: 11.4%). The focus on improved buying and sourcing continues, and the business is working ever closer with our **Overseas Sourcing** operation. This planned shift in focus for our Far East sourcing team has resulted in external sales for that operation falling during the period by c.41% – excluding this, total group sales in our main businesses were 6% ahead of prior year. Our **Education Supplies** division also demonstrated that its turnaround is now well underway, with sales growth of 8.2% and a significant improvement in operating profit* performance to £3.6m (2012: £-m breakeven). This turnaround has taken place across all areas of its operations, with its school brands growing at 5.8%, classroom and specialist brands growing at 2.3% and international sales growing at 20.9%. Although **Kleeneze's** sales were behind prior year, the rate of decline has broadly stabilised and is much reduced, at (3.5%). Profit performance has been supported by decisions taken earlier in the year to reduce its cost base and make greater use of Express Gifts' infrastructure and back-office processes. **Kitbag** has disappointed in the period. Although it has maintained progress in winning new contracts, now adding the non-German sales of Borussia Dortmund to its portfolio, it has faced a challenging period. The business has seen a considerable reduction in demand from the fans of some major partners where on-pitch performance has not matched prior years, which combined with the absence of the European Championships and the Olympics has contributed to sales falling 6.3% versus the equivalent period in prior year and a significant adverse profit movement to a loss* of £2.9m (2012: loss of £0.7m). Remedial actions have been taken on both sales and costs which are anticipated to improve second half performance.

Measured on a rolling annualised basis, the group operating margin* has improved from 4.6% at March 2013 to 5.4% at September 2013. There remains more potential for improved performance in all our businesses. Since the half-year, group sales have continued to show growth, 3.4% ahead of the equivalent prior-year period.

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.

(i) Group revenue of £243.7m from continuing operations, 5.2% ahead of the first half of 2012/13

	2013 £000	2012 £000	Change £000	
Express Gifts	121,929	110,116	11,813	10.7%
Kleeneze	23,574	24,432	(858)	(3.5%)
Kitbag	31,593	33,722	(2,129)	(6.3%)
Education Supplies	64,070	59,221	4,849	8.2%
Major divisions	241,166	227,491	13,675	6.0%
Overseas sourcing	2,468	4,177	(1,709)	
Group revenue	243,634	231,668	11,966	5.2%

(ii) Group operating profit* of £4.5m from continuing operations, in the first half of 2013/14 versus prior year loss. Loss before tax* reduced to (£0.4m) from (£6.0m)

	2013 £000	2012 £000	Change £000
Express Gifts	3,305	(502)	3,807
Kleeneze	589	702	(113)
Kitbag	(2,892)	(728)	(2,164)
Education Supplies	3,582	25	3,557
Major divisions	4,584	(503)	5,087
Overseas sourcing	(114)	60	(174)
Group operating profit/(loss)*	4,470	(443)	4,913
Net finance costs*	(4,897)	(5,544)	647
Loss before tax*	(427)	(5,987)	5,560
Exceptional items	(2,512)	(5,835)	3,323
Exceptional finance costs	(68)	(87)	19
Loss before tax	(3,007)	(11,909)	8,902

* before exceptional items

The performance of each of the primary divisions is discussed in more detail below.

Divisional Performance Review

i) Express Gifts; continuing strong performance

Express Gifts continues to deliver a strong performance despite a difficult retail environment. H1 sales grew by 10.7% over the equivalent period in the prior year. Our strategy has been to maintain an attractively priced core offer whilst deepening our range and selection, and we have seen the benefit of this, with 84% of additional sales generated by existing customers and retention increased by 150bp. Growth in the customer base has been strong, at 8.4%, though this rate of growth will slow over the full year as the peak customer recruitment period is ahead of the important Christmas trading period. Bad debt indicators remain stable or improving. Our new behavioural credit scoring system is now fully operational. Bad debt charges as a whole have reduced this period with the annualised charge being around 11.0% of revenue (March 2013: 11.4%).

Despite the seasonality of the business and investment to build the customer base the business has achieved an operating profit* in the first half of £3.3m, compared to an operating loss* of £0.5m in 2012. The business is now in its peak trading period with trading in the 8 weeks since the period end up by 7.3% versus prior year, and would be 8.4% ahead including pre-ordered new games consoles which will be available to customers in early December.

The business maintains a continued focus on improved buying and merchandising, and is working ever closer with our Far East direct sourcing office (Findel Asia Sourcing Limited – FASL) to access a broader range of goods at better prices. Over the last two years, the proportion of Express Gifts purchases made through our own operation has increased significantly, with further growth anticipated to come in the coming year. In response to this demand for its services FASL has now opened a Shanghai office and restructured its Indian operation which we anticipate will lead to further benefit.

Our large scale systems replacement project is nearing the final stages of implementation, and although there have been some adjustments in prioritisation since the commencement of this three year exercise, the project remains on time and on budget.

We continue to be encouraged by the performance of Express Gifts. The investments we have made in new systems and in new buying processes will provide a platform for further improvements in our proposition as they come on stream next year. We are confident about the potential for the business.

ii) Education Supplies; turnaround well underway

Our Education Supplies business is now seeing the benefits of the efforts that have been made to achieve a significant operational turnaround. First-half sales grew by 8.2% versus the prior year and operating profits* grew by £3.6m. After a number of years of decline this performance is a very encouraging indicator that the business is now well on the road to recovery.

The turnaround has taken place across all of the categories offered. Our schools focussed brands have continued their growth trajectory. The much improved customer proposition together with new business wins have led to first half sales in these brands increasing by 5.8%. Our classroom focussed and specialist brands have grown at 2.3%. In prior years these brands have experienced very significant decline. To rectify this we have again focussed on improving the overall product, price and service proposition and it is gratifying to see the early success of these efforts. Our International export business, which shrank last year as the business discontinued unprofitable distributor relationships, has performed strongly with growth of 20.9%, including an important contract with a major international schools chain. Our sales supporting the Sainsbury’s Active Kids

programme have grown by 57% as the scheme returned to a more normal structure after being impacted by the Paralympics last year. We were also very pleased to see the business rewarded for its approach by winning a number of national and regional awards recently.

Trading for the 8 weeks since the half year is 3.2% ahead of the equivalent period in the prior year. Buying patterns appear to have been affected by the relatively slow release from Local Education Authorities of purchasing budgets for academies and by primary schools being more cautious with budgets ahead of the new curriculum in 2014. Overall we continue to see strong potential in the business, maintaining and growing its position in the market and taking advantage of the expected growth in pupil numbers over the medium term.

iii) Kleeneze; performance stabilising

After a prior year of significant decline in sales and profits, Kleeneze's sales decline has reduced to 3.5% over the same period last year (2012: full year decline of 8.4%) and largely stabilised, whilst profit levels have been broadly maintained versus the same period of prior year. This follows a set of remedial actions:

- A change in management team at the turn of the year
- An associated reduction in overhead costs
- Increased coordination with Express Gifts, particularly around achieving greater synergies in buying and the sharing of overheads
- A redesigned proposition, including product range, product pricing, and catalogue design and structure

The revised proposition includes products and ranges at price points not previously offered by Kleeneze together with an increased level of promotional and pricing activity on core lines. The new propositions have been well received by distributors, and both average order frequency and average order value has risen. Although we have seen an improvement in many aspects of the business, distributor numbers have continued to fall and this is an area of attention for the management team. Trading in the 8 weeks since the period end is 4.1% behind the prior year.

Although our efforts to return Kleeneze to growth after its many years of decline are yet to bear fruit, the business remains profitable and cash generative and is thus a contributing member of the group. Despite the sales decline, the actions already taken within the business should underpin the full year profit performance.

iv) Kitbag; a difficult period

Although the business continued to make progress on a number of its turnaround initiatives, overall performance for the period was disappointing. The business successfully launched 21 foreign language websites for various of its partners whilst increasing the range of payment mechanisms available. These efforts bore fruit, with new sites generating significantly higher sales in their markets. The business also maintained its record as partner of choice for major sporting organisations, winning a contract with Borussia Dortmund to manage online sales outside Germany. Progress was also made on legacy contract renegotiation, with one successful renegotiation which will have a material impact on Kitbag profitability in 2014/15. However, these efforts have been more than counterbalanced by a difficult market. Notwithstanding the known challenge of a harder comparative year, which included the European Football Championships and the Olympics, the business has also seen a significant fall-off in demand from fans of some of its major partners, reflecting a relative lack of on-pitch success. In a small number of cases, traffic to a partner club's site and onwards to the club store has fallen significantly, which has

naturally had a major impact on the business. Sales for the period are down 6.3% on the prior year. This sales shortfall, coupled with reduced margins and the fixed nature of minimum royalty payments which are spread evenly over the year, led to a material increase in operating losses* for the first half (2013: £2.9m, 2012: £0.7m). Trading for the period since the half year remains depressed, with sales in the 8 weeks since the period end running 11.0% behind the equivalent period in the prior year, although underlying sales are 8.6% behind prior year reflecting the presence of the Ryder Cup in this period last year. Margins however have improved on prior year in this period.

Management is taking a range of actions to improve performance, both on sales and costs. Whilst the turnaround of the business has clearly slowed and this financial year's performance of Kitbag will fall short of our original expectations, the combination of these actions, renegotiated contracts, a strong new business pipeline, and the inclusion of the World Cup and the Ryder Cup next year (where Kitbag will also manage onsite retail) is expected to lead to an improved performance next year.

Exceptional items

The Financial Conduct Authority recently published a thematic review for medium sized businesses on improvements required to the PPI complaints handling processes. In consideration of this, Express Gifts has concluded it is prudent to increase its provisions for potential future redress by £2.0m. Other exceptional operating costs totalling £0.5m were recognised in the first half of the year representing £0.8m of restructuring costs less a recovery of £0.3m in relation to provisions made previously for loss-making Kitbag contracts. Exceptional finance costs of £0.1m relating to the 2011 refinancing were incurred, with a further £0.2m of costs arising in connection with the disposal of the discontinued Healthcare division. Total exceptional items in the period were therefore £2.8m (2012: £5.9m).

Taxation

The group recognised income tax credits in the first half totalling £0.8m, based on the estimated effective tax rate for the full year of 20%. This was offset by a charge of £0.3m resulting from a reduction in the rate of tax applicable to the group's deferred tax asset from 23% to 20% following legislative changes. Consequently, the net credit for the period was £0.5m (2012: credit of £2.0m).

Balance sheet and funding

The improvement in the group's performance over the last year has been an important factor in improving trading terms with suppliers. This combined with a tight control over inventory levels, and the net proceeds from the sale of the Healthcare division earlier in the year has more than offset the increase in credit receivables resulting from the strong sales growth at Express Gifts. Total bank debt for the group at the end of September 2013 was £236.7m, £15.4m lower than September 2012 with core bank debt £21.2m lower at £131.7m (2012: £152.9m).

Net interest charges* in the first half of 2013/14 were £4.9m, £0.6m lower than the prior year due to the lower average borrowings following the sale of the Healthcare division. These costs have been restated to take account of the changes to IAS19, discussed in Note 2.

The group's pension deficit reduced from £19.7m at the year end to £11.4m at the end of September 2013, primarily due to higher bond yields. Net assets stood at £105.6m, compared to £90.0m at the end of September 2012 due to the lower pension deficit and the improved profitability of the group over the last year.

Outlook

We are very encouraged by the progress that we have made in the first half of the year and the clear evidence of the success of our turnaround in our two largest businesses.

Trading to date in the second half remains encouraging, with Express Gifts on track for an excellent Christmas period. We remain on course to hit our 7–9% operating margin targets in 2014/15.

Condensed Consolidated Income Statement

26 week period ended 27 September 2013

Continuing operations	Before exceptional items £000	Exceptional items £000	Total £000
Revenue	243,634	—	243,634
Cost of sales	(125,369)	—	(125,369)
Gross profit	118,265	—	118,265
Trading costs	(113,795)	(2,512)	(116,307)
Analysis of operating profit:			
– **EBITDA**	8,834	(2,512)	6,322
– Depreciation and amortisation	(4,364)	—	(4,364)
– Impairment	—	—	—
Operating profit	4,470	(2,512)	1,958
Analysis of finance costs:			
– Movement on fair value of derivatives	—	—	—
– Other	(4,900)	(68)	(4,968)
Finance costs	(4,900)	(68)	(4,968)
Analysis of finance income:			
– Movement on fair value of derivatives	—	—	—
– Other	3	—	3
Finance income	3	—	3
Loss before tax	(427)	(2,580)	(3,007)
Income tax credit	93	437	530
Loss for the period	(334)	(2,143)	(2,477)
Discontinued operation			
Profit/(loss) for the period from discontinued operation, net of tax	45	(197)	(152)
Loss for the period	(289)	(2,340)	(2,629)
Loss per share			
From continuing operations			
Basic			(2.92)p
Diluted			(2.92)p
From discontinued operations			
Basic			(0.18)p
Diluted			(0.18)p
Total			
Basic			(3.10)p
Diluted			(3.10)p

Condensed Consolidated Income Statement

26 week period ended 28 September 2012 Restated (note 2)

Continuing operations	Before exceptional items £000	Exceptional items £000	Total £000
Revenue	231,668	—	231,668
Cost of sales	(119,542)	—	(119,542)
Gross profit	112,126	—	112,126
Trading costs	(112,569)	(5,835)	(118,404)
Analysis of operating loss:			
– **EBITDA**	3,842	(5,835)	(1,993)
– Depreciation and amortisation	(4,285)	—	(4,285)
– Impairment	—	—	—
Operating loss	(443)	(5,835)	(6,278)
Analysis of finance costs:			
– Movement on fair value of derivatives	—	(19)	(19)
– Other	(7,978)	(68)	(8,046)
Finance costs	(7,978)	(87)	(8,065)
Analysis of finance income:			
– Movement on fair value of derivatives	—	—	—
– Other	2,434	—	2,434
Finance income	2,434	—	2,434
Loss before tax	(5,987)	(5,922)	(11,909)
Income tax credit	579	1,421	2,000
Loss for the period	(5,408)	(4,501)	(9,909)
Discontinued operation			
Profit for the period from discontinued operation, net of tax	750	—	750
Loss for the period	(4,658)	(4,501)	(9,159)
(Loss)/earnings per share			
From continuing operations			
Basic			(11.68)p
Diluted			(11.68)p
From discontinued operations			
Basic			0.88p
Diluted			0.88p
Total			
Basic			(10.80)p
Diluted			(10.80)p

Condensed Consolidated Income Statement

52 week period ended 29 March 2013 Restated (note 2)

Continuing operations	Before exceptional items £000	Exceptional items £000	Total £000
Revenue	491,233	—	491,233
Cost of sales	(254,481)	—	(254,481)
Gross profit	236,752	—	236,752
Trading costs	(214,312)	(11,031)	(225,343)
Analysis of operating profit:			
– **EBITDA**	30,273	(10,398)	19,875
– Depreciation and amortisation	(7,833)	—	(7,833)
– Impairment	—	(633)	(633)
Operating profit	22,440	(11,031)	11,409
Analysis of finance costs:			
– Movement on fair value of derivatives	—	(147)	(147)
– Other	(15,604)	(136)	(15,740)
Finance costs	(15,604)	(283)	(15,887)
Analysis of finance income:			
– Movement on fair value of derivatives	—	—	—
– Other	5,081	—	5,081
Finance income	5,081	—	5,081
Profit before tax	11,917	(11,314)	603
Income tax (charge)/credit	(1,513)	2,616	1,103
Profit for the period	10,404	(8,698)	1,706
Discontinued operation			
Profit for the period from discontinued operation, net of tax	1,468	(163)	1,305
Profit for the period	11,872	(8,861)	3,011
Earnings per share			
From continuing operations			
Basic			2.01p
Diluted			
From discontinued operations			
Basic			1.54p
Diluted			
Total			
Basic			3.55p
Diluted			

Condensed Consolidated Statement of Comprehensive Income

26 week period ended 27 September 2013

	26 weeks to 27.9.2013 £000	26 weeks to 28.9.2012 Restated (note 2) £000	52 weeks to 29.3.2013 Restated (note 2) £000
Profit/(loss) for the period	(2,629)	(9,159)	3,011
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	—	—	126
Currency translation gain/(loss) arising on consolidation	(358)	(143)	150
	(358)	(143)	276
Items that will not subsequently be reclassified to profit and loss			
Actuarial gains/(losses) on defined benefit pension scheme	7,661	(6,725)	(9,334)
Tax relating to components of comprehensive income	(282)	1,052	534
	7,379	(5,673)	(8,800)
Total comprehensive income/(loss) for the period	4,392	(14,975)	(5,513)

Condensed Consolidated Balance Sheet

At 27 September 2013

	27.9.2013 £000	28.9.2012 Restated (note 2) £000	29.3.2013 Restated (note 2) £000
Non-current assets			
Goodwill	36,591	36,591	36,591
Other intangibles	63,981	62,497	64,301
Property, plant and equipment	32,922	32,595	31,329
Deferred tax assets	10,315	11,123	8,618
Derivative financial instruments	—	—	—
	143,809	142,806	140,839
Current assets			
Inventories	85,217	79,468	58,896
Trade and other receivables	229,653	212,439	210,234
Derivative financial instruments	—	2	—
Cash and cash equivalents	25,526	28,473	27,965
Current tax assets	—	1,845	387
Assets held for sale	—	26,889	29,534
	340,396	349,116	327,016
Total assets	484,205	491,922	467,855
Current liabilities			
Trade and other payables	98,989	84,550	73,717
Current tax liabilities	1,067	—	—
Provisions	3,553	5,279	4,905
Liabilities held for sale	—	10,076	8,319
	103,609	99,905	86,941
Non-current liabilities			
Bank loans	262,213	282,278	259,176
Provisions	1,356	1,302	1,526
Retirement benefit obligation	11,380	18,480	19,741
	274,949	302,060	280,443
Total liabilities	378,558	401,965	367,384
Net assets	105,647	89,957	100,471
Equity			
Share capital	125,942	125,942	125,942
Capital redemption reserve	403	403	403
Share premium account	93,454	93,454	93,454
Translation reserve	398	463	756
Hedging Reserve	(89)	(215)	(89)
Accumulated losses	(114,461)	(130,090)	(119,995)
Total equity	105,647	89,957	100,471

Condensed Consolidated Cash Flow Statement

26 week period ended 27 September 2013

	26 weeks to 27.9.2013 £000	26 weeks to 28.9.2012 Restated (note 2) £000	52 weeks to 29.3.2013 Restated (note 2) £000
Profit/(loss) for the period	(2,629)	(9,159)	3,011
Adjustments for:			
Income tax	(530)	(1,808)	41
Finance income	(3)	(2,434)	(5,081)
Finance costs	4,968	8,065	15,887
Depreciation of property, plant and equipment	3,075	3,944	6,641
Impairment of property, plant and equipment and software and IT development costs	—	—	633
Amortisation of intangible assets	1,377	1,221	3,678
Share-based payment expense	784	795	1,847
(Profit)/loss on disposal of property, plant and equipment	141	84	(36)
(Profit) on disposal of subsidiary	(303)	—	—
Pension settlement cost on disposal of subsidiary	500	—	—
Pension contribution less income statement charge	(1,580)	(1,575)	(3,150)
Operating cash flows before movements in working capital	5,800	(867)	23,471
(Increase) in inventories	(26,565)	(21,998)	(1,124)
(Increase) in receivables	(20,220)	(16,645)	(13,518)
Increase in payables	25,824	24,976	15,354
Increase/(decrease) in provisions	(1,522)	2,467	2,317
Cash (used in)/generated from operations	(16,683)	(12,067)	26,500
Income tax (paid)/received	5	(628)	(1,761)
Interest paid	(4,563)	(5,234)	(10,117)
Net cash from operating activities	(21,241)	(17,929)	14,622
Investing activities			
Interest received	3	1	117
Proceeds on disposal of property, plant and equipment	4	47	168
Purchases of property, plant and equipment and software and IT development costs	(5,783)	(2,329)	(8,259)
Sale of subsidiaries (net of cash held in subsidiary)	15,504	—	—
Net cash used in investing activities	9,728	(2,281)	(7,974)
Financing activities			
Bank loans drawn/(repaid)	3,037	17,031	(11,928)
Securitisation loan drawn/(repaid)	—	306	6,163
Net cash from financing activities	3,037	17,337	(5,765)
Net (decrease)/increase in cash and cash equivalents	(8,476)	(2,873)	883
Cash and cash equivalents at beginning of period	34,023	33,099	33,099
Effect of foreign exchange rate changes	(21)	(7)	41
Cash and cash equivalents at end of period	25,526	30,219	34,023

The split of cash between continuing operations and assets held for sale is as follows:

	26 weeks to 27.9.2013 £000	26 weeks to 28.9.2012 £000	52 weeks to 29.3.2013 £000
Attributable to continued operations	25,526	28,473	27,965
Classified as held for sale	—	1,746	6,058
	25,526	30,219	34,023

Condensed Consolidated Statement of Changes in Equity

26 week period ended 27 September 2013

	Share capital £000	Capital redemption reserve £000	Share premium account £000	Translation reserve £000	Hedging reserve £000	Accumulated losses £000	Total equity £000
At 30 March 2013	125,942	403	93,454	756	(89)	(119,995)	100,471
Total comprehensive income for the period	—	—	—	(358)	—	4,750	4,392
Share-based payments	—	—	—	—	—	784	784
At 27 September 2013	125,942	403	93,454	398	(89)	(114,461)	105,647

	Share capital £000	Capital redemption reserve £000	Share premium account £000	Translation reserve £000	Hedging reserve £000	Accumulated losses £000	Total equity £000
At 1 April 2012	125,942	403	93,454	606	(215)	(116,053)	104,137
Total comprehensive income for the period	—	—	—	(143)	—	(14,832)	(14,975)
Share-based payments	—	—	—	—	—	795	795
At 28 September 2012	125,942	403	93,454	463	(215)	(130,090)	89,957

	Share capital £000	Capital redemption reserve £000	Share premium account £000	Translation reserve £000	Hedging reserve £000	Accumulated losses £000	Total equity £000
At 1 April 2012	125,942	403	93,454	606	(215)	(116,053)	104,137
Total comprehensive income for the period	—	—	—	150	126	(5,789)	(5,513)
Share-based payments	—	—	—	—	—	1,847	1,847
At 29 March 2013	125,942	403	93,454	756	(89)	(119,995)	100,471

Notes to the Condensed Consolidated Financial Statements

1. General information

The condensed consolidated financial statements have been approved by the board on 26 November 2013.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority. 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 29 March 2013. 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 29 March 2013.

The financial information for the period ended 29 March 2013 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 draw 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 27 September 2013 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 financial position of the group, its cash flows, liquidity position and borrowing facilities and the key risks and uncertainties are set out in further detail in the Finance Director's Review on pages 16 to 19 of the company's published consolidated financial statements for the 52 weeks ended 29 March 2013.

The directors have reviewed the trading and cashflow 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. Although at certain times the level of headroom reduces to a level which is less than the directors would regard as desirable in the long term, the directors believe it to be sufficient and have identified controllable mitigating actions that could be implemented if required.

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 financial statements for the period ended 27 September 2013.

Risks and uncertainties

The principal risks and uncertainties which could impact the group's long-term performance remain those detailed on pages 16 to 19 of the group's 2013 Annual Report and Accounts, a copy of which is available on the group's website, www.findel.co.uk. No new risks have been identified. 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.

1. General information continued

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

As required by the Disclosure and Transparency Rules of the United Kingdom's Financial Conduct Authority, this condensed set of financial statements has been prepared applying the same accounting policies and computation methods that were applied in the preparation of the company's published consolidated financial statements for the year ended 29 March 2013, other than those noted below. There have been several new and amended International Financial Reporting Standards which became effective for accounting periods starting on or after 1 January 2013, the effects of which are noted below:

Presentational and financial effect:

- IAS19 'Employee Benefits (Revised 2011)' (see below)

Presentational impact only:

- IAS1 'Presentation of Financial Statements'
- IAS34 'Interim Financial Reporting'

There were a number of other standards which came into effect but will have no impact on the group.

Restatement in respect of IAS19 'Employee Benefits (Revised 2011)'
The condensed balance sheets as at 28 September 2012 and 29 March 2013 have been restated on adoption of IAS19 *'Employee Benefits' (revised 2011)*. IAS19 as revised includes a number of amendments to the accounting for defined benefit plans, but the principal impact on the group is that the return on plan assets recognised in the income statement is now calculated in a manner consistent with the interest charge on the liabilities, i.e. with reference to the discount rate applied to the liabilities. Prior to the revision, the expected return on assets was recognised through the income statement.

The retrospective impacts on the group's comparative figures for the 52 week period ended 29 March 2013 and the 26 week period ended 28 September 2012 were decreases in the net financing credits of £1,016,000 and £488,000 respectively and associated reductions in the tax charge of £244,000 and £116,000 respectively. The equivalent credits and associated taxation impacts to these income statement charges have been recognised in other comprehensive income, and consequently there was no overall net balance sheet effect. The principal impact of the other amendments to IAS19 for the group relates to the new disclosure requirements, which will not affect the group's reporting until the March 2014 year-end.

Restatement in respect of discontinued operation
The group's comparative results for the 26 week period ended 28 September 2012 have been restated to reflect the presentation of the results of the group's former healthcare business (Nottingham Rehab Limited) as a discontinued operation as defined by IFRS 5, "Non-current assets held for sale and discontinued operations". Results from the discontinued operation have been separated out in the consolidated income statement to enhance the comparability of the ongoing business and the assets and liabilities have been classified as held for sale. This treatment is consistent with that adopted in the consolidated financial statements for the 52 week period ended 29 March 2013 and is in compliance with the requirements of IAS 34 "Interim Reporting".

2. Accounting Policies continued

Estimates
The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial statements, the significant judgements made by management in applying the group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 29 March 2013.

3. Trading costs

	26 weeks to 27.9.2013			26 weeks to 28.9.2012 (restated – note 2)			52 weeks to 29.3.2013 (restated – note 2)		
	Continuing operations £000	Discon-tinued operation £000	Total £000	Continuing operations £000	Discon-tinued operation £000	Total £000	Continuing operations £000	Discon-tinued operation £000	Total £000
Selling and distribution costs:									
– before exceptional items	69,936	538	70,474	70,308	2,093	72,401	132,494	4,273	136,767
– Exceptional items	—	—	—	—	—	—	—	—	—
Administrative expenses:									
– before exceptional items	43,859	293	44,152	42,261	4,795	47,056	81,818	9,462	91,280
– Exceptional items	2,512	197	2,709	5,835	—	5,835	11,031	163	11,194
	116,307	1,028	117,335	118,404	6,888	125,292	225,343	13,898	239,241

*relates to the period from 30 March 2013 to 19 April 2013 when the healthcare division was controlled by the group.

4. Segmental analysis

For management purposes, prior to the disposal of the healthcare division, the group was organised into six operating segments: Express Gifts, Kleeneze, Kitbag, Education Supplies, Healthcare and Overseas Sourcing.

Segment information about these operating segments is presented below:

26 weeks to 27 September 2013

Revenue

	Continuing operations						Discontinued operation	
	Express Gifts £000	Education Supplies £000	Kitbag £000	Kleeneze £000	Overseas Sourcing £000	Total £000	Healthcare £000	Total £000
Segmental revenue								
Sale of goods	84,236	64,070	31,593	22,638	2,468	205,005	5,445	210,450
Rendering of services	9,743	—	—	881	—	10,624	495	11,119
Interest	27,950	—	—	55	—	28,005	—	28,005
Total revenue	121,929	64,070	31,593	23,574	2,468	243,634	5,940	249,574

Loss after tax

	Continuing operations						Discontinued operation	
	Express Gifts £000	Education Supplies £000	Kitbag £000	Kleeneze £000	Overseas Sourcing £000	Total £000	Healthcare £000	Total £000
Reportable segment results	3,305	3,582	(2,892)	589	(114)	4,470	45	4,515
Unallocated costs						—	—	—
Total group operating profit						4,470	45	4,515
Exceptional items (note 5)						(2,512)	(197)	(2,709)
Finance income						3	—	3
Finance costs (includes £68,000 exceptional finance costs)						(4,968)	—	(4,968)
Loss before tax						(3,007)	(152)	(3,159)
Tax						530	—	530
Loss after tax						(2,477)	(152)	(2,629)

4. Segmental analysis continued

26 weeks to 28 September 2013 Restated (note 2)

Revenue

	Continuing operations						Discontinued operation	
	Express Gifts £000	Education Supplies £000	Kitbag £000	Kleeneze £000	Overseas Sourcing £000	Total £000	Healthcare £000	Total £000
Segmental revenue								
Sales of goods	72,609	59,221	33,722	23,481	4,177	193,210	34,837	228,047
Rendering of services	13,289	—	—	896	—	14,185	8,575	22,760
Interest	24,218	—	—	55	—	24,273	—	24,273
Total revenue	110,116	59,221	33,722	24,432	4,177	231,668	43,412	275,080

Profit/(loss) after tax

	Continuing operations						Discontinued operation	
	Express Gifts £000	Education Supplies £000	Kitbag £000	Kleeneze £000	Overseas Sourcing £000	Total £000	Healthcare £000	Total £000
Reportable segment results	(502)	25	(728)	702	60	(443)	942	499
Unallocated costs						—	—	—
Total group operating profit/(loss)						(443)	942	499
Exceptional items (note 5)						(5,835)	—	(5,835)
Finance income						2,434	—	2,434
Finance costs (includes £87,000 exceptional finance costs)						(8,065)	—	(8,065)
Profit/(loss) before tax						(11,909)	942	(10,967)
Tax						2,000	(192)	1,808
Profit/(loss) after tax						(9,909)	750	(9,159)

4. Segmental analysis continued

52 weeks to 29 March 2013 Restated (note 2)

Revenue

	Continuing operations						Discontinued operation	
	Express Gifts £000	Education Supplies £000	Kitbag £000	Kleeneze £000	Overseas Sourcing £000	Total £000	Healthcare £000	Total £000
Segmental revenue								
Sale of goods	183,554	103,225	70,376	47,272	5,474	409,901	70,413	480,314
Rendering of services	26,826	—	—	1,815	—	28,641	18,964	47,605
Interest	52,585	—	—	106	—	52,691	—	52,691
Total revenue	262,965	103,225	70,376	49,193	5,474	491,233	89,377	580,610

Profit after tax

	Continuing operations						Discontinued operation	
	Express Gifts £000	Education Supplies £000	Kitbag £000	Kleeneze £000	Overseas Sourcing £000	Total £000	Healthcare £000	Total £000
Reportable segment results	21,823	915	(1,693)	1,990	42	23,077	2,612	25,689
Unallocated costs						(637)	—	(637)
Total group operating profit						22,440	2,612	25,052
Exceptional items (note 5)						(11,031)	(163)	(11,194)
Finance income						5,081	—	5,081
Finance costs (includes £283,000 exceptional finance costs)						(15,887)	—	(15,887)
Profit before tax						603	2,449	3,052
Tax						1,103	(1,144)	(41)
Profit after tax						1,706	1,305	3,011

5. Exceptional items

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

	26 weeks to 27.9.2013 £000	26 weeks to 28.9.2012 £000	52 weeks to 29.3.2013 £000
Continuing operations			
Exceptional trading costs			
– Restructuring costs	762	1,036	3,812
– Loss making contracts	(250)	—	1,311
– Onerous lease provisions	—	—	1,108
– PPI Redress	2,000	4,799	4,800
Exceptional financing costs			
– Debt refinancing costs	68	87	283
Discontinued operation			
– Restructuring costs	—	—	163
– Profit on sale of subsidiary	(303)	—	—
– Pension settlement cost	500	—	—
	2,777	5,922	11,477

Restructuring costs in the current period of £762,000 (26 weeks ended 28 September 2012: £1,036,000; 52 weeks ended 29 March 2013: £3,975,000 – including £163,000 related to discontinued operation), relate to further management changes, redundancies and costs associated with remedying legacy poor systems and controls.

A credit of £250,000 has been recorded in relation to contracts which were assessed as loss making at 29 March 2013 (26 weeks ended 28 September 2012: £nil; 52 weeks ended 29 March 2013: £1,311,000 – cost). The credit arose as a result of the renegotiation of the contracts in question, which has reduced the level of the excepted loss.

A further £2,000,000 of costs were provided in relation to PPI redress during the period (26 weeks ended 28 September 2012: £4,799,000; 52 weeks ended 29 March 2013: £4,800,000).

The group incurred exceptional finance costs of £68,000 (26 weeks ended 28 September 2012: £87,000; 52 weeks ended 29 March 2013: £283,000) in the period in respect of fees and other costs associated with amendments to its credit facilities in March 2011.

Profit on sale of subsidiary relates to the sale of the group's healthcare division (Nottingham Rehab Limited), which was completed on 19 April 2013. Pension settlement cost relates to the buyout of members of the Findel Education section of the Findel Group Pension Fund that were employed by NRS, which took place as a result of the sale of the business.

6. Taxation

Income tax for the 26 week period ended 27 September 2013 is based on an estimated effective tax rate for the full year of 20.0% (26 week period ended 28 September 2012: 20.0%), giving rise to a tax credit in the period of £733,000. This tax credit has been reduced by a charge of £259,000, brought about as a result of the brought forward deferred tax asset now being calculated at the UK applicable corporation tax rate of 20% (26 week period ended 28 September 2012: 23%). The group has also recorded a credit of £56,000 in relation to deferred tax on the group's defined benefit pension scheme.

7. (Loss)/earnings per share

Earnings per share figures for both the period ended 28 September 2012 and 29 March 2013 have been restated to reflect the effects of the twenty for one share consolidation which took place on 9 April 2013 and the adoption of IAS19 'Employee Benefits' (revised 2011).

Earnings per share figures for the period ended 28 September 2012 have been restated to reflect the presentation of the results of the group's former healthcare business (Nottingham Rehab Limited) as a discontinued operation as defined by IFRS 5, "Non-current assets held for sale and discontinued operations".

Continuing operations

	26 weeks to 27.9.2013 £000	26 weeks to 28.9.2012 £000	52 weeks to 29.3.2013 £000
Net profit/(loss) attributable to equity holders for the purposes of basic and diluted earnings per share	(2,477)	(9,909)	1,706
Other exceptional items (net of tax)	(2,075)	(4,414)	(8,415)
Exceptional finance costs (net of tax)	(68)	(87)	(283)
Net profit/(loss) attributable to equity holders for the purpose of adjusted earnings per share	(334)	(5,408)	10,404
Weighted average number of shares	84,807,423	84,807,423	84,807,423
(Loss)/earnings per share – basic	(2.92)p	(11.68)p	2.01p
(Loss)/earnings per share – adjusted* – basic	(0.39)p	(6.38)p	12.27p
(Loss) per share – diluted	(2.92)p	(11.68)p	
(Loss) per share – adjusted* – diluted	(0.39)p	(6.38)p	

* Adjusted to remove the impact of exceptional items.

7. (Loss)/earnings per share continued

From discontinued operation

	26 weeks to 27.9.2013 £000	26 weeks to 28.9.2012 £000	52 weeks to 29.3.2013 £000
Net profit/(loss) attributable to equity holders for the purposes of basic and diluted earnings per share	(152)	750	1,305
Other exceptional items (net of tax)	(197)	—	(163)
Exceptional finance costs (net of tax)	—	—	—
Net profit attributable to equity holders for the purpose of adjusted earnings per share	45	750	1,468
Weighted average number of shares	84,807,423	84,807,423	84,807,423
(Loss)/earnings per share – basic	(0.18)p	0.88p	1.54p
Earnings per share – adjusted* – basic	0.05p	0.88p	1.73p
(Loss)/earnings per share – diluted	(0.18)p	0.88p	
Earnings per share – adjusted* – diluted	0.05p	0.88p	

* Adjusted to remove the impact of exceptional items.

Total attributable to ordinary shareholders

	26 weeks to 27.9.2013 £000	26 weeks to 28.9.2012 £000	52 weeks to 29.3.2013 £000
Net profit/(loss) attributable to equity holders for the purposes of basic and diluted earnings per share	(2,629)	(9,159)	3,011
Other exceptional items (net of tax)	(2,272)	(4,414)	(8,578)
Exceptional finance costs (net of tax)	(68)	(87)	(283)
Net profit/(loss) attributable to equity holders for the purpose of adjusted earnings per share	(289)	(4,658)	11,872
Weighted average number of shares	84,807,423	84,807,423	84,807,423
(Loss)/earnings per share – basic	(3.10)p	(10.80)p	3.55p
(Loss)/earnings per share – adjusted* – basic	(0.34)p	(5.50)p	14.00p
(Loss) per share – diluted	(3.10)p	(10.80)p	
(Loss) per share – adjusted* – diluted	(0.34)p	(5.50)p	

* Adjusted to remove the impact of exceptional items.

The diluted earnings per share for the 26 week period ended 27 September 2013 and for the 26 week period ended 28 September 2012 is unchanged from the basic earnings per share as the inclusion of dilutive ordinary shares would reduce the loss per share and is therefore not dilutive in accordance with IAS 33 "Earnings per share".

No diluted earnings per share figures were disclosed for the 52 week period ended 29 March 2013 as there were no potentially dilutive options.

8. Discontinued operation

The group completed the disposal of its healthcare division through the sale of Nottingham Rehab Limited ("NRS") on 19 April 2013.

The final consideration payable upon completion, and following the completion of the valuation of the Findel Group Pension Fund was £24,000,000, comprising a cash payment of £22,671,000 to Findel plc and a payment of £1,329,000 paid into an escrow account to satisfy the value of NRS' debt to the Findel Group Pension Fund.

A profit on disposal of £303,000 has been recognised in the consolidated income statement within exceptional items (from discontinued operation), being the consideration received in excess of the net assets of the business sold.

The results of NRS for the period from 30 March 2013 to 19 April 2013 have been presented as a discontinued operation as defined by IFRS 5, "Non-current assets held for sale and discontinued operations".

Responsibility statement of the directors in respect of the Interim Financial Report

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 management report 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
26 November 2013	26 November 2013

Cautionary Statement

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 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 26 week period ended 27 September 2013 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 Conduct Authority ("the UK FCA"). 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 FCA.

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 26 week period ended 27 September 2013 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FCA.

John Costello
for and on behalf of KPMG LLP
Chartered Accountants
St James' Square, Manchester M2 6DS
26 November 2013

Information for shareholders

Directors

Chairman

David Sugden	Chairman and Chair of the Nomination Committee

Executive Directors

Roger Siddle	Chief Executive
Tim Kowalski	Finance Director
Philip Maudsley	Managing Director, Home Shopping

Non-executive Directors

Eric Tracey	Senior independent non-executive director and Chair of the Audit Committee
Mike Hawker (resigned 24 July 2013)	Independent non-executive director and Chair of the Remuneration Committee (until 24 July 2013)
Bill Grimsey	Independent non-executive director
Laurel Powers-Freeling	Independent non-executive director and Chair of the Remuneration Committee (from 24 July 2013)
Francois Coumau (appointed 6 August 2013)	Independent non-executive director

Company Secretary

Mark Ashcroft

Company details

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