Findel plc

INTERIM REPORT
2014

www.findel.co.uk

Financial Highlights

	2014	2013
Revenue	£244.1m	£243.6m
Profit/(loss) before tax*	£1.5m	(£0.4m)
Loss before tax	(£22.0m)	(£3.0m)
Net bank debt**	£115.9m	£131.7m
Net assets	£92.8m	£105.6m

* before exceptional items

** net bank debt excluding the securitisation facility relating to Express Gifts receivables

Highlights

- Positive profit before tax* in the first half for the first time in six years
- On track to enter 7–9% medium-term operating margin* target range for the full year, driven by continued strength of Express Gifts, the Group's largest business. Rolling twelve month operating margin* improved from 6.2% at March 2014 to 6.5% at September 2014
- Significant progress on debt reduction
  - Net bank debt** at the half-year down £15.8m on prior year
  - Further deleveraging expected
- Strong trading performance from Express Gifts in the period
  - Sales up 6.3% and customer numbers up 4.0%
  - Majority of growth from existing customers
  - Rolling twelve month operating margin up to 10.9% (September 2013: 9.3%)
- Varied performance from other businesses
  - Kitbag performance significantly improved with sales up 7.6% and operating losses reduced by £1.4m. Several expressions of interest have been received post strategic review announcement. Review continues to evaluate all options
  - Challenging first half for Findel Education with sales down 5.0%
  - Kleeneze sales down 23.9% but cost variability mitigates profit impact. £19.0m non-cash impairment of intangible assets taken as an exceptional charge

Current Trading^

- Express Gifts has seen flat total sales in the last eight weeks reflecting a very strong prior-year comparator period and some differences in catalogue phasing. Growth has improved in the second half of this period and this is anticipated to continue through the rest of the Christmas trading period. Overall Group sales slightly behind prior year.

^ Eight weeks since period end

Interim Management Report

Trading summary

The group has reported a first half pre-tax profit* for the first time in six years of £1.5m (2013: loss of £0.4m). Sales in the period were marginally ahead at £244.1m (2013: £243.6m), reflecting a mixed sales performance across our four businesses.

Express Gifts, has again had a strong first half, with sales 6.3% ahead of the prior year. The majority of growth continues to come from existing customers, which coupled with strong customer collections has led to a corresponding improvement in bad debt indicators. The business has again achieved a significant increase in profits and operating margin. As the largest business within Findel, its ongoing growth in revenues and profitability is a critical driver of the Group's overall performance. Customer numbers had grown by 4.0% by the end of September.

Our **Education Supplies** business remains affected by previously flagged uncertainties within schools (in our London heartland in particular), especially around their readiness for the new curriculum and changes to budgets and funding processes. As a result, sales for the first half are 5.0% behind prior year. Having successfully restructured the supply chain to reduce costs and deliver industry-leading service levels we now need to strengthen our offering and educational customer base beyond its core of state-funded primary and secondary schools.

Kitbag's performance continues to improve, with sales for the period 7.6% ahead of prior year and first half losses significantly reduced, with a substantial contribution to this better performance coming from renegotiated contracts.

Kleeneze continues to underperform, with sales for the period 23.9% below prior year although the high variability of costs mitigates the impact on profits. Whilst service levels have recovered and distributor numbers have stabilised, sales per distributor are yet to improve. A number of new options are being trialled and evaluated to improve performance. A non-cash exceptional accounting impairment charge of £19.0m has been recorded as a result of this underperformance, impairing in full the intangible asset created on acquisition in 2007.

Since the half-year, Group sales have been slightly behind the prior year (1.6%).

Progress towards Group operating margin target range

Measured on a rolling twelve month basis, the Group operating margin* has improved from 6.2% at March 2014 to 6.5% at September 2014. Further improvements are built into our plans.

Net bank debt

Profitable trading and tight working capital management has led to a reduction of £15.8m in net bank debt** compared to the position at September 2013. In total we have reduced net bank debt at the period end by over £50m in the last three years. Further deleveraging of this element of the Group's debt continues to remain a key priority.

Net bank debt** at the end of September 2014 (the seasonal peak borrowing period for the Group), was £115.9m, £15.8m lower than September 2013 (£131.7m). Total debt was £255.0m (September 2013: £262.2m) with securitisation borrowings £3.7m higher at £108.7m (2013: £105.0m) as a result of growth in Express Gifts.

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 £244.1m from continuing operations, 0.2% ahead of the first half of FY14

	2014 £000	2013 £000	Change £000	
Express Gifts	129,662	121,929	7,733	6.3%
Education Supplies	60,871	64,070	(3,199)	(5.0%)
Kitbag	33,981	31,593	2,388	7.6%
Kleeneze	17,937	23,574	(5,637)	(23.9%)
Major divisions	242,451	241,166	1,285	0.5%
Overseas sourcing	1,667	2,468	(801)	(32.5%)
Group revenue	244,118	243,634	484	0.2%

ii) Group operating profit* of £6.3m from continuing operations, up £1.9m from the first half of FY14. First profit before tax* in six years at £1.5m, compared to a loss of £0.4m in the first half of FY14

	2014 £000	2013 £000	Change £000
Express Gifts	4,844	3,305	1,539
Education Supplies	3,103	3,582	(479)
Kitbag	(1,518)	(2,892)	1,374
Kleeneze	(385)	589	(974)
Major divisions	6,044	4,584	1,460
Overseas sourcing	296	(114)	410
Group operating profit*	6,340	4,470	1,870
Net finance costs*	(4,876)	(4,897)	21
Profit/(loss) before tax*	1,464	(427)	1,891
Exceptional items – impairment	(19,045)	—	(19,045)
Exceptional items – other	(4,359)	(2,512)	(1,847)
Exceptional finance costs	(68)	(68)	—
Loss before tax	(22,008)	(3,007)	(19,001)

* before exceptional items
** net bank debt excluding the securitisation facility relating to Express Gifts receivables

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

Divisional Performance Review

i) Express Gifts; further progress and further untapped potential

Express Gifts is one of the leading home shopping companies in the UK with its strategy focused upon an attractively priced core product offer combined with a high level of personalised product options and a flexible credit solution. The business has seen a significant transformation over the last three years. It has repositioned its pricing and range strategy to be more closely aligned to its core customers' needs. It has broadened its range of product categories to improve customer retention and increase its share of wallet. It has invested in its back office systems and online capabilities to modernise the customer experience. It has improved its product sourcing and credit tools to increase the profitability of the business, which is a critical driver of the Group's overall performance and the achievement of its operating margin target.

The first half of FY14 has seen more of the benefits of this transformation, with a further 4.0% growth in the customer base leading to total sales increasing by 6.3%. The expansion in the range of product categories offered by the business has allowed it to grow despite the relatively warm weather in September that has affected winter clothing sales across the industry. Product sales over the period grew by 8.3%.

The business continues to increase the proportion of goods purchased from overseas, including our Far East direct sourcing office (Findel Asia Sourcing Limited – FASL), to access a broader range of goods at better prices. Approximately a quarter of purchases now come through this route, with around half of this coming directly from FASL. Attention is also being paid to increasing the proportion of goods that are dispatched directly to customers, which improves the efficiency of distribution and returns for Express Gifts.

Improvements have been made to customer collections processes over the last year particularly in the management of defaulted accounts. This, together with increased use of our behavioural scoring system and refinements to the credit model, has resulted in a significant improvement in bad debt performance. The business has been focusing for a number of years on improving the quality of its credit book, and has seen a fall in its bad debt charge from an annualised 14.0% of revenues in 2011 to an annualised 9.5% of revenues in this period (March 2014: 10.2%). This approach has meant that whilst 'gross' financial services revenue has grown at only 3.7% over the same period (thus depressing overall growth), 'net' financial services income after consideration of the bad debt charge has grown 7.2%. This effect has been particularly marked in the recent period given the sharp fall in the annualised bad debt charge. The business has also invested further to expand its oversight and compliance activities to ensure that all processes continue to consider customer service and affordability interests appropriately.

Against a very strong prior year comparator period and with some differences in catalogue phasing, the business has seen flat total sales in the last eight weeks. Growth has improved in the second half of this period and this is anticipated to continue through the rest of the Christmas trading period, with December becoming an increasingly significant month for the business.

We continue to be excited about further potential within Express Gifts. The major elements of our large scale systems replacement project will come on stream in the coming months, which will further enhance the stock management, customer experience and credit products that can be offered to a growing part of the population.

ii) Education Supplies (Findel Education); long-term potential despite difficult first half

Findel Education has now restructured its business to improve efficiency and effectiveness and to deliver industry-leading service levels. It is well positioned to benefit in the coming years from above-average levels of pupil growth in its core geographic areas of London and the South East (with primary pupil growth estimated to be *c.*3% p.a. 2012–2017, double the national average. Source: "Do the Maths 2014", London Councils), and continues to tender successfully for new contracts in other parts of the country due to its scale and high quality customer service.

The first half of the year has, however, been challenging with uncertainties within schools, especially around changes to budgets and funding processes for schools and the impact of the free school meals initiative, leading to more cautious purchasing behaviour. Many of these effects have had a particular impact in London, the heartland of our business, and have also caused competitor activity to intensify. The need to address these challenges in our core markets of primary and secondary schools has also highlighted the business' relative weakness in market sectors that have seen strong growth, such as 'early years', and have led to missed opportunities. A revised marketing and sales force coverage plan has been developed to address this.

Sales in the first half of the year fell by 5.0% to £60.9m (2013: £64.1m). Much of this decline was seen within the core UK brands, but an element of timing of international sales and a small reduction in the performance of the Sainsbury's Active Kids Scheme also contributed to the decline. Improvements in operational efficiency made over the last year helped to mitigate the impact on operating profit to a year-on-year reduction of just £0.5m to £3.1m (2013: £3.6m). Trading for the eight weeks since the half year is 7.5% behind the equivalent period in the prior year and there are limited signs of market recovery. A number of corrective actions are underway. Whilst we remain convinced of the longer-term potential for the business and margin improvement is still anticipated we have lowered our overall expectations for the year.

iii) Kitbag; pleasing improvement

It is pleasing to report that Kitbag's performance in the last six months has improved significantly. Favourable external factors such as the strong on-pitch performance from its global partners, a productive transfer window and the benefit of the World Cup, have combined with the results of our own efforts to improve stock management, overall site conversion, internationalisation and, crucially, the renegotiation of unprofitable contracts to deliver a substantially improved result.

Sales in the first half increased by 7.6% to £34.0m (2013: £31.6m) and although the business continued to report an operating loss of £1.5m, this was some £1.4m better than the £2.9m operating loss reported in the first half of 2013. Trading since the period end has included the highly successful management of the onsite retail sales operations at the Ryder Cup, and the launch of the McLaren F1 team e-commerce business. Sales in the last eight weeks are 10.8% above the equivalent period in 2013, and the business is well positioned for the key Christmas trading period.

As reported in the trading update from 1 October 2014, the Board has commenced a full strategic review of the options for the future development of Kitbag, including the consideration of further investment or potential disposal. As a result of this announcement we have received several expressions of interest in the business. These are being evaluated alongside other strategic options available. The review continues and no decisions have been taken. Further updates on the process will be provided as appropriate.

iv) Kleeneze; sharp decline

Kleeneze has seen a significant fall in its sales performance during the period. Attempts to innovate on product and pricing in the Spring/Summer 2014 main book led to unexpectedly high demand for a number of new items in that catalogue that materially outstripped supply, leading to a reduction in service levels and a sustained loss of confidence within the distributor network.

Whilst the service level issues have been addressed, activity levels and order levels have decreased sharply versus prior year. The size of the distributor base appears to have now stabilised at around 7,000, but sales in H1 fell by 23.9% to £17.9m (2013: £23.6m). Because a high proportion of the cost base in Kleeneze is variable operating profits only fell by £1.0m to a loss of £0.4m (2013: operating profit of £0.6m). It is important to note that Kleeneze still makes a positive overall contribution to the Group through supporting the fixed overheads it shares with Express Gifts.

The failure of Kleeneze's trading performance to recover has led to the recognition of an accounting non-cash adjustment to its carrying value of £19.0m in the period. The intangible asset created as a result of the Group's acquisition of this business in 2007 has now been fully impaired.

A new catalogue will be launched in January 2015 which aims to address issues in the current proposition, although it will take time for any recovery in performance to come through. Trading in the eight weeks since the period end remains around 24% behind the prior year.

Exceptional items

As noted above, the failure of Kleeneze's trading performance to recover has led to the recognition of an accounting non-cash adjustment to its carrying value of £19.0m in the period.

Whilst the Group's defined benefit pension scheme was closed several years ago, advice has recently been received suggesting that the equalisation of normal retirement ages between male and female members of the scheme in 1994 was not implemented correctly and as a result past service liabilities were understated. A past service cost of £2.3m has been recorded to correct this within exceptional items.

As part of its enhanced oversight work, Express Gifts has recently identified circumstances where we may redress certain customers as a result of flaws in some legacy processes.
A prudent provision of £2.5m has been taken to cover this activity which includes £0.5m for any remaining elements of PPI. This has been partially offset by an exceptional credit of £0.8m in respect of an historic VAT claim in respect of Express Gifts, which was settled during the period.

Taxation

The Group recognised an income tax credit in the first half of £7.6m (2013: credit of £0.5m), based on the estimated effective tax rate for the full year of 34.7%. The estimated effective tax rate for the full year, excluding the impact of exceptional items is 22.8%

Balance sheet

Net assets at September 2014 stood at £92.8m, compared to £105.7m at September 2013. The £12.9m decrease has been driven by £29.0m of impairments of intangible assets made at March 2014 and September 2014, partially offset by a reduction in the deferred tax liability in respect of these assets, and the underlying profitability of the Group over the last twelve months.

The Group's pension deficit has increased from £8.6m to £12.0m since year end due to both a reduction in bond yields and the additional liabilities recognised in respect of the equalisation of normal retirement ages (as noted above).

Outlook

Looking ahead to the full-year our Education business continues to face some near-term headwinds and the performance of Kleeneze needs to be addressed. The performance of these two businesses will modestly impact our full-year plans. Driven by the continuing strong performance of our largest business Express Gifts the Group remains on track to deliver a very strong profit* performance and our target operating margin* in excess of 7%.

Condensed Consolidated Income Statement

26 week period ended 26 September 2014

Continuing operations	Before exceptional items £000	Exceptional items £000	Total £000
Revenue	244,118	—	244,118
Cost of sales	(127,455)	—	(127,455)
Gross profit	116,663	—	116,663
Trading costs	(110,323)	(23,404)	(133,727)
Analysis of operating profit/(loss):			
– **EBITDA**	10,509	(4,359)	6,150
– Depreciation and amortisation	(4,169)	—	(4,169)
– Impairment	—	(19,045)	(19,045)
Operating profit/(loss)	6,340	(23,404)	(17,064)
Finance costs	(4,876)	(68)	(4,944)
Profit/(loss) before tax	1,464	(23,472)	(22,008)
Tax (expense)/income	(334)	7,959	7,625
Profit/(loss) for the period	1,130	(15,513)	(14,383)
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	—	—	—
Profit/(loss) for the year	1,130	(15,513)	(14,383)
Loss per ordinary share			
from continuing operations			
Basic			(16.87)p
Diluted			(16.87)p
from discontinued operations			
Basic			—
Diluted			—
total attributable to ordinary shareholders			
Basic			(16.87)p
Diluted			(16.87)p

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/(loss):			
– **EBITDA**	8,834	(2,512)	6,322
– Depreciation and amortisation	(4,364)	—	(4,364)
– Impairment	—	—	—
Operating profit/(loss)	4,470	(2,512)	1,958
Finance costs	(4,897)	(68)	(4,965)
Loss before tax	(427)	(2,580)	(3,007)
Tax income	93	437	530
Loss for the period	(334)	(2,143)	(2,477)
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	45	(197)	(152)
Loss for the period	(289)	(2,340)	(2,629)

Loss per ordinary share	
from continuing operations	
Basic	(2.92)p
Diluted	(2.92)p
from discontinued operations	
Basic	(0.18)p
Diluted	(0.18)p
total attributable to ordinary shareholders	
Basic	(3.10)p
Diluted	(3.10)p

Condensed Consolidated Income Statement

52 week period ended 28 March 2014

Continuing operations	Before exceptional items £000	Exceptional items £000	Total £000
Revenue	514,736	—	514,736
Cost of sales	(265,468)	—	(265,468)
Gross profit	249,268	—	249,268
Trading costs	(217,390)	(18,275)	(235,665)
Analysis of operating profit/(loss):			
– **EBITDA**	40,720	(8,195)	32,525
– Depreciation and amortisation	(8,842)	—	(8,842)
– Impairment	—	(10,080)	(10,080)
Operating profit/(loss)	31,878	(18,275)	13,603
Finance costs	(9,876)	(472)	(10,348)
Profit/(loss) before tax	22,002	(18,747)	3,255
Tax (expense)/income	(5,412)	2,817	(2,595)
Profit/(loss) for the period	16,590	(15,930)	660
Discontinued operation			
Profit/(loss) from discontinued operation, net of tax	45	(239)	(194)
Profit/(loss) for the year	16,635	(16,169)	466

Earnings per ordinary share	
from continuing operations	
Basic	0.78p
Diluted	0.66p
from discontinued operations	
Basic	(0.23)p
Diluted	(0.19)p
total attributable to ordinary shareholders	
Basic	0.55p
Diluted	0.47p

Condensed Consolidated Statement of Comprehensive Income

26 week period ended 26 September 2014

	26 weeks to 26.9.2014 £000	26 weeks to 27.9.2013 £000	52 weeks to 28.3.2014 £000
(Loss)/profit for the period	(14,383)	(2,629)	466
Other comprehensive income			
Items that may be reclassified to profit or loss			
Cash flow hedges	(33)	—	89
Currency translation loss arising on consolidation	(311)	(358)	(251)
	(344)	(358)	(162)
Items that will not subsequently be reclassified to profit and loss			
Actuarial (losses)/gains on defined benefit pension scheme	(5,061)	7,661	9,481
Tax relating to components of comprehensive income	306	(282)	(306)
	(4,755)	7,379	9,175
Total comprehensive (loss)/income for the period	(19,482)	4,392	9,479

The total comprehensive income for the period is attributable to the equity shareholders of the parent company Findel plc.

Condensed Consolidated Balance Sheet

At 26 September 2014

	26.9.2014 £000	27.9.2013 £000	28.3.2014 £000
Non-current assets			
Goodwill	36,591	36,591	36,591
Other intangible assets	34,066	63,981	53,746
Property, plant and equipment	35,112	32,922	34,644
Deferred tax assets	18,518	10,315	8,066
	124,287	143,809	133,047
Current assets			
Inventories	88,381	85,217	64,406
Trade and other receivables	223,776	229,653	213,284
Derivative financial instruments	9	—	—
Cash and cash equivalents	30,355	25,526	24,270
	342,521	340,396	301,960
Total assets	466,808	484,205	435,007
Current liabilities			
Trade and other payables	97,766	98,989	75,661
Current tax liabilities	2,297	1,067	964
Derivative financial instruments	20	—	—
Provisions	6,292	3,553	6,236
	106,375	103,609	82,861
Non-current liabilities			
Bank loans	254,978	262,213	231,223
Provisions	725	1,356	725
Retirement benefit obligation	11,950	11,380	8,550
	267,653	274,949	240,498
Total liabilities	374,028	378,558	323,359
Net assets	92,780	105,647	111,648
Equity			
Share capital	126,442	125,942	125,942
Capital redemption reserve	403	403	403
Share premium account	93,454	93,454	93,454
Translation reserve	194	398	505
Hedging reserve	(33)	(89)	—
Accumulated losses	(127,680)	(114,461)	(108,656)
Total equity	92,780	105,647	111,648

Condensed Consolidated Cash Flow Statement

26 week period ended 26 September 2014

	26 weeks to 26.9.2014 £000	26 weeks to 27.9.2013 £000	52 weeks to 28.3.2014 £000
(Loss)/profit for the period	(14,383)	(2,629)	466
Adjustments for:			
Income tax	(7,625)	(530)	2,595
Finance costs	4,944	4,965	10,348
Depreciation of property, plant and equipment	2,657	3,075	6,082
Impairment of property, plant and equipment and software and IT development costs	—	—	110
Impairment of other intangible assets	19,045	—	9,970
Amortisation of intangible assets	1,512	1,377	2,848
Share-based payment expense	614	784	1,698
Loss on disposal of property, plant and equipment	—	141	142
Loss on disposal of subsidiary	—	197	239
Pension contributions less income statement charge	(1,751)	(1,580)	(3,000)
Operating cash flows before movements in working capital	5,013	5,800	31,498
Increase in inventories	(23,975)	(26,565)	(5,754)
Increase in receivables	(10,560)	(20,220)	(3,919)
Increase in payables	21,803	25,824	2,727
Increase/(decrease) in provisions	56	(1,522)	530
Cash (used in)/generated from operations	(7,663)	(16,683)	25,082
Income tax	(1,190)	5	(998)
Interest paid	(4,862)	(4,563)	(9,239)
Exceptional financing costs paid	—	—	(246)
Net cash from operating activities	(13,715)	(21,241)	14,599
Investing activities			
Interest received	38	3	3
Proceeds on disposal of property, plant and equipment	—	4	4
Purchases of property, plant and equipment and software and IT development costs	(4,004)	(5,783)	(11,831)
Sale of subsidiaries (net of cash held in subsidiary)	—	15,504	15,461
Net cash (used in)/generated from investing activities	(3,966)	9,728	3,637
Financing activities			
Bank loans drawn/(repaid)	24,780	3,037	(32,663)
Securitisation loan (repaid)/drawn	(1,025)	—	4,710
Net cash from financing activities	23,755	3,037	(27,953)
Net increase/(decrease) in cash and cash equivalents	6,074	(8,476)	(9,717)
Cash and cash equivalents at the beginning of the period	24,270	34,023	34,023
Effect of foreign exchange rate changes	11	(21)	(36)
Cash and cash equivalents at the end of the period	30,355	25,526	24,270

Condensed Consolidated Statement of Changes in Equity

26 week period ended 26 September 2014

	Share capital £000	Capital redemption reserve £000	Share premium account £000	Hedging reserve £000	Translation reserve £000	Retained earnings/ (accumulated losses) £000	Total equity £000
At 28 March 2014	125,942	403	93,454	505	—	(108,656)	111,648
Total comprehensive loss	—	—	—	(311)	(33)	(19,138)	(19,482)
Issue of shares	500	—	—	—	—	(500)	—
Share-based payments	—	—	—	—	—	614	614
At 26 September 2014	126,442	403	93,454	194	(33)	(127,680)	92,780

	Share capital £000	Capital redemption reserve £000	Share premium account £000	Hedging reserve £000	Translation reserve £000	Retained earnings/ (accumulated losses) £000	Total equity £000
At 29 March 2013	125,942	403	93,454	756	(89)	(119,995)	100,471
Total comprehensive income	—	—	—	(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	Hedging reserve £000	Translation reserve £000	Retained earnings/ (accumulated losses) £000	Total equity £000
At 29 March 2013	125,942	403	93,454	756	(89)	(119,995)	100,471
Total comprehensive income	—	—	—	(251)	89	9,641	9,479
Share-based payments	—	—	—	—	—	1,698	1,698
At 28 March 2014	125,942	403	93,454	505	—	(108,656)	111,648

The total equity is attributable to the equity shareholders of the parent company Findel plc.

Notes to the Condensed Consolidated Financial Statements

1. General information

The condensed consolidated financial statements have been approved by the Board on 25 November 2014.

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 28 March 2014. 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 28 March 2014.

The financial information for the period ended 28 March 2014 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 26 September 2014 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 18 of the Company's published consolidated financial statements for the 52 weeks ended 28 March 2014.

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.

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 condensed financial statements for the period ended 26 September 2014.

Risks and uncertainties

The principal risks and uncertainties which could impact the Group's long-term performance remain those detailed on pages 16 to 18 of the Group's 2014 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
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.

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 28 March 2014.

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 28 March 2014.

3. Trading costs

An analysis of the Group's trading costs is as follows:

	26 weeks to 26.9.2014			26 weeks to 27.9.2013			52 weeks to 28.3.2014		
	Continuing operations £000	Discontinued operation £000	Total £000	Continuing operations £000	Discontinued operation £000	Total £000	Continuing operations £000	Discontinued operation £000	Total £000
Selling and distribution costs:									
– before exceptional items	67,874	—	67,874	69,936	293	70,229	133,229	293	133,522
– Exceptional items	—	—	—	—	—	—	—	—	—
Administrative expenses:									
– before exceptional items	42,449	—	42,449	43,859	538	44,397	84,161	538	84,699
– Exceptional items	23,404	—	23,404	2,512	197	2,709	18,275	239	18,514
	133,727	—	133,727	116,307	1,028	117,335	235,665	1,070	236,735

4. Segmental analysis

26 weeks to 26 September 2014

Revenue

	Continuing operations					
	Express Gifts £000	Education Supplies £000	Kitbag £000	Kleeneze £000	Overseas Sourcing £000	Total £000
Sales of goods	91,258	60,871	33,981	17,233	1,667	205,010
Rendering of services	9,979	—	—	656	—	10,635
Interest	28,425	—	—	48	—	28,473
Reportable segment revenue	129,662	60,871	33,981	17,937	1,667	244,118

Loss after tax

	Continuing operations					
	Express Gifts £000	Education Supplies £000	Kitbag £000	Kleeneze £000	Overseas Sourcing £000	Total £000
Reportable segment results	4,844	3,103	(1,518)	(385)	296	6,340
Exceptional items	(1,680)	(2,617)	(62)	(19,045)	—	(23,404)
Operating profit/(loss) after exceptional items	3,164	486	(1,580)	(19,430)	296	(17,064)
Finance costs (includes £68,000 exceptional finance costs)						(4,944)
Loss before tax						(22,008)
Tax						7,625
Loss after tax						(14,383)

4. Segmental analysis continued

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
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
Reportable segment 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
Exceptional items	(2,528)	(42)	(377)	—	435	(2,512)	(197)	(2,709)
Operating profit/(loss) after exceptional items	777	3,540	(3,269)	589	321	1,958	(152)	1,806
Finance costs (includes £68,000 exceptional finance costs)						(4,965)	—	(4,965)
Loss before tax						(3,007)	(152)	(3,159)
Tax						530	—	530
Loss after tax						(2,477)	(152)	(2,629)

4. Segmental analysis continued

52 weeks to 28 March 2014

Revenue

	Continuing operations						Discontinued operation	
	Express Gifts £000	Education Supplies £000	Kitbag £000	Kleeneze £000	Overseas Sourcing £000	Total £000	Healthcare £000	Total £000
Sales of goods	206,714	109,917	66,698	44,680	3,403	431,412	5,445	436,857
Rendering of services	20,811	—	—	1,723	—	22,534	495	23,029
Interest	60,689	—	—	101	—	60,790	—	60,790
Reportable segment revenue	288,214	109,917	66,698	46,504	3,403	514,736	5,940	520,676

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	30,679	4,092	(4,106)	1,306	(93)	31,878	45	31,923
Exceptional items	(2,756)	(1,020)	(10,799)	(3,700)	—	(18,275)	(239)	(18,514)
Operating profit/(loss) after exceptional items	27,923	3,072	(14,905)	(2,394)	(93)	13,603	(194)	13,409
Finance costs (includes £472,000 exceptional finance costs)						(10,348)	—	(10,348)
Profit before tax						3,255	(194)	3,061
Tax						(2,595)	—	(2,595)
Profit after tax						660	(194)	466

5. Exceptional items

	26 weeks to 26.9.2014 £000	26 weeks to 27.9.2013 £000	52 weeks to 28.3.2014 £000
Continuing operations			
Exceptional trading costs			
– Restructuring costs	339	762	2,739
– Onerous contracts	—	(250)	2,768
– Onerous lease provisions	—	—	798
– Impairment of other intangible assets	19,045	—	9,970
– Payment Protection Insurance	500	2,000	2,000
– Express Gifts financial services redress	2,000	—	—
– Historic VAT settlement	(820)	—	—
– Pension past service cost	2,340	—	—
Exceptional financing costs			
– Debt refinancing costs	68	68	472
Discontinued operation			
– Excess of proceeds over value of assets disposed of		(303)	(261)
– Pension settlement cost		500	500
– Loss on disposal of subsidiary		197	239
	23,472	2,777	18,986

Restructuring costs in the current period of £339,000 (26 week period ended 27 September 2013: £762,000; 52 week period ended 28 March 2014: £2,739,000) relate to management changes, redundancies and costs associated with rectifying poor systems and controls.

Impairment of other intangible assets relates to a write down of indefinite lived brand names allocated to the Kleeneze cash generating unit ('CGU'). This is discussed further in note 8.

As part of its enhanced oversight work, Express Gifts has recently identified circumstances where we may redress certain customers as a result of flaws in some legacy processes. A prudent provision of £2.5m has been taken to cover this activity which includes £500,000 for any remaining elements of PPI.

A credit of £820,000 has been recorded in relation to the settlement of an historic VAT claim with HMRC which was settled during the period.

A past service cost of £2,340,000 has been recorded in the current period in respect of additional liabilities arising from the equalisation of normal retirement ages for members in the Findel Education section of the Findel Group Pension Fund.

6. Taxation

Income tax for the 26 week period ended 26 September 2014 is based on an estimated effective tax rate for the full year of 34.7% (26 week period ended 27 September 2013: 20.0%), giving rise to a tax credit of £7,625,000 in the period. The estimated effective tax rate for the full year, excluding the impact of exceptional items is 22.8%.

7. Earnings per share

From continuing operations

(Loss)/profit attributable to ordinary shareholders

	26 weeks to 26.9.2014 £000	26 weeks to 27.9.2013 £000	52 weeks to 28.3.2014 £000
Net (loss)/profit attributable to equity holders for the purposes of basic earnings per share	(14,383)	(2,477)	660
Other exceptional items (net of tax)	(15,445)	(2,075)	(15,458)
Exceptional finance costs (net of tax)	(68)	(68)	(472)
Net profit/(loss) attributable to equity holders for the purpose of adjusted earnings per share	1,130	(334)	16,590

Weighted average number of shares

	26 weeks to 26.9.2014	26 weeks to 27.9.2013	52 weeks to 28.3.2014
Ordinary shares in issue at end of the period	86,442,533	85,942,533	85,942,533
Effect of own shares held	(1,190,286)	(1,135,110)	(1,135,110)
Weighted average number of shares – basic	85,252,247	84,807,423	84,807,423
Effect of outstanding share options	5,739,717	7,609,609	7,609,609
Effect of convertible shares	8,343,935	8,343,935	8,343,935
Weighted average number of shares – diluted	99,335,899	100,760,967	100,760,967

(Loss)/earnings per share

	26 weeks to 26.9.2014	26 weeks to 27.9.2013	52 weeks to 28.3.2014
(Loss)/earnings per share – basic	(16.87)p	(2.92)p	0.78p
Earnings/(loss) per share – adjusted* – basic	1.33p	(0.39)p	19.56p
(Loss)/earnings per share – diluted	(16.87)p	(2.92)p	0.66p
Earnings/(loss) per share – adjusted* – diluted	1.14p	(0.39)p	16.46p

* Adjusted to remove the impact of exceptional items.

7. Earnings per share continued

From discontinued operation

(Loss)/profit attributable to ordinary shareholders

	26 weeks to 26.9.2014 £000	26 weeks to 27.9.2013 £000	52 weeks to 28.3.2014 £000
Net loss attributable to equity holders for the purposes of basic earnings per share	—	(152)	(194)
Other exceptional items (net of tax)	—	(197)	(239)
Exceptional finance costs (net of tax)	—	—	—
Net profit attributable to equity holders for the purpose of adjusted earnings per share	—	45	45
Weighted average number of shares			
Ordinary shares in issue at end of the period	86,442,533	85,942,533	85,942,533
Effect of own shares held	(1,190,286)	(1,135,110)	(1,135,110)
Weighted average number of shares – basic	85,252,247	84,807,423	84,807,423
Effect of outstanding share options	5,739,717	7,609,609	7,609,609
Effect of convertible shares	8,343,935	8,343,935	8,343,935
Weighted average number of shares – diluted	99,335,899	100,760,967	100,760,967
(Loss)/earnings per share			
Loss per share – basic	—	(0.18)p	(0.23)p
Earnings per share – adjusted* – basic	—	0.05p	0.05p
Loss per share – diluted	—	(0.18)p	(0.19)p
Earnings per share – adjusted* – diluted	—	0.05p	0.04p

* Adjusted to remove the impact of exceptional items.

7. Earnings per share continued

Total attributable to ordinary shareholders

(Loss)/profit attributable to ordinary shareholders

	26 weeks to 26.9.2014 £000	26 weeks to 27.9.2013 £000	52 weeks to 28.3.2014 £000
Net (loss)/profit attributable to equity holders for the purposes of basic earnings per share	(14,383)	(2,629)	466
Other exceptional items (net of tax)	(15,445)	(2,272)	(15,697)
Exceptional finance costs (net of tax)	(68)	(68)	(472)
Net profit/(loss) attributable to equity holders for the purpose of adjusted earnings per share	1,130	(289)	16,635
Weighted average number of shares			
Ordinary shares in issue at end of the period	86,442,533	85,942,533	85,942,533
Effect of own shares held	(1,190,286)	(1,135,110)	(1,135,110)
Weighted average number of shares – basic	85,252,247	84,807,423	84,807,423
Effect of outstanding share options	5,739,717	7,609,609	7,609,609
Effect of convertible shares	8,343,935	8,343,935	8,343,935
Weighted average number of shares – diluted	99,335,899	100,760,967	100,760,967
(Loss)/earnings per share			
(Loss)/earnings per share – basic	(16.87)p	(3.10)p	0.55p
Earnings/(loss) per share – adjusted* – basic	1.33p	(0.34)p	19.61p
(Loss)/earnings per share – diluted	(16.87)p	(3.10)p	0.47p
Earnings/(loss) per share – adjusted* – diluted	1.14p	(0.34)p	16.50p

* Adjusted to remove the impact of exceptional items.

The 500,000 shares issued in the period were to the Employee Benefit Trust. These are regarded as treasury shares and so are not treated as outstanding ordinary shares.

The diluted earnings per share for the 26 week period ended 26 September 2014 and for the 26 week period ended 27 September 2013 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'

The earnings per share attributable to convertible ordinary shareholders is £nil.

8. Impairment of other intangible assets

The failure of Kleeneze's trading performance to recover in the first half of the period led management to perform a review of the carrying values of indefinite lived brands allocated to the Kleeneze cash generating unit at 26 September 2014. The impairment review undertaken at 26 September used the same judgments, assumptions and estimates as those used for the purposes of the impairment review undertaken at 28 March 2014, with the exception of the following:

Operating Cash flows
Management prepared cash flow forecasts for a three year period derived from the latest approved forecast for financial year 2014/15.

Risk adjusted discount rates
A pre-tax rate of 25.3% (2014:16.6%) was used to discount the forecast cash flows.

The carrying amount of the Kleeneze CGU was determined to be higher than the recoverable amount and an impairment loss of £19,045,000 was recognised as a result. The impairment loss was fully allocated to indefinite lived brands and is included in exceptional items.

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
25 November 2014	25 November 2014

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 26 September 2014 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 26 September 2014 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
25 November 2014

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, Chair of the Audit Committee (until 13 October 2014) and Chair of the Remuneration Committee (from 18 July 2014)
Bill Grimsey	Independent non-executive director
Laurel Powers-Freeling (resigned 18 July 2014)	Independent non-executive director and Chair of the Remuneration Committee (until 18 July 2014)
Francois Coumau	Independent non-executive director
Alexandra Kinney Pritchard (appointed 13 October 2014)	Independent non-executive director and Chair of the Audit Committee (from 13 October 2014)

Company Secretary

Mark Ashcroft

Company details

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