FINDEL PLC

ANNUAL REPORT & ACCOUNTS 2010

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Contents

1. Financial Highlights
2. Chairman's Statement
6. Finance Director's Review
13. Directors and Advisors
14. Directors' Report
17. Corporate Governance Report
22. Directors' Responsibilities
23. Board Report on Directors' Remuneration
32. Corporate Social Responsibility
34. Independent Auditors' Report (Group)
35. Consolidated Income Statement
36. Consolidated Statement of Comprehensive Income
37. Consolidated Balance Sheet
38. Consolidated Cash Flow Statement
39. Consolidated Statement of Changes in Equity
40. Notes to the Consolidated Financial Statements
82. Pro-Forma Unaudited Consolidated Balance Sheet
83. Independent Auditors' Report (Company)
84. Company Balance Sheet
85. Notes to the Company Financial Statements
91. Notice of Annual General Meeting

Financial Highlights

	2010	2009 (Restated)
Revenue from ongoing businesses*	£547.0m	£572.1m
Benchmark profit before tax*	£13.8m	£29.2m
Loss before tax	(£76.1m)	(£57.4m)
Benchmark basic earnings per share*	2.60p	17.36p
Basic loss per share	(20.02)p	(38.89)p
Dividends per share	nil	2.20p

* Benchmark measures are as defined within the Finance Director's Review on page 6

The financial year ended 2 April 2010 has represented a period of significant challenge for the group.

The performance of the group's continuing operations has, with the exception of the Education Supplies division, been creditable in a difficult economic environment. However, the performance of the Education Supplies division itself has been very disappointing with significantly reduced turnover and profitability. This, coupled with the need to divest for nominal consideration a number of businesses acquired in recent years, has resulted in a profit outturn well below the board's expectations at this time last year.

Given the reduced level of profitability in the business and that some aspects of the previously announced debt reduction plan have not been achieved, strategies are being assessed to reduce borrowings.

In the period following my appointment as chairman on 1 April 2010 I have been taking stock of this situation and have instigated a Full Potential Review of all of the group's continuing operations. This includes a bottom-up review of the strategy and operations of each major business and the group as a whole. Whilst the Full Potential Review is not yet complete, I am encouraged by the strength of the group's businesses and the opportunities that we are identifying to improve performance. It is our intention to complete this review as quickly as possible and move quickly to implement its findings so that we can return to profit growth, move the group onto stronger financial foundations and restore shareholder value.

Group Financial Results

Group sales from continuing operations declined by 4% to £547.0m. This decline is entirely attributable to the performance of the Education Supplies division where sales reduced by 15%. Our Home Shopping businesses managed to maintain sales at the same level as the prior year, despite the difficult economic climate and tighter customer acceptance criteria, with Kitbag recording a commendable 34% increase. Sales in our Healthcare division saw a small decline of 2%.

Group benchmark* operating profit for the period to 2 April 2010 was £36.2m (2009 restated: £48.4m). Benchmark* profit before tax for the period was £13.8m (2009 restated: £29.2m). These results reflect the challenging environment faced by our consumer credit business and the weak performance of our Education Supplies division.

The statutory result for the period to 2 April 2010 was a loss before tax of £76.1m (2009 restated: £57.4m). The difference between the benchmark* and statutory result principally relates to charges of £52.8m in respect of the impairment of intangible assets for businesses which have either been sold or are currently held for resale, exceptional charges in respect of cost reduction programmes during the period of £16.7m (2009: £16.4m) and £12.2m of fees incurred in respect of the amendment of our credit facilities in July 2009.

Benchmark earnings per share were 2.60p (2009 restated: 17.36p) and the basic loss per share was 20.02p (2009 restated: 38.89p).

Net debt at 2 April 2010 was £309.6m (2009: £376.1m), the reduction reflecting the receipt of £62.2m of net proceeds from the placing and open offer after deduction of expenses relating to the fund raising and amendment of credit facilities.

Home Shopping

Sales from continuing businesses for the period to 2 April 2010 were in line with the prior year at £345.1m (2009 restated: £345.0m). Benchmark* operating profit fell to £30.5m (2009 restated: £34.4m) primarily reflecting reduced financial services income in our core credit business where the challenging consumer conditions of the last two years and our more cautious lending policy have reduced customer numbers and, consequently, the credit balances from which this income stream is derived.

Whilst this has been a drag on profitability in the short term, the benefits through reduced bad debts should be seen in future years. We anticipate the actions taken to tighten credit criteria will further enhance these benefits as we move forward.

Statutory sales for the Home Shopping division were £398.3m (2009 restated: £383.7m) with a statutory operating loss of £38.4m (2009 restated: £29.2m).

Further details on the financial performance and key issues facing each of our Home Shopping businesses are set out below:

Core credit

Sales for the core credit business for the period to 2 April 2010 fell to £221.4m (2009 restated: £228.6m). This performance represented a strong performance in product sales, which were up 2% on 2009 levels, reflecting the successful introduction of a clothing offering. Increased product sales were, however, offset by a decline of 11% in financial income. This is a natural consequence of reduced customer numbers, reflecting a more conservative lending policy as well as a challenging retail environment. The year on year improvement in product sales in the current period, as well as improved credit quality, should in time reverse this overall sales decline and provides a positive key performance indicator for future results.

Benchmark* operating profit was £21.9m (2009 restated: £28.0m) reflecting the reduced level of high margin financial services income in the period.

The strategy for the core credit business will remain to expand the clothing offering to increase average order values and order frequency. Where appropriate this will be augmented by efficiency programmes and tactical investment in customer interfaces such as our call centres or internet sites.

Kleeneze

Sales in Kleeneze, our direct selling brand, were £62.0m for the period to 2 April 2010 (2009: £65.1m). Benchmark* operating profit for the period was £6.3m (2009: £6.1m) as a result of careful cost and margin management.

During the past year Kleeneze distributor numbers have stabilised, following several years of annual decline. The key strategic requirement for Kleeneze remains to increase the number of distributors and the success of recent direct TV campaigns provides appropriate support for the belief that this will be achieved in the future.

Kitbag

Kitbag continued its recent strong performance with sales up 34% to £48.3m in the period to 2 April 2010 (2009: £36.0m). The strong sales performance fed through to a significant increase in benchmark* operating profit to £1.9m from £0.6m in 2009.

The primary driver of growth in the period under review has been the success of the partner contract signed with Everton in 2009.

Kitbag's future growth strategy is predicated on three objectives: firstly the organic growth of the kitbag.com brand; secondly the conversion of existing partner clubs to the full service model operated with Everton; and securing new partner clubs. The business is confident of announcing further successes in this respect in the near future.

Education Supplies

The year under review has represented an extremely challenging one for the Education Supplies division and for those members of the senior management team who remain with the business after the discovery of unsubstantiated accounting entries detailed more fully below.

Sales in the Education Supplies division for the period to 2 April 2010 were £138.4m (2009 restated: £162.3m). Benchmark* operating profit was £3.5m (2009 restated: £8.8m). Both the revenue and profit results for the prior period are after restatement for unsubstantiated accounting entries. The division incurred a statutory operating loss of £9.0m (2009 restated: £7.2m).

Whilst the decline in turnover and benchmark* operating profit is disappointing, the key issue faced by the business is that the past misstatement of results has masked a material ongoing shortfall in underlying performance which has been continuing for some time. The masking of these performance issues has resulted in a delay in the implementation of appropriate corrective action. This is now being addressed but it will take some time to return the business to acceptable levels of profitability.

Despite these historical issues the potential for the business remains encouraging and strategic plans are being developed as part of the Full Potential Review targeted at stabilising revenues, improving product margins and reducing cost to sales ratios.

Healthcare

Sales in the Healthcare division for the period to 2 April 2010 were £63.5m (2009: £64.8m). Benchmark* operating profit was £2.6m (2009: £4.9m) primarily reflecting the reduction in gross margins where existing contracts have been re-tendered during the year. The division generated a statutory operating profit of £1.9m (2009: £4.3m).

Whilst the result in the year is disappointing, it is important to note that the uncertainty in the market over the last two years, whilst potential changes to the delivery model were considered by the government, appears to have come to an end and the list of potential new contracts is now substantial. In addition, the Primary Care element of the business, which sells assistive technology to professionals and end-users through catalogues and the internet continues to grow. This business has the potential to move from being a relatively small part of the division to becoming a meaningful contributor over the next three years.

Other items

During the year the group incurred certain one-off charges which, consistent with prior years, have been grouped together as "other items" in the income statement. These charges have been excluded from benchmark* results. The charges were incurred

primarily as a result of the board's strategy to exit non-core and loss-making operations. Additional charges were also incurred in implementing cost reduction programmes during the period and in amending the group's credit facilities in July 2009.

Whilst the charge before tax in the income statement for the period was £89.9m the cash cost was £24.0m, being the trading results of discontinued businesses (£2.8m), other exceptional items (£9.0m) and refinancing fees (£12.2m). Of this cash cost, an element may be recovered through tax losses carried forward.

The primary elements of "other items" are:

- Intangible asset impairment (£52.8m) – Over the last two years the board has looked to dispose of or terminate non-core or loss-making operations. In 2009 this resulted in the closure of Cotswold and Letterbox.

  In the current year, the operations of Webb, Confetti and IWOOT have either been sold or are in the process of being sold and, as such, are treated as "terminated operations" in the 2010 accounts. Based on a prudent approach to the consideration recoverable from these assets the board has written down the carrying value of intangibles. In respect of Webb the write-down reflects the known terms of the disposal.
- Asset impairments (£6.3m) – This charge represents the write down of tangible asset values including fixed assets, stock and debtors of the businesses of Webb, Confetti and IWOOT.
- Terminated operations or operations held for resale (£2.8m) – This expense represents the results of those businesses which have been treated as terminated in the financial statements. The losses are excluded from benchmark* performance.
- Other exceptional operating charges (£16.7m) – Exceptional charges comprised costs incurred in relation to the restructuring exercise performed in the period under review with the objective of reducing the group's cost base in line with overall reduced activity levels. The single largest item was a charge of £6.7m in respect of onerous lease provisions for warehouse space vacated during the period.
- Exceptional credit of £5.4m in respect of a pension curtailment gain.
- Financing costs (£12.2m) – This charge primarily relates to the fees incurred during the amendment of our credit facilities in July 2009.
- Finance income (£3.2m credit) – This credit relates to the reversal of the fair value liability that arose in the prior year for the impact of the fall in interest rates on the value of certain interest rate swaps.

Cash Generation

The group's net cash inflow during the period under review was £59.4m. After taking account of the £74.4m net proceeds from the fund raising and the exceptional charges of £12.2m in respect of the refinancing process, the group was broadly cash neutral for the year at a trading level.

The cash flow in the year broadly reflects the benchmark* profit before tax generated in the year of £13.8m net of the primary cash elements of "other items" which were exceptional charges (£9.0m) and the net trading results of discontinued activities (£2.8m).

Group cash generation has been lower than previously anticipated due to several factors including weaker trading performance and, significantly, the accounting issues identified in the Education Supplies division. Cash flow has also suffered from a delay in the reintroduction of trade credit insurance, which has resulted in additional borrowings under our credit facilities. Lower levels of cash generation by the group have also prevented debt being reduced by as much as the board had previously anticipated and this supports its view that the current level of debt is too high.

Unsubstantiated accounting entries in the Education Supplies division

On 29 March 2010, we announced we were reviewing a number of accounting entries in our Education Supplies division which appeared not to be fully substantiated and had come to light following changes within the management team of that division.

This review, performed in conjunction with the company's auditors, was completed in June. The net impact on the company's results for the year ended 3 April 2009 was that benchmark* and statutory profit before tax and net assets were overstated by £6.4m and £20.6m respectively. Details of the specific nature and quantum of the matters identified are provided in the Finance Director's report. There was no impact on the benchmark* profit before tax for the period ended 2 April 2010.

The board engaged KPMG to perform a review of the accounts of all material businesses within the group to confirm that the assets and liabilities of each were correctly stated both at 3 April 2009 and 26 February 2010, the latter being the date of the most recent internal accounts at the time the review was performed. The first stage of the review confirmed that there were no material misstatements in any of the group's divisions other than Education Supplies. The board is taking steps to strengthen the finance function, improve internal controls and risk management as a key priority and has strengthened the internal audit function.

Amended Credit Facilities

On 16 July 2010 the group entered into agreements for the provision of the Amended Credit facilities. These replace the previous credit facilities and comprise:

- A £250.0m revolving credit facility which terminates on 9 January 2012
- A £77.3m revolving credit facility which terminates on 9 January 2012

Further information on the Amended Credit facilities are set out in the Finance Director's Review. As a result of these amendments to the group's credit facilities, financing costs will rise significantly in the current year.

The need to enter into amended credit facilities so soon after the 2009 refinancing was brought about primarily by the accounting misstatements and the performance issues in the Education Supplies division as well as the ongoing inability to obtain credit insurance. Whilst the amended facilities are adequate for the group's current needs, your board is conscious that the level of debt remains high, particularly given what is now known about the profitability and cash generation of the group. The board is therefore working with the group's financial advisers to identify ways to remedy this situation.

Webb Group

On 8 June 2010, the group announced it had disposed of the entire issued share capital of Webb. From 24 July 2009 to 2 April 2010, Webb contributed statutory operating profit of approximately £1.4m.

The decision to sell Webb was predicated primarily on two key changes in the working capital dynamics of Webb's business model. The first related to a rephasing of the revenue profile from that proposed at the time of the refinancing in July 2009. As a result, Webb required increased facilities for a longer period than had been originally anticipated. The second and more significant change was the deferral of the reintroduction of trade credit which would have driven a significant increase in the level of borrowings in peak season.

The combined impact of both prolonged and higher borrowings relative to the overall level of profit generated by Webb led the board to conclude that the group's capital was better invested in higher margin lower risk activities elsewhere in the group.

Employees

The last year has been a very difficult period for the group with the already challenging economic environment being exacerbated by the fund raising, refinancing and investigatory processes which were carried out.

On behalf of the board I would like to express my sincere thanks to all our employees for their efforts, contribution and support during this difficult period. I believe that as we move forward we will be able to put these difficult times behind us.

Board changes

During the year under review, Patrick Jolly and Keith Chapman have stepped down from their positions as chief executive and chairman respectively. Chris Hinton will be stepping down as finance director on 2 August 2010. Gordon Craig, who has served the company for 12 years as a non-executive director, will also be stepping down at the annual general meeting. On behalf of the board I would like to thank them for their contribution to the group and wish them well for the future.

Tim Kowalski will be joining the board as finance director on 2 August 2010. Tim brings substantial relevant experience to the role having been group finance director of N Brown plc and group finance director of Homestyle Group plc. Tim joins Findel from HomeForm Group Limited, a Sun Capital investment, where he was chief financial officer.

Dividends

The board continues to believe that the cash generated by the group should be used to pay down debt and invest in the group's operations. In addition, there remain restrictions within our credit facilities where dividend payments are dependent on certain leverage ratios being met and the company currently lacks distributable reserves from which to pay a dividend. As a consequence the board is not proposing a final dividend for the period ended 2 April 2010 (2009: nil) and does not expect to pay a dividend for the current financial year.

Outlook

Despite the many distractions and the uncertain economic backdrop, performance in the first quarter of the current year has shown resilience although the key peak trading periods for both our Home Shopping and Education Supplies businesses are still to come. Higher interest charges will also impact the current financial year. At the heart of the group there are a number of good, profitable and cash generative businesses. As the year progresses we will be vigorously implementing the performance improvement actions identified by the Full Potential Review and, whilst many of these will take some time to be fully introduced, we believe there are a number of opportunities to enhance business performance across the group.

David Sugden
Chairman

20 July 2010

* Benchmark results are defined as being before results from operations sold, to be sold or terminated at the time of reporting, exceptional stock rationalisation costs, amortisation of acquired intangibles arising on business combinations, share-based payments, other exceptional operating items (including asset impairment, one-off additional debtor provisions and other exceptional items including net restructuring charges and pension curtailment gains), derivative re-measurements and exceptional refinancing costs, together with the associated tax effect, but includes interest receivable from its former associate.

Benchmark measure
In order to ensure consistency of reporting the group has, in common with other companies in its sector, identified a measure of benchmark operating profit, profit before tax and earnings per share which it believes will aid in understanding its business. Benchmark results are defined as being before results from operations sold, to be sold or terminated at the time of reporting, exceptional stock rationalisation costs, amortisation of acquired intangibles arising on business combinations, share-based payments, other exceptional operating items (including asset impairment, one-off additional debtor provisions and other exceptional items including net restructuring charges and pension curtailment gains) and derivative remeasurements, but includes interest receivable from its former associate.

Revenue
Group revenues decreased by 2% to £600.2m (2009 restated: £610.8m) reflecting the challenging trading conditions experienced by the group during the period under review but also due to the disappointing performance of our Education Supplies division. Excluding the businesses sold, to be sold or terminated at the time of reporting, revenues decreased by 4% to £547.0m (2009 restated: £572.1m).

Profit
Benchmark profit before tax decreased by 53% to £13.8m, reflecting the impact of the economic conditions prevailing in the period along with weaker trading in Education Supplies. The group recorded a loss before tax of £76.1m (2009 restated: £57.4m) on a statutory basis as a consequence of non-benchmark items, further details of which are provided in the Chairman's Statement.

Divisional performance
Benchmark operating profit decreased in both the Home Shopping division (2010: £30.5m; 2009 restated: £34.4m) and the Educational Supplies division (2010: £3.5m; 2009 restated: £8.8m). In Home Shopping, performance fell due to the difficult consumer environment along with our more cautious lending policy which reduced customer numbers. Despite this reduced level of performance, average order values increased to £46 (2009: £43) during the period, as did retention rates at 72% (2009: 70%).

In the Education Supplies division, the decrease in performance resulted from a decline in both sales and gross margins, which was masked by the accounting misstatements reported elsewhere. Average order values improved slightly to £213 (2009: £210).

In the Healthcare division benchmark operating profit decreased to £2.6m (2009: £4.9m) primarily due to reduced gross margins on re-tendered contracts. On-time collections and deliveries improved to 96% (2009: 94%).

Terminated operations
The results attributable to Webb, Confetti and IWOOT were £2.8m in the period, together with the impairment of associated goodwill and intangible assets and other assets of £59.1m.

Unsubstantiated accounting entries in the Education Supplies division
As explained in the Chairman's Statement and mentioned above, a number of accounting entries within the group's Education Supplies division which appeared not to be properly substantiated came to light following changes within the management of that division. This has led to a restatement of prior year revenues, costs and profits, described on page 8, but has not had a negative impact on profits for the current period ended 2 April 2010. Furthermore, none of the above has impacted on the group's net debt position.

The impact on the group's results for the year ended 3 April 2009 has increased that year's loss before tax by £6.4m and reduced benchmark profit before tax by £6.4m, and have reduced net assets by £20.6m as at 3 April 2009.

Further to the announcements on 29 March 2010 and 23 April 2010, concerning unsubstantiated accounting entries in its Education Supplies division, the board of Findel plc engaged KPMG to conduct a review of the accounts of all its material businesses to confirm that the assets and liabilities of each was correctly stated at 3 April 2009 and 26 February 2010 and that all material accounting entries during that period have been properly substantiated. The directors were pleased to report on 21 June 2010 that no material issues have been identified in any of its other divisions following the first stage of the review by KPMG. The exercise to date did, however, highlight that the governance and control environment throughout the group needs to be strengthened and steps are being taken to address this.

Share of result of associate

The group's share of the loss generated by its associate The Webb Group Limited, decreased from £4.3m to £0.4m. This was due to the company being fully consolidated in the group's results for the majority of the year, following completion of the acquisition of the 70% ordinary share capital of The Webb Group Limited not already owned by Findel on 23 July 2009 for nominal consideration. During the current period, interest income of £0.8m (2009: £4.3m) has been recognised in benchmark profit on the loan advanced to the associate to 23 July 2009.

On 8 June 2010 the group announced that it had completed the sale of The Webb Group Limited for nominal consideration to avoid the need to fund its increased working capital requirements and to allow focus on the group's core businesses.

Pensions

In order to continue to improve the funding levels within these schemes, the group made voluntary additional contributions of £3.2m during the period. Furthermore, following the closure of the schemes to further accrual of benefits in January 2010, there was a £3.9m (net of tax) exceptional gain on curtailment of the schemes which has further improved the position.

The group remains committed to the reduction of the pension deficit and further details are outlined in note 37 to the accounts.

Taxation

The group's effective rate of tax, calculated on a benchmark* basis, has increased slightly from 28.1% to 28.8%. The increase in the tax charge in the period reflects the proportionate impact of expenditure incurred within the normal course of business which is not eligible for tax relief. In future periods it is anticipated that the group's effective tax rate will return to broadly the main rate of UK corporation tax, which is expected to reduce from 28% to 24% by April 2014.

Equity and debt refinancing

On 24 July 2009, the group announced the placing and open offer of 204.3m ordinary shares and the firm placing of 200.0m ordinary shares at 20p per share. This was approved at the company's Extraordinary General Meeting on 10 August 2009, and the shares were issued on 11 August 2009. Total proceeds raised were £80.9m, less £1.1m relating to shares transferred to the Employee Benefit Trust, and associated costs of the equity raising of £5.4m.

The group further entered into agreements for the provision of amended credit facilities on 24 July 2009, which replaced its previous credit facilities, and which comprised:

- a £250m revolving credit facility;
- a £77.3m revolving credit facility which was used to refinance the group's previous uncommitted bilateral overdraft facilities; and
- a £37.7m super senior facility which was used to refinance the balance of the group's previous uncommitted bilateral overdraft facilities and up to £20m to provide new working capital to the group. This has subsequently been repaid.

The group incurred exceptional costs in the period of £12.2m in respect of fees associated with this debt refinancing. Amounts drawn under the above facilities carried interest at a premium of 4% over LIBOR.

As a result of the accounting irregularities in the group's Education Supplies division certain representations and warranties made in connection with the bank facilities entered into at the time of the refinancing in July 2009 were found to be untrue. In addition, certain other provisions contained in these facilities have been breached. As a result of the breach to the banking covenants at 2 April 2010, all of the bank debt owed by the group was reclassified as falling due within one year on the consolidated balance sheet.

The group agreed amendments to the outstanding £250.0m and £77.3m credit facilities on 16 July 2010, the principal elements being:

- the facilities expire on 9 January 2012;
- as at 16 July 2010, the available facility under the £250.0m facility is an amount in excess of £236.6m which will reduce (subject to short-term increases to fund working capital requirements) to an amount just in excess of £208.3m prior to the termination date of the £250.0m facility;
- as at 16 July 2010, the available facility under the £77.3m facility is £45.0m which will reduce (subject to short-term increases to fund working capital requirements) to an amount just in excess of £39.6m prior to the termination date of the £77.3m facility;

- the facilities require a commitment fee and charges interest at 5% over LIBOR to 31 December 2010 and 6.5% over LIBOR thereafter;
- new financial covenants have been agreed and permanent waivers obtained in relation to the breaches referred to above.

Under certain circumstances, additional fees from 14 January 2011 of up to a maximum of approximately £5.0m could become payable.

The group has in addition a securitisation facility of up to £105.0m which expires on 9 January 2012, the amount of the available facility being dependent upon the level of certain debtor balances within Express Gifts Limited.

As a result of the above refinancing, bank loans which were shown as being due for settlement within one year are now due for settlement after one year. Had these new arrangements been in place at 2 April 2010 the group's balance sheet would have appeared as illustrated in the unaudited pro-forma consolidated balance sheet included on page 82.

Shareholder return and dividends

Benchmark* earnings per share were 2.60p compared to 17.36p (restated) last year. Basic loss per share was 20.02p compared to a figure of 38.89p (restated) in the comparative period. The board believes that the group's existing financial resources should be used to ensure liquidity and to invest in the group's operations. As such, the board has decided not to pay a final dividend for the 2009/10 financial period.

Net assets

Consolidated net assets amounted to £33.6m at the period end (2009 restated: £32.3m), reflecting a combination of the equity raising mentioned above and the level of other items charged to the income statement during the period. These net assets are equivalent to 6.9p per share.

Restatements in respect of prior years

The group has restated its 2009 results following identification of the accounting irregularities in the Education Supplies division.

Net assets were overstated at 3 April 2009 by £5.4m (2008: £2.4m) and revenue and cost of sales were overstated by £5.9m and £2.9m respectively due to incorrect recognition of overseas contracts. Cost of sales were understated by £2.7m and net assets were overstated at 3 April 2009 by £6.2m (2008: £3.5m) due to incorrect recognition of purchasing rebate arrangements with suppliers together with inflated inventory pricing arrangements. Net assets were also overstated at 3 April 2009 by £3.4m (2008; £3.6m), whilst cost of sales were overstated by £0.2m as a result of the overstatement of receivables and prepayments arising on disposal of certain businesses and product lines and understatement of credit notes. In addition, net assets were further overstated at 3 April 2009 by £2.8m (2008: £1.9m) with operating costs understated by £0.9m from the incorrect capitalisation of non-current assets. The under accrual of certain customer rebates and other unrecorded liabilities overstated net assets by £2.8m at both 3 April 2009 and 31 March 2008. There was no impact on the income statement in the period ended 3 April 2009 of this restatement.

Following improvements in the Express Gifts new financial systems, the group has decided to restate its 2009 results in respect of this business. A change to cut-off practice reduces net assets at 3 April 2009 by £0.9m (2008: £0.9m) with no impact on the income statement in the 2009 financial year. The recognition of certain transactions as an agent reduces both revenue and cost of sales in 2009 by £0.7m. In addition, a change to inventory pricing reduced inventory and net assets at 3 April 2009 by £1.0m (2008: £1.9m) and reduced cost of sales and increased 2009 operating profit by £0.9m.

Share price

The share price of Findel ranged from a low of 23.75p per share to a high of 162.50p per share during the financial period. On 1 April 2010, the last trading of the financial year, the mid market price was 24.25p per share, giving a market capitalisation of £118.7m at that date.

Cash flow

The group's net cash from operating activities was an inflow of £8.2m, compared with an inflow of £38.2m in the previous year. The reduction can be primarily attributed to the fact that a significant improvement in working capital was achieved in the previous year, which could not be repeated, combined with the impact of reduced availability of credit insurance to our suppliers.

The group continues to be focused on cash generation opportunities as a means of lowering group net borrowings.

Additional contributions over and above the normal funding costs of the group's pension schemes decreased slightly from £3.5m to £3.2m. Tax repayments of £8.9m were received in the period resulting from the changes in accounting policy made in the prior period and the carry back of tax losses against profits of earlier periods (2009: payment of £2.8m).

Interest paid increased from £24.3m to £32.2m reflecting the £12.2m of exceptional refinancing fees incurred in the period offset by the decreased cost of borrowing as a result of the lower average borrowings throughout the year.

Net cash used in investing activities increased from £10.0m to £13.8m. Of the £13.8m outflow in the period, £8.0m related to funds advanced to the Webb Group, as an associate.

As noted earlier, the group raised £74.4m through an equity issue during the year.

Publication of unaudited financial information

As part of the group's placing and open offer and firm placing of new ordinary shares in July 2009, certain financial disclosures were included in the prospectus dated 24 July 2009 ("the Prospectus") which were unaudited. Under the provisions of Listing Rule 9.2.18 "Publication of unaudited financial information", the company must:

- reproduce the unaudited information in the following year's Annual Report and Accounts (i.e. 2010 Annual Report and Accounts);
- disclose the actual figures for the same period covered by the reproduced information; and
- provide an explanation of any significant variations from the numbers actually achieved compared to those stated in the Prospectus.

The following unaudited financial information was included in the Prospectus:

"The Home Shopping division currently operates from seven warehouses across the north west of England. Plans are well advanced for the construction of a 55,000 pallet location high bay bulk storage warehouse to supply the division's major distribution site in Accrington. Leasing such a facility would enable the division to release five of its existing warehouses and is estimated to produce a tangible net cost saving of *c.*£3.3m a year. This facility will also release space in the Accrington site enabling the division to introduce a dynamic picking system, which, it is envisaged, will lead to further net cost savings of c.£2.5m a year. The construction and commissioning of the new high bay warehouse is expected to take around 18 months.

The Education Supplies division is positioning itself to grow market share. The division has recently installed a new computer system which is fully operational and has also constructed and occupied a new head office allowing administrative functions to be consolidated. This is estimated to produce a cost saving of £2.0m a year from the 2009/10 Financial Year. The rationalisation of stock keeping units and the product supply channel will result in a reduction in warehousing requirements producing further net cost savings of *c.*£2.0m per annum.

Continued uncertainty over public sector spending will lead schools to pay greater attention to price. The Education Supplies division has recognised this changing dynamic and has identified further efficiencies of approximately £2.0m that can be achieved. These efficiencies will enable the division to invest in and improve the customer offering. The board believes that these savings, together with the division's position as market leader, will enable it to become a low cost operator in the market and grow market share further."

In respect of the disclosures made above, the initial stage of the Full Potential Review has identified that the Education Supplies division has seen a continued loss of market share and plans are under development to address this situation. In the financial year ended 2 April 2010 the group achieved actual cost savings of £1.2m and £2.8m from restructuring actions implemented in the Home Shopping division and Education Supplies division respectively. On an annualised basis, the cost savings are £2.4m and £5.9m. Within the Home Shopping division, the construction of the bulk storage warehouse did not take place and the group has taken alternative action in consolidating warehouse space. The annualised cost saving achieved in the Education Supplies division is in line with the unaudited figure stated in the Prospectus.

Liquidity and funding

The maturity and currency profile of the group's borrowings are shown in note 25 to the financial statements and further background is provided in the equity and debt refinancing section above.

Treasury and risk management

The group's treasury function seeks to reduce or eliminate exposure to foreign exchange, interest rate and other financial risks, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. It does not engage in speculative transactions and transacts only in relation to underlying business requirements.

Interest rate risk management

The group's interest rate exposure is managed by the use of fixed and floating rate borrowings, and by the use of derivative arrangements as appropriate, details of which are set out in note 38 to the financial statements. There were no such arrangements outstanding at the period end.

At £31.4m, net interest costs were £8.8m higher than last year. This reflects the impact of several factors, notably the exceptional fees associated with the debt refinancing of £12.2m, the favourable movement on the fair value of derivative financial instruments of £6.6m and the £3.5m decrease in interest receivable from an associate. The benchmark net interest charge was covered 1.6 times by benchmark operating profit.

Currency risk management

A proportion of the products sold principally through the group's Home Shopping division are procured through the group's Far East buying office. The currency of purchase for these goods is principally the US dollar, with a proportion being denominated in Hong Kong dollars. The group has a policy of hedging these foreign currency denominated transactions by entering into forward exchange purchase contracts. At the balance sheet date, the group had foreign exchange forward contracts covering future purchases of US$14.0m in place.

Borrowing risk

The group's exposure to borrowing and cash investment risk is managed by dealing only with banks and financial institutions with strong credit ratings, within limits set for each organisation.

Principal risks and uncertainties

There are a number of risks and uncertainties that could impact the performance of the group over and above the treasury risks considered above. Group and divisional management, through the budgeting, forecasting and monthly review of actual results, review business risks and seek to mitigate these risks as far as possible, as described in the Corporate Governance report on pages 20 and 21. The risks relate to three key areas of review by the group being those specific to the group's divisions, economic and regulatory risks, and operational risks.

Risks specific to the group's divisions

The business of the Home Shopping division is seasonal, and is more heavily weighted towards the second half of the financial year. In addition the division is reliant on credit scoring techniques in the recruitment of new customers. In the Education Supplies division, the September and March "Back-to-School" periods account for much of the market's annual sales and profits. The group is focused on delivering a high quality of service and being well prepared for managing peak demand in all of its businesses.

The Education Supplies division could be adversely affected if a local authority were to withdraw "Approved Supplier" status. Furthermore the Healthcare division may fail to successfully renew existing contracts or win new contracts. The group is focused on maintaining appropriate quality of service to ensure it retains this supplier status and retains and wins new contracts.

Economic and regulatory risks

The group may be negatively affected by the impact of the recent economic downturn on consumer spending or the ability of its customers to service their debts. The group has a long track record of managing its customer base to achieve its twin goals of sales growth and customer credit risk management.

Any reduction in government spending on education or healthcare may adversely impact the performance of the Education Supplies or Healthcare divisions and may in turn have a material adverse effect on the group's business. As both divisions are large, efficient suppliers in their markets, this may widen the opportunities available to the group due to its scale and efficiency.

Continued or prolonged withdrawal of credit insurance traditionally provided to the group's suppliers could have an adverse effect on the group's business. In addition the failure of the group to meet its debt obligations or comply with the terms of its credit facilities could have a similar impact.

Interruptions in the availability or flow of stock from third party product suppliers or defaults by tenants on sub-let properties could have an adverse effect on the group's business. To mitigate this risk, the group purchases products from a wide variety of domestic and international third party product suppliers.

The group's operations may be adversely affected by legal, regulatory and other developments in countries in which it operates. The group is subject to a range of legal and regulatory requirements originating from the UK (particularly the Consumer Credit Act and Data Protection), the other countries in which it operates and in the European Union, particularly in areas of consumer protection, product safety, competition, provision of credit, selling of financial services and extended warranties, copyright royalties, levies, health and safety, taxation, environment, labour and employment practices (including pensions). The group manages these risks in conjunction with third party professionals, where appropriate.

Deteriorating markets and reputational risks could result in the impairment of goodwill, intangible assets (including brands) and property, plant and equipment, which may adversely affect the group's financial position. The group focuses on maintaining the highest quality of service to mitigate against any impairment in the value of its businesses.

Operational risk

The group is dependent on its senior management. The group has entered into employment contracts and taken other steps to encourage the retention of these individuals, and to identify and retain additional personnel.

The group's business may be affected by the default of third parties in respect of monies owing by them to the group. However the majority of amounts owed to the group comprise small balances spread across a large number of accounts and active consideration of credit risk is carried out throughout the group.

The group has funding risks relating to its defined benefit pension schemes. These schemes are subject to risks regarding the relative amount of each of the scheme's assets, which is affected by the value of investments held by the scheme and the returns derived from such investments, as compared to its liabilities, which are affected by changes in life expectancy, inflation and future salary increases. To improve the funding of these schemes the group has agreed funding plans with the schemes' trustees and as a result makes additional contributions to the schemes.

The group may fail to keep up with advances in internet technology. Furthermore information technology systems failure or disruption could impact the group's day-to-day operations. The group relies heavily on its information technology systems to record and process transactions and manage its operations as well as to enable its customers to purchase products on-line and over the phone. The group has seen significant growth in the proportion of its home shopping sales which are derived from the internet, and these now represent over 60% of the total sales of the Home Shopping division. The group is focused on investing appropriately in its information technology systems and maintaining its e-commerce capabilities.

The group is dependent on third parties for outsourcing functions. The group carries out extensive reviews of any potential outsourcing partner.

Loss of, or disruption to, the group's distribution centres and administrative sites would have a material adverse effect on the group's business. The group has established disaster recovery procedures designed to minimise the impact of any such disruption.

Financial risk

The group is reliant on the continued provision of credit facilities, and the ability to refinance them as they fall due, to support its operations as it seeks to reduce its net borrowings to a more appropriate level. The current facility agreements include various financial covenants which, if not complied with, would enable the lenders to seek immediate repayment of amounts outstanding under the outstanding credit facilities.

The group has renegotiated its financing facilities as set out on pages 7 and 8 above which in varying amounts are available until January 2012. Whilst the group has banking facilities contractually in place until January 2012 the directors have agreed to continue discussions with the group's bankers on new medium-term facilities on an ongoing basis. The Facility Agreement includes incentive arrangements to encourage the agreement of new medium-term facilities through a progressive charging structure.

Accounting policies and standards

The principal accounting policies applied by the group are shown on pages 40 to 48. These include the implementation this year of IFRS 8 "Segmental Reporting". With the exception of new standards adopted, the accounting policies have been applied consistently throughout the current and preceding periods.

Going concern basis

In determining whether the group's financial statements for the period ended 2 April 2010 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 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 above.

Principally as a result of the impairment charges of £62m arising in the period the current restriction set out in the Articles of Association in relation to the company's borrowing powers is no longer appropriate. The directors have requested a sanction from the shareholders of the company, by way of an ordinary resolution, to vary the company's borrowing limit by introducing a specified maximum borrowing limit which the board will keep under review. The directors have proposed an ordinary resolution at the forthcoming annual general meeting seeking shareholder approval to permit the current borrowing limit to be exceeded up to a maximum borrowing limit of £450m and to ratify and approve any and all infringements by the directors prior to the annual general meeting of their duties to restrict the company's borrowings.

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.

In forming their conclusions over the adoption of the going concern basis, the directors have considered the possibility of the ordinary resolution at the annual general meeting relating to the proposed variation of the company's borrowing limit not being approved by shareholders and consider this possibility to be remote.

Taking into account the above uncertainties and circumstances, the directors have 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 annual consolidated financial statements.

Chris Hinton
Group Finance Director

20 July 2010

DIRECTORS AND ADVISORS

Chairman D A Sugden*

Chief Executive P B Maudsley

Finance Director C D Hinton

Non-executive E F Tracey**

G P Craig**

M L Hawker**

S S McKay**

* Member of the Nomination Committee
** Member of the Audit, Remuneration and Nomination Committees

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Auditors

Deloitte LLP
1 City Square
Leeds
West Yorkshire
LS1 2AL

Registrars

Equiniti Limited
Aspect House
Spencer Road
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West Sussex
BN99 6ZL

The directors present their annual report and accounts on the affairs of the group, together with the financial statements and auditors' report for the period ended 2 April 2010. The Corporate Governance Statement set out on pages 17 to 21 forms part of this report.

Activities

The principal activities of the group are home shopping and education supplies sales through mail order catalogues and the internet and the provision of outsourced healthcare services.

Review of the Year and Future Prospects

The key performance indicators which management consider are important comprise:

- operating margins;
- average order value;
- retention rates in Home Shopping; and
- on-time collections and deliveries within Healthcare.

These can be found within the Chairman's Statement and Finance Director's Review on pages 2 to 12, along with a review of the group's activities, the principal risks and uncertainties facing the group and its future prospects.

Dividends

The directors have determined that no interim dividend (2009: 2.20p per share) nor final dividend (2009: nil) will be paid.

Capital Structure

Details of the authorised and issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 30.

The company has one class of ordinary shares which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 29. Shares held by the Findel plc Employee Benefit Trust abstain from voting.

No person has any special rights of control over the company's share capital and all issued shares are fully paid.

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the Combined Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on page 18.

There are a number of agreements that take effect, alter or terminate upon a change of control of the company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. None of these are considered to be significant in terms of their likely impact on the business of the group as a whole and any such situation would be carefully managed to ensure that any effect on the business was minimised. Furthermore, the directors are not aware of any agreements between the company and its directors or employees that provide for compensation for loss of office or employment that occurs as a consequence of a takeover bid, other than as disclosed in the Board Report on Directors' Remuneration.

A resolution will be proposed at the annual general meeting authorising the directors to allot shares and other securities of the company and empowering them in certain limited circumstances to issue shares for cash without first being required to offer such shares to existing shareholders. If the resolutions are passed the directors will be able to allot 161,515,918 ordinary shares with a nominal value of £8,075,795 representing 33% of the issued share capital and, in line with ABI guidance, 323,031,836 ordinary shares with a nominal value of £16,151,591 representing 66% of the issued share capital in connection with a rights issue. The company will be able to issue 24,472,108 ordinary shares with a nominal value of £1,223,605 representing 5% of the issued share capital for cash without first offering them to existing shareholders.

A resolution will be proposed at the forthcoming annual general meeting to renew the authority for the company to purchase up to 10% of its own shares. The authority would only be exercised when it was in the best interests of shareholders and would be expected to lead to an increase in earnings per share.

The directors consider these resolutions to be in the best interests of the shareholders as a whole and unanimously recommend that shareholders vote in favour of all resolutions.

Publication of unaudited financial information

As part of the group's placing and open offer and firm placing of new ordinary shares in July 2009, certain financial disclosures were included in the prospectus dated 24 July 2009 ("the Prospectus") which were unaudited. Under the provisions of Listing Rule 9.2.18 "Publication of unaudited financial information", the company must:

- reproduce the unaudited information in the following year's Annual Report and Accounts (i.e. 2010 Annual Report and Accounts);
- disclose the actual figures for the same period covered by the reproduced information; and
- provide an explanation of any significant variations from the numbers actually achieved compared to those stated in the Prospectus.

The above information is set out on page 9 of the Finance Director's Review.

Supplier Payment Policy

The policy of the company is to agree in advance the terms of payment with suppliers, ensure suppliers are made aware of these terms and to abide by such terms. The company's trade payables at 2 April 2010 represented 53 creditor days (2009: 66 days) based on the total amounts invoiced by suppliers during the year.

Directors

The directors of the company at the date of this report are shown on page 13. Information concerning their interests in the share capital of the company is included in the Board Report on Directors' Remuneration on page 31. All the directors served throughout the year except Mr Sugden and Mr Tracey, who were appointed on 17 and 28 August 2009 respectively, and Mr K Chapman, Mr P E Jolly, Dr I J Bolton and Mr D A Johnson who were each directors of the company from the beginning of the year and retired on 1 April 2010, 30 November 2009, 22 September 2009 and 22 September 2009 respectively. Mr Maudsley will retire by rotation and, being eligible, will offer himself for re-election at the annual general meeting. Messrs Sugden and Tracey will retire in accordance with the Articles of Association and, being eligible, offer themselves for election at the annual general meeting. Mr Craig will also retire, but has decided not to seek re-election.

Mr D A Sugden (59, chairman)
David Sugden joined the board in August 2009 as a non-executive director and was appointed chairman at the beginning of April 2010. He was previously chairman of BPP Holdings plc and MSB International plc and chief executive of Geest plc. He is a non executive director of Greencore Group plc.

Mr P B Maudsley (49, chief executive)
Philip Maudsley joined the group in 1987 as general manager of a manufacturing subsidiary. He became managing director of the Home Shopping division in 1994 and was appointed to the board on 6 April 2004. He was subsequently appointed group managing director in December 2004, chief operating officer in May 2006 and then chief executive in November 2009.

Mr C D Hinton (40, group finance director)
Chris Hinton joined the board in October 2007. He has a strong background in corporate finance and was previously group finance director of Lorien plc.

Mr E F Tracey (62, senior non-executive director)
Eric Tracey joined the board in August 2009. He is the senior non-executive director at Chloride Group plc and is a non-executive director of the NEC Group and a director of Burtons Holdings Ltd having previously been a partner for 25 years at Deloitte & Touche until 2004 and the acting finance director for Amey Plc and finance director for Wembley Plc.

Mr G P Craig (63, non-executive director)
Gordon Craig joined the board in October 1997. Until his retirement in 1997 he was a director of M & G Investment Management Limited and was later the chairman of Stirling Group Limited.

Mr M L Hawker (60, non-executive director)
Mike Hawker joined the board in July 2006, having previously been chief executive of Otto (UK). Prior to his position at Otto (UK), he was chief executive of Redcats Group and prior to that, a director of Sears plc.

Mr S S McKay (63, non-executive director)
Stuart McKay joined the board in July 2007. He has over 35 years' experience in stationery supplies and retailing.

Employees

The company recognises its social and statutory duty to employ disabled persons and pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others. Information to employees regarding the company and factors affecting its performance and that of its subsidiaries is provided through normal management channels and regular consultation.

Donations

During the year the group made charitable donations of £151,000 (2009: £75,000). There were no donations for political purposes (2009: £nil).

Substantial Shareholdings

In addition to the directors' interests set out in the remuneration report, the company has been notified of the following interests in its share capital at 14 July 2010:

	Number of Shares	Proportion of Share Capital	Number of voting rights	Proportion of voting rights
Material interests of 3% or more:				
Schroders plc	141,885,319	28.98%	141,885,319	28.98%
Toscafund Asset Management LLP	68,828,763	14.06%	68,828,763	14.06%
Henderson Global Investors Limited	30,505,102	6.23%	30,505,102	6.23%
Credit Suisse Group AG	29,316,840	5.98%	29,316,840	5.98%
Norges Bank	24,725,650	5.05%	24,725,650	5.05%
Standard Life Investments Limited	23,013,311	4.70%	23,013,311	4.70%
Legal & General Group PLC	19,765,026	4.03%	18,191,074	3.71%
AXA S.A.	17,454,403	3.56%	17,454,403	3.56%

Articles of Association

Principally as a result of the impairment charges of £62m arising in the period, the directors believe that the current restriction set out in the Articles of Association in relation to the company's borrowing powers is no longer appropriate. The directors believe that it would be prudent to request a sanction from the shareholders of the company, by way of an ordinary resolution, to vary the company's borrowing limit by introducing a specified maximum borrowing limit which the board will keep under review.

The directors have proposed an ordinary resolution at the forthcoming annual general meeting seeking shareholder approval to permit the current borrowing limit to be exceeded up to a maximum borrowing limit of £450m and to ratify and approve any and all infringements by the directors prior to the annual general meeting of their duties to restrict the company's borrowings.

Auditors

In the case of each of the persons who are directors of the company at the date when this report was approved:

- so far as each of the directors is aware, there is no relevant audit information (as defined in the Companies Act 2006) of which the company's auditors are unaware; and
- each of the directors has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information (as defined) and to establish that the company's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Deloitte LLP have notified their willingness to continue as auditors of the company and their re-appointment will be proposed at the annual general meeting. The board has decided however to review the position of Deloitte LLP as auditor following the annual general meeting and will conduct a tender for the role in the first half of the current financial period.

By order of the board
I J Bolton
Secretary

20 July 2010

The board has confirmed its commitment to business integrity and professionalism in all its activities and maintaining the highest standards in corporate governance, albeit that some important shortcomings against this aspiration have been noted during the period under review.

Compliance

The board considers that throughout the year under review the company has, with the exception of the matters listed below (all of which have now been rectified), complied with the Code provisions set out in Section 1 of the 2008 FRC Combined Code on corporate governance (the Combined Code), and with the rules of the UK Listing Authority:

A.2.2 The executive chairman to 1 April 2010 was previously the chief executive.

A.6 The deferral of board performance appraisal as noted below.

C.3.5 A head of internal audit was not appointed until December 2009 and a full annual programme of internal audit work was not approved until 7 July 2010.

Application of the principles of the Combined Code

This report explains how the company has applied the principles of the Combined Code to its activities. Section 1 of the Combined Code sets out the main and supporting principles of good governance for companies, which are split into the following topics: directors; remuneration; accountability and audit; and relations with shareholders.

The Board

As at 2 April 2010, the board was made up of seven members comprising the chairman, Mr D A Sugden, the chief executive, Mr P B Maudsley, the finance director, Mr C D Hinton, and four non-executive directors. The non-executive directors are considered by the board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Biographical details of each of the directors, which illustrate their range of experience, are set out on page 15.

The division of responsibilities between the chairman and chief executive is currently under review. As a result of the discovery of accounting entries in the Education division and subsequent investigations, the chairman has of necessity become more deeply involved in certain aspects of the day-to-day running of the group alongside the chief executive as well as leading the development of group strategy. The chief executive is responsible for implementing the strategy and for the day-to-day running of the group.

The senior independent director is Mr E F Tracey and he is the director whom shareholders may contact if they feel their concerns are not being addressed through the normal channels. The non-executive directors meet at least once a year without the executive directors present.

Directors are subject to election at the annual general meeting immediately following their appointment and to re-election every three years. Any director attaining the age of 70 or, being a non-executive director having served for seven years or more on the board, is subject to re-election annually. Following the annual performance evaluation by the other non-executive directors of the chairman and the non-executive director subject to election, Mr E F Tracey, the board confirms that their performance has been effective throughout the period since their appointments during the year and they have continued to demonstrate commitment to their roles.

Every year the board assesses whether each non-executive director is independent against the criteria set out in the Combined Code. Mr S S McKay joined the board in July 2007 and retires by rotation. The Nomination Committee and the board have reviewed his performance and concluded that he makes an effective and valuable contribution as a non-executive director and in his role on the Audit, Remuneration and Nominations Committees. The Nomination Committee therefore endorses Mr McKay's re-election as a director which is proposed at the forthcoming annual general meeting. Mr Craig was first elected at an annual general meeting on 1 July 1998 and has since then served for approximately eleven years. In view of his long tenure and in order to further comply with the Code of Best Practice, Mr Craig has decided not to seek re-election at the forthcoming annual general meeting. A search has been initiated for a further independent non-executive director.

During the period Mr K Chapman retired as executive director and chairman, Mr P E Jolly retired as executive director and chief executive, Dr I J Bolton retired as executive director, but remains as company secretary, and Mr D A Johnson retired as a non-executive director.

Board Procedures

The board met formally on eight occasions during the period and individual attendance at those and the Board Committee meetings is set out in the table below. The chairman is currently reviewing the adequacy and timeliness of the information supplied to directors to enable them to discharge their duties. In addition to matters statutorily reserved for a board, there is an agreed Schedule of Matters reserved for the board for collective decision including:

- determining the strategy and control of the group;
- amendments to the structure and capital of the group;
- approval of financial reporting and internal controls;
- approval of capital and revenue expenditure of a significant size;
- acquisitions and disposals above a prescribed level; and
- corporate governance matters and approval of group policies and risk management strategies.

To enable the board to perform its duties effectively all directors have full access to all relevant information and to the services of the company secretary whose responsibility it is for ensuring that board procedures are followed. The appointment and removal of the company secretary is a matter reserved for the board. There is an agreed procedure whereby directors wishing to take independent legal advice in the furtherance of their duties may do so at the company's expense. Appropriate training is available to all directors on appointment and on an ongoing basis as required.

The terms of reference for each of the Board Committees, which were reviewed and updated to conform to best practice during the year, are available on request from the company secretary or on the company's website (www.findel.co.uk).

Attendance at Board and Committee Meetings

The following table shows the attendance of directors at meetings of the board and of the Audit, Remuneration and Nomination Committees of the board during the period to 2 April 2010:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
D A Sugden [1] [2]	4	2	3	1
P B Maudsley	8	*	*	*
C D Hinton	8	*	*	*
E F Tracey [1]	4	2	3	2
G P Craig	8	3	4	3
M L Hawker	8	3	4	3
S S McKay	8	3	4	3
K Chapman	8	*	*	*
P E Jolly [1]	6	*	*	*
I J Bolton [1]	4	*	*	*
D A Johnson	2	*	*	*
Number of meetings in the year	8	3	4	3

* where an asterisk appears in the table the director listed is not a member of the committee.

[1] attended all appropriate meetings during period of tenure
[2] resigned from the Audit and Remuneration Committees on appointment as chairman

Board Effectiveness

The non-executive directors, chaired by the senior independent director, met subsequent to the financial year-end without the chairman present to assess his performance. The senior independent director then discussed the results of that assessment with the chairman.

In the light of the time devoted in the last four months to investigating the matters discovered in the Education Supplies division and the renegotiation of bank facilities and the ongoing restructuring of the board, the board has deferred the appraisal of the performance of the board and its committees which would normally have been done in this period until later in the current year.

Relations with Shareholders

The company recognises the importance of communicating with its shareholders, including its employee shareholders, to ensure that its strategy and performance are understood. This is achieved principally through the Half Year Report, Interim Management Statements, the Annual Report and the annual general meeting. In addition, a range of corporate information is available to investors on the company's website (www.findel.co.uk).

The chairman is primarily responsible for investor relations. Feedback from major shareholders is reported to the board and discussed at its meetings. Formal presentations are made to institutional shareholders following the announcement of the company's full year and half year results. During the year the senior independent director has been available to meet with institutional shareholders if requested. The board recognises that the annual general meeting is the principal forum for dialogue with private shareholders. All directors normally attend the annual general meeting and are available to answer any questions that shareholders may wish to raise. The Notice of Meeting is sent to shareholders at least 20 working days before the meeting. Shareholders vote on a show of hands, unless a poll is validly called and after each such vote the number of proxy votes received for and against the resolution is announced.

The Remuneration Committee

The Remuneration Committee operates under written terms of reference which were reviewed during the period and are available on the company's website (www.findel.co.uk). It is comprised of only independent non-executive directors. The chairman is Mr M L Hawker. The committee's report is set out on pages 23 to 31.

Nomination Committee

The Nomination Committee operates under written terms of reference which were reviewed during the period and are available on the company's website (www.findel.co.uk). Its principal duty is the nomination of suitable candidates for the approval of the board to fill executive and non-executive vacancies on the board. The Nomination Committee during the year comprised the executive chairman and the independent non-executive directors. The chairman is Mr D A Sugden.

Prior to last year's equity fund raising, Mr E F Tracey assisted the board in a review of its structure, which involved meeting all but one of the directors, having been introduced by the company's financial advisor. Subsequent to the fund raising, he was invited to join the board as a non-executive director. Mr D Sugden was similarly invited to join the board as a non-executive director following an introduction by the company's financial advisor. As part of the ongoing review of board composition, Mr P B Maudsley was promoted from chief operating officer to chief executive as a successor to Mr P Jolly on his departure. In essence, the roles of chief executive and chief operating officer were combined at this point. Mr Chapman's decision to retire occurred at the time the Education Supplies division accounting irregularities were identified and resulted in a need for a new chairman who had some experience of the group and who could maintain the confidence of both equity and debt stakeholder interests. The board adopted the recommendation of the Nominations Committee to invite Mr Sugden to become chairman, having consulted both sets of stakeholders.

Audit Committee

The Audit Committee operates under written terms of reference, which were reviewed during the period and are available on the company's website (www.findel.co.uk). It meets at least three times a year and is comprised of only independent non-executive directors. Mr E F Tracey, chairs the committee. The committee, taken as a whole, is considered to have significant recent and relevant financial experience. The expertise and experience of the members of the committee are summarised on page 15. The group finance director and, since 2 April 2010, the chairman attend meetings by invitation and the committee also meets with the external auditors without management present.

The external auditors attended all of the meetings (in part if appropriate) and have direct access to the committee chairman. The chairman of the committee attends the annual general meeting to respond to any shareholder questions that might be raised on the committee's activities.

The committee has the power to engage outside advisers if it considers it to be necessary.

The committee met three times in the year and its agenda is linked to events in the company's financial calendar. The agenda is mostly cyclical such that the committee chairman approves the agenda on behalf of all members. Each member may require reports on matters of interest in addition to the regular items. The committee has already met three times in the current financial year.

Following the receipt of the KPMG report in connection with the unsubstantiated accounting entries in the Education Supplies division, the board has requested a full review of the operation of the group's "whistleblowing" policy under which employees may in confidence notify the company of any concerns, including inter alia matters involving financial reporting. A copy of the whistleblowing policy is available on the company's website (www.findel.co.uk). The audit committee is awaiting a further report from KPMG on its investigation into the actions of individuals involved in the discoveries at the Education Supplies division before deciding what further steps are appropriate.

The board is aware of the need to maintain an appropriate degree of independence and objectivity on the part of the group external auditors when engaged in non-audit assignments. The audit committee reviews annually the independence of the external auditors and the safeguards that they have in place, including partner and staff rotation to avoid such independence and objectivity being compromised.

The group policy on the provision by the external auditors of audit and non-audit services, which is based on the principle that the external auditors should only undertake non-audit services where they are the most appropriate provider, categorises such services between:

- Auditor permitted services – Those services which are acceptable for the auditors to provide and the provision of which can be engaged without referral to the Audit Committee (e.g. regulatory and other specialist financial reporting);
- Auditor excluded services – Those engagements that the Audit Committee and the board do not consider appropriate for the auditors to undertake (e.g. provision of outsourced financial or operational management functions);
- Auditor authorised services – Those services for which it is appropriate to consider the use of the external auditors and for which the specific approval of the Audit Committee is required before the auditors are permitted to provide the service (e.g. transaction support and advisory work, such as due diligence).

The policy defines the types of services falling under each category and sets out the criteria to be met and the internal approvals required prior to the commencement of any assignment. The Audit Committee reviews an analysis of all services provided by the external auditors. The policy is reviewed annually by the Audit Committee and approved by the board.

This disclosure of the fees payable to Deloitte LLP for both audit and non-audit services performed during the year is set out in note 11 to the consolidated financial statements. A breakdown of the non-audit fees is included in the same note. During the period, a significant amount of non-audit related services were performed by the external auditors as a consequence of the challenges faced by the group. The two major components of this work related to advice and support in connection with the amendment of the group's borrowing facilities and reporting accountants work in connection with the equity raising. Both these pieces of work were concluded in July 2009. In both cases, Deloitte performed work ordinarily undertaken by auditors for companies involved in such projects. The external auditors and committee chairman have regular dialogue concerning matters of independence and a report is made formally to the committee on this matter at least once a year. The Audit Committee is satisfied with the level of fees, independence, objectivity and effectiveness of Deloitte LLP. Accordingly a resolution for the re-appointment of Deloitte LLP as auditors of the company will be proposed at the forthcoming annual general meeting. The board has decided however to review the position of Deloitte LLP as auditor following the annual general meeting and will conduct a tender of the role in the first half of the current financial period.

The group introduced a dedicated internal audit function during the period. The board will continue to keep this function under review and ensure that it is adequately resourced.

Risk Management and Internal Control

The board is responsible for the group's system of internal control and for reviewing its effectiveness. It is the role of management to implement the board's policies on risk and control through the design and operation of appropriate internal control systems. Operating management is charged with the ongoing responsibility for identifying risks facing each of the operating units and for putting in place procedures to mitigate, manage and monitor risks; The risk and control identification and management process is monitored and periodically reviewed by group executive management and the audit committee; The system of internal control is designed to manage rather than eliminate the risk of failing to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Following the discovery of accounting issues in the Education division the board asked KPMG to carry out a full investigation into the robustness of the group's balance sheets at 2 April 2009 and 26 February 2010 and also worked with the company's auditor, Deloitte, to confirm the quantum of the matters discovered and ensure that there were not similar issues elsewhere in the group. No further adjustments arose. However, these reviews have to date identified a number of areas for improvement in the group's internal reporting and control systems.

The board has conducted its annual review of the effectiveness of the group's system of internal control. This review has covered all controls including operational, compliance and risk management procedures, as well as financial. The formal process followed, and reviewed by the board, to assess the effectiveness of the group's system of internal control accords with the guidance set out in the Turnbull Report "Internal Control: Guidance for directors on the Combined Code" and is part of the ongoing process for identifying, evaluating and managing the significant risks faced by the group.

Given the discoveries at the Education Supplies business and the need to dispose urgently of the Webb and some other businesses to preserve cash resources, coming on top of the need to effect large scale adjustments in respect of accounting policy changes in last year's financial statements, the board acknowledges the need to improve the operation of the group's systems of controls and reporting. Accordingly, the group's senior management has enhanced existing controls with improved sign-off processes around monthly management accounts and controls reviews and expanded the role of internal audit which is now a key part of the group's operations. The whole control environment will be the major topic for the audit committee throughout the current period.

By order of the board

Ivan Bolton
Secretary

20 July 2010

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements. The directors are required to prepare financial statements for the group in accordance with International Financial Reporting Standards ("IFRS") and have chosen to prepare those for the company in accordance with UK Generally Accepted Accounting Practice ("UK GAAP").

In the case of UK GAAP accounts the directors are required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on a going concern basis, unless it is inappropriate to presume the company will continue in business.

In the case of IFRS accounts, International Accounting Standard 1 requires that financial statements present fairly for each financial year the company's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's "Framework for the preparation and Presentation of Financial Statements". In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable International Financial Reporting Standards. Directors are also required to:

- properly select and apply accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- make an assessment of the company's ability to continue as a going concern.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company, for safeguarding the assets, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a directors' report and directors' remuneration report which comply with the requirements of the Companies Act 2006.

The directors are responsible for the maintenance and integrity of the company website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements differs from legislation in other jurisdictions.

Each of the directors, whose names are listed on page 13, confirms that, to the best of their knowledge:

1. The financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
2. The management report, which is incorporated into the directors' report, includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

Introduction

This report has been prepared in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006. The report also meets the relevant requirements of the Listing Rules of the Financial Services Authority and describes how the board has applied the principles of good governance relating to directors' remuneration. As required by the Regulations, a resolution to approve the report will be proposed at the annual general meeting of the company.

The information set out in the following section of the report is not subject to audit.

Remuneration Committee

Remuneration of the executive directors, including the chairman, is determined by the Remuneration Committee. Members of the Remuneration Committee are the independent non-executive directors, who were Messrs G P Craig, M L Hawker and S S McKay throughout the period, and Messrs D A Sugden and E F Tracey following their appointment as non-executive directors. The chairman was Mr Hawker. Mr Sugden stepped down from the Remuneration Committee on his appointment as chairman of the company. No member of the Remuneration Committee has any personal financial interest, other than as a shareholder, in the matters to be decided, nor any potential conflict of interest arising from cross-directorships, nor any day-to-day involvement in running the business throughout the period.

The chairman of the company normally attends meetings of the Remuneration Committee by invitation except when matters concerning his own remuneration are discussed. The Remuneration Committee is assisted when required by Hewitt New Bridge Street (a trading name of Hewitt Associates Limited), who are appointed by the Remuneration Committee and who provide no other services to the company.

The Remuneration Committee meets two or more times a year. Individual attendance details can be found within the Corporate Governance Report. The Remuneration Committee's terms of reference are available on the company's website (www.findel.co.uk); its responsibilities include:

- determining the specific remuneration of each of the executive directors, the chairman and the terms of their service agreements (in particular, the term and any notice period);
- advising on and monitoring all performance-related formulae;
- administering all aspects of the share-based incentive schemes operated by the company from time to time, including noting award levels made outside of the executive director population;
- reviewing on a continuing basis the company's policy on executive remuneration;
- having regard, in the performance of the above duties, to the requirements of the Listing Rules and the recommendations set out in the Combined Code annexed to the Listing Rules and any other published guidelines or recommendations regarding the remuneration of directors of listed companies which the Remuneration Committee considers relevant or appropriate;
- considering and making recommendations to the board concerning disclosure of details of remuneration packages and structures in addition to those required by law or by the UK Listing Authority or the London Stock Exchange; and
- considering such other matters as may be requested by the board.

Policy on Remuneration of Executive Directors

The remuneration policy for executive directors is to offer a remuneration package which will attract and retain the highest calibre of executive and to ensure that individual rewards and incentives are properly aligned with personal performance, the performance of the group, and the interests of shareholders. A significant proportion of total remuneration is expected each year to be performance related. This policy is expected to continue in future years.

Remuneration policy is reviewed regularly and the Remuneration Committee is satisfied that the current policy does not encourage undue risk-taking and that it is not in conflict with the company's policies on internal controls that are used to manage risk more generally. In light of the prevailing economic circumstances and difficult trading conditions basic salaries were frozen and no annual bonuses were earned or paid for the period under review.

Full details of each element of the current remuneration package are set out below, which include basic salary and benefits, performance related bonus, long-term incentives and pension rights. The main elements are:

(i) Basic salary and benefits

The level of basic salary and benefits is determined by the Remuneration Committee taking into account the performance of the individual and advice and information from independent sources on the rates of salary for similar positions. Individual salaries of executive directors are normally reviewed annually by the Remuneration Committee to maintain appropriate relativities within the executive director population and within a general policy that base salary levels are set with regard to market median levels in relation to similar sized UK listed businesses and considering other elements of the package. No salary increases were awarded during the period under review and, taking into consideration the continuing difficult trading conditions there are to be no salary increases awarded during the current financial year to executive directors.

Mr D A Sugden was appointed as chairman on 2 April 2010. In relation to his tenure as chairman he is initially undertaking a strategic review of the company's businesses and is working closely with the new chief executive to deliver a successful turnaround programme. As a result of these responsibilities he is to be paid an annual base salary of £300,000. Since the appointment is currently anticipated to be for a limited period of time, no long-term incentives will be granted. However, Mr Sugden will participate in the annual bonus plan (as described below) to ensure alignment of short-term objectives across the executive management team. The level of base salary took into account the role to be undertaken and the specific skills and experience of the individual. On reverting to a more traditional chairman's role, his remuneration package will be restructured accordingly.

Benefits of the executive directors normally include the provision of a car, fuel, private medical insurance, permanent health insurance and home telephone costs.

(ii) Performance related bonus

Executive directors each receive the opportunity to achieve an annual performance related bonus of up to 100% of basic salary in line with market practice in companies of a comparable size and complexity. These payments are dependent on achievement of stretching profit targets and other key criteria. The targets are set at levels which are challenging in relation to budgets which take account of the current economic environment and are aligned with enhancing the performance of the group.

No bonuses were earned or paid in the period under review as stated above. For the current financial year the bonus targets have been tailored to the key objectives of the business, including returning the company to acceptable levels of profitability. No bonuses will be earned unless minimum levels of threshold performance which are consistent with budgeted performance are delivered or other key objectives are achieved. Maximum payment can only be earned as a result of performance well above budgeted levels. Bonus is earned on an incremental basis between the threshold and maximum performance levels.

(iii) Share option

One executive director, Mr P B Maudsley has a continuing interest in a share option previously granted as detailed on page 30 below, however no options have been granted during the year and it is not the Remuneration Committee's intention to make further share option awards.

(iv) Performance Share Plan (PSP)

The Remuneration Committee reviews the long-term incentives offered to executive directors on an ongoing basis to ensure they remain appropriate given the current needs of the business and wider best practice investor guidelines.

The PSP was approved by shareholders at the 2006 annual general meeting and is the sole long-term incentive arrangement which is now offered to executive directors.

The performance targets, with the exception of the awards granted in November 2008, have been a challenging sliding scale of normalised earnings per share (EPS) targets and relative total shareholder return targets (TSR). For the awards made in November 2008, the Remuneration Committee revised the targets to better reflect the primary objective of debt reduction with the targets being set to reflect the discussions undertaken with the company's banks during the period prior to the 2009 refinancing exercise.

Full details of the conditions applying in the period under review are set out below with details of targets for past awards set out below the table included on page 30.

The key features of the PSP are described below:

Maximum award limit

Executive directors and senior managers are eligible to receive conditional awards of Performance Shares up to a value of 150% of salary in any year. In exceptional circumstances, such as recruitment, awards may be up to 200% of salary.

During the period under review awards were made to the executive directors at 100% of their salaries and, in addition, Mr P B Maudsley received a further 50% of his salary award to reflect his appointment as chief executive (no other amendments to his remuneration package were made in lieu of his promotion to chief executive), with the higher award felt important to recognise his additional responsibilities in a manner that was fully aligned with the long-term interests of the company's shareholders. The company's largest shareholders were consulted in advance of granting the additional award and the performance targets applying to the additional 50% of salary award are more challenging than those applying to the awards granted up to 100% of salary (see below).

Performance conditions

Following use of debt reduction targets for awards granted in November 2008, the Remuneration Committee undertook a review of the performance measures to apply to awards to be granted during the period under review. The conclusion of the review was that a return to using EPS and TSR in tandem was appropriate since the company is working towards delivering long-term sustainable growth in EPS at the same time as delivering a turnaround in the business which is anticipated to be aligned with improved relative performance.

Accordingly, consistent with the structure of the performance targets applying to awards granted before November 2008, half of awards granted during the year under review were subject to the company's EPS performance with the other half subject to the relative TSR of the company compared against the constituents of the FTSE Small Cap index (excluding Investment Trusts).

For awards granted to executive directors up to 100% of salary during the year under review, the targets that applied were as follows:

Relative Total Shareholder Return (50% of award)

Findel's TSR Ranking versus FTSE Small Cap (excluding investment trusts)	Percentage Vesting
Below median	0%
Median	30%
Upper quartile	100%

Straight line vesting between performance points

Earnings Per Share (50% of award)

2012 Adjusted EPS	Percentage Vesting
Below 6.0p	0%
6.0p	30%
6.2p	100%

Straight line vesting between performance points

For awards granted above 100% of salary to executive directors (i.e. the additional 50% of salary granted to Mr P B Maudsley), the following targets apply:

Relative Total Shareholder Return (50% of the additional award)

Findel's TSR Ranking versus FTSE Small Cap (excluding investment trusts)	Percentage Vesting
Below median	0%
Median	0%
Upper decile	100%

Straight line vesting between performance points

Earnings Per Share (50% of the additional award)

2012 Adjusted EPS	Percentage Vesting
Below 6.0p	0%
6.0p	0%
6.4p	100%

Straight line vesting between performance points

The range of EPS targets set took due account of prevailing economic conditions and it was decided that awards in the period under review would be made in two separate tranches being (i) shortly after our results announcement for the full financial year and (ii) after our interim results announcement. Granting awards in two separate parts was felt appropriate so that separate TSR performance periods would apply to each part of the award (i.e. the first half of the award has a performance period from 1 April 2009 to 31 March 2012 with the second performance period running from 1 September 2009 to 31 August 2012). This was felt appropriate to smooth the effect of volatile market conditions on the TSR performance condition (in addition to operating three month averaging periods at the start and end of each period). Share price movements were also taken into account when determining the aggregate quantum with the aggregate award levels noted above considered appropriate given the Remuneration Committee's objective of incentivising the executives and the desire for the continued retention of the current executive directors in light of the restructuring of the board.

The performance targets to apply in the current financial year are currently under review and will be disclosed in next year's Directors' Remuneration Report. Previous performance targets were set before the discovery of the irregularities in the Education division and the performance targets for future awards will be adjusted accordingly. Any material change in the structure of the targets would be the subject of consultation with major shareholders.

(v) Shareholding guidelines

At the same time as introducing the PSP the Remuneration Committee introduced share ownership guidelines. Executive directors are expected to retain no fewer than 50% of any shares delivered under the PSP net of taxes until such time as a shareholding equivalent to 100% of their base salary has been achieved.

(vi) Pension rights

Generally, the policy for executive directors' pension arrangements is to offer a contribution towards the executive's pension arrangement. During the period the company has contributed 20% of Mr P E Jolly's basic salary into his SIPP and has provided 12% of Mr C D Hinton's basic salary for contribution into his personal pension arrangement.

The other executive directors have historically participated in the company's defined benefit pension arrangement (the Findel Group Pension Fund (the "Fund")) which targeted a pension of up to two-thirds of final pensionable earnings at a normal retirement age of either 60 or 65. The Fund was closed to future service accrual during the period under review.

Mr Maudsley remains a member of the Fund but no longer accrues benefits under the pension Scheme, instead electing to receive a cash equivalent contribution into a personal arrangement. The amount during the period under review was £83,020.

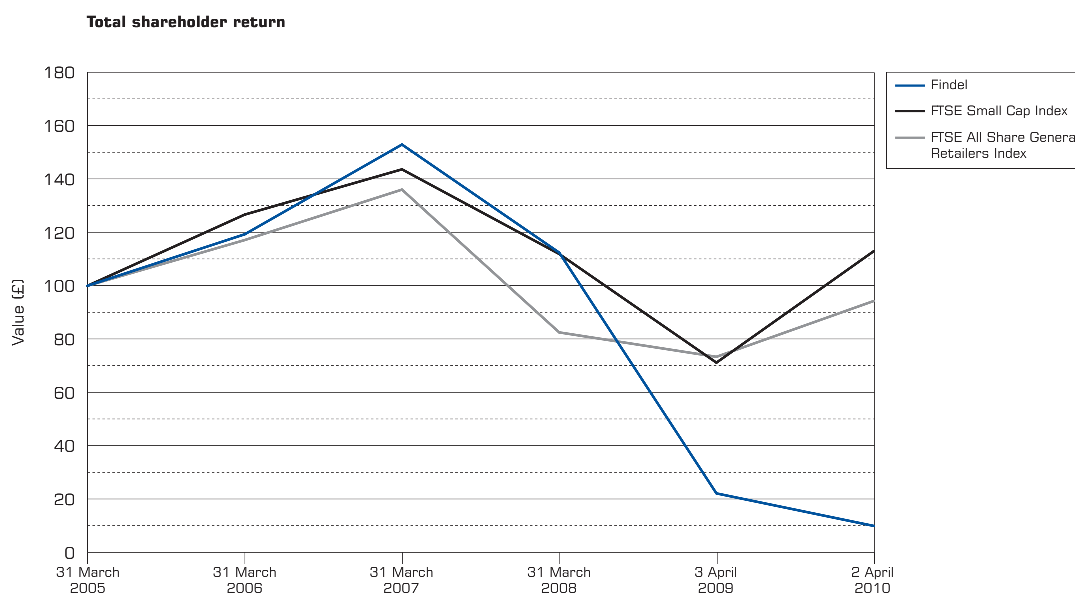
Mr K Chapman is no longer a member of the Fund but received a contribution to his personal arrangement in lieu of the value of pension benefits. The amount paid during the period under review was £69,136.

Dr Bolton is no longer a member of the Fund having elected to take a transfer value out of the Scheme. He accrued no pension benefits during the period.

The contributions to personal arrangements are lower from the company's perspective than the cost of providing benefits under the defined benefit scheme.

Performance Graph

The following graph contrasts the total shareholder return of the company (calculated in accordance with Schedule 8 to the Accounting Regulations under the Companies Act 2006) with the FTSE Small Cap Index and FTSE All Share General Retailers Index. These indices were selected as being, in the opinion of the Remuneration Committee, the most appropriate for comparison because Findel is currently a constituent member of each.



This graph looks at the value, by 2 April 2010, of £100 invested in Findel plc on 31 March 2005 compared with that of £100 invested in the FTSE Small Cap Index and £100 invested in the FTSE All Share General Retailers Index on the same date. The other points plotted are the values at intervening financial year-ends.

Source: Thomson Reuters

Service Agreements

It is the Remuneration Committee's policy that service agreements for executive directors should be terminable on not more than 12 months' notice which is in line with current market practice. Contracts (other than historical legacy arrangements) do not include liquidated damages clauses and it is the Remuneration Committee's policy for new contracts not to provide enhanced protection in relation to contractual terms on a change of control. In the event of early termination of a service agreement, the Remuneration Committee would consider appropriate use of mitigation and phased compensation payments.

Mr Chapman's service agreement was terminable subject to one year's notice by either party. It was entered into on 12 June 1989 and has been subsequently varied, most recently with effect from 1 April 2003. As part of his legacy contract, on a change of control (as defined in his contract), the company is deemed to have automatically given notice of termination of the service agreement. Mr Chapman would, therefore, be entitled to a damages payment of one times current base salary together with an amount equal to the average of benefits in kind and bonus payable over each of the three previous years. The board would also use such discretions as it may have to allow Mr Chapman to exercise any outstanding share options.

Dr Bolton's service agreement was terminable subject to one year's notice by either party. It was entered into on 12 June 1989 and has been subsequently varied, most recently with effect from 19 April 2010. As part of his legacy contract, on a change of control (as defined in his contract), the company is deemed to have automatically given notice of termination of the service agreement. Dr Bolton would, therefore, be entitled to a damages payment of one times current base salary together with an amount equal to the average of benefits in kind and bonus payable over each of the three previous years.

The terms of the other executive directors' service contracts are fully consistent with the policy set out above, with Mr Chapman and Dr Bolton's contractual terms being the result of legacy agreements. Mr Chapman and Dr Bolton have each left the board during the period under review and the Remuneration Committee would not anticipate replicating the terms of these contracts for any new agreements.

The other executive directors' contracts (Mr Maudsley dated 6 October 1997 and Mr Hinton dated 21 February 2007) are subject to one year's notice by either party, contain no provision for compensation to be payable on early termination and, in determining any compensation payable on early termination, the Remuneration Committee would seek to ensure that full account was taken of the director's duty to mitigation. Mr Jolly's contract dated 11 May 2006 was on the same basis and he left the board during the period under review.

Mr Sugden's contract as chairman is dated 18 May 2010. It is subject to one year's notice by either party, based on the remuneration which would otherwise be payable during the notice period. It is anticipated that from 2 April 2011 he will revert to a non-executive status on terms and conditions to be agreed. This date will be kept under review by the board in light of the company's progress.

The appointment of non-executive directors is for an initial period of three years, subject to review and re-election at General Meeting. They do not have service agreements. The Letter of Appointment for Mr G P Craig was dated 18 August 1997, for Mr M L Hawker 28 June 2006, for Mr S S McKay 22 June 2007, and for Mr E F Tracey 11 November 2009. Mr D A Johnson, who left the Board during the year, was also appointed on the same terms with his letter of appointment dated 11 May 2006.

The remuneration of the non-executive directors takes the form solely of fees, which are set by the board having taken advice on appropriate levels. The fees of the current non-executive directors are as follows; Mr Tracey is £75,000 per annum, of Mr Craig is £40,000 per annum, and of Messrs Hawker and McKay is £37,500 per annum as was that of Mr Sugden during the period under review. Until his departure from the board, Mr D A Johnson received a fee of £37,500 per annum and, also received £52,500 in the period under review under an agreement for consultancy services, with this agreement eligible to be terminated by either party based on six months' notice. The agreement was terminated at the end of the period.

There is no entitlement to compensation for loss of office in connection with the termination of the services of the non-executive directors.

The company currently allows the executive directors to undertake outside interests and appointments, subject to the prior approval of the board, in which instances they are allowed to retain any fees that they receive in respect of such activities.

The information set out in the following section of the report is subject to audit.

(i) Emoluments of the directors
The emoluments of the directors in the period ended 2 April 2010 are shown below:

	Salary/fees £000	Annual Bonus £000	Benefits in kind £000	Termination payments* £000	2010 Total £000	2009 Total £000
Executive						
K Chapman	469	—	30	441	940	499
I J Bolton	112	—	14	—	126	129
P E Jolly	280	—	18	601	899	447
P B Maudsley	503	—	28	—	531	530
C D Hinton	336	—	24	—	360	376
Non-executive						
G P Craig	40	—	—	—	40	40
M L Hawker	38	—	—	—	38	38
D A Johnson	19	—	1	—	20	39
S S McKay	38	—	—	—	38	38
E F Tracey	44	—	—	—	44	—
D A Sugden	23	—	—	—	23	—
Total	1,902	—	115	1,042	3,059	2,136

*The figures included in relation to termination payments were made following the conclusion of the period under review but related to terminations that took place in the period.

The figures above represent emoluments paid to directors during their tenure in the relevant financial period. With the exception of annual bonus payments, such emoluments are paid in the same financial period in which they are earned. As set out earlier, no annual performance-related bonuses were earned in the period ended 2 April 2010, for payment in the following period and no bonus payments were made in the period in respect of the previous financial year. Included in the salary/fees column above for Messrs Chapman, Maudsley and Hinton are payments into their personal arrangements in lieu of company pension contributions of £69,136, £83,020 and £36,000 respectively (see page 26).

Benefits in kind comprise the private use of a motor car, private health insurance and home telephone costs.

Following their departures from the board, additional salary and fees were paid for continued employment to a number of former directors during the period under review. Mr Jolly was paid a further salary of £164,231 and benefits of £9,109. Dr Bolton received salary of £65,278 and benefits of £15,983 in relation to his ongoing employment as company secretary and Mr Johnson also received benefits of £1,117.

In addition, following termination of his employment, Mr Jolly received a payment of £601,000 in the current financial year that comprised £420,000 in respect of one year's salary, £110,800 in respect of one year's pension and benefits and a further payment of £70,200 which was a settlement agreed with Mr Jolly (after taking legal advice) in relation to the process undertaken when effecting his termination. No payments were made in relation to his entitlement under the PSP in respect of which he was classified a good leaver and his award will be subject to the normal good leaver provisions under the plan. Mr Chapman has also received a payment of £440,769 which comprised £400,000 in respect of one year's salary, £30,000 in respect of one year's benefits and £10,769 in lieu of holiday. Discussions remain ongoing with Mr Chapman in relation to the termination of his employment.

In line with the terms of Mr Johnson's consultancy agreement, following its termination, a payment of £30,000 was made following the conclusion of the period under review.

The departures from the board noted above and subsequent terminations of employment formed part of the ongoing restructuring programme of the company's management team.

(ii) Directors' pension entitlements

Mr P B Maudsley is a deferred member of the Fund, a defined benefit scheme. He is the only director who has accrued entitlements under the Fund as follows:

	Increase in accrued pension excluding inflation £000	Transfer value of increase £000	Accrued pension 2 April 2010 £000	Accrued pension 3 April 2009 £000	Increase in accrued pension including inflation £000	Transfer value of accrued pension 2 April 2010 £000	Transfer value of accrued pension 3 April 2009 £000	Increase in transfer value over the period £000
P B Maudsley	12	138	116	104	12	1,188	926	262

There are no further contributions for Mr Maudsley, who has Enhanced Protection.

The pension entitlements shown above are those which would be paid annually on retirement based on service to the end of the period, but exclude any future statutory entitlement to increases, up to retirement. The transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11.

The transfer values disclosed above do not represent a sum paid or payable to the individual director. Instead they represent a potential liability of the pension scheme. The non-executive directors do not receive pension benefits.

(iii) Directors' share options and long-term incentive plans

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares and notional ordinary shares in the company granted to or held by the directors under the Share Option Schemes and the Long Term Incentive Plan respectively, nor of awards of ordinary shares in the company under the Performance Share Plan.

Details of options for directors who served during the period are as follows:

	3 April 2009	Granted	Exercised	Lapsed	2 April 2010	Exercise price	Exercise period
Interests in Share Options							
P B Maudsley	188,842	—	—	—	188,842	360.75p	May 2007 – May 2011
P E Jolly	225,688	—	—	225,688	—	545.0p	May 2009 – May 2013
Interests in notional shares under the long-term incentive plan							
K Chapman	534,082	—	—	534,082	—	133.5p	July 2002 – July 2009
I J Bolton	262,172	—	—	262,172	—	133.5p	July 2002 – July 2009
P B Maudsley	26,736	—	—	26,736	—	205.0p	Dec 2002 – Dec 2009
	11,859	—	—	—	11,859	263.5p	May 2003 – May 2010

The above outstanding interest of Mr P B Maudsley under the long-term incentive plan lapsed on 22 May 2010.

Interests in shares under the performance share plan

	3 April 2009	Granted	Vested	Lapsed	Adjustment*	2 April 2010	Award date**	Vesting date
P B Maudsley	64,102	—	—	64,102	—	—	4 July 2006	5 July 2009
	83,916	—	—	—	398,546	482,462	3 July 2007	3 July 2010
	513,761	—	—	—	2,440,030	2,953,791	27 Nov 2008	27 Nov 2011
	—	451,612	—	—	—	451,612	3 Sept 2009	3 Sept 2012
	—	599,512	—	—	—	599,512	8 Jan 2010	8 Jan 2013
	—	626,865	—	—	—	626,865	29 Jan 2010	29 Jan 2014
P E Jolly	64,102	—	—	64,102	—	—	4 July 2006	5 July 2009
	83,916	—	—	83,916	—	—	3 July 2007	3 July 2010
	513,761	—	—	—	2,440,030	2,953,791	27 Nov 2008	27 Nov 2011
C D Hinton	50,083	—	—	—	237,861	287,944	29 Nov 2007	29 Nov 2010
	366,972	—	—	—	1,742,878	2,109,850	27 Nov 2008	27 Nov 2011
	—	322,580	—	—	—	322,580	3 Sept 2009	3 Sept 2012
	—	428,222	—	—	—	428,222	8 Jan 2010	8 Jan 2013
K Chapman	489,296	—	—	—	2,323,837	2,813,133	27 Nov 2008	27 Nov 2011
	—	430,107	—	—	—	430,107	3 Sept 2009	3 Sept 2012
	—	570,963	—	—	—	570,963	8 Jan 2010	8 Jan 2013
I J Bolton	183,486	—	—	—	871,439	1,054,925	27 Nov 2008	27 Nov 2011

*The adjustment to the number of conditional shares granted is as a result of the increase in the issued share capital of the company resulting from the share placing and open offer during the period under review. The adjustment equates to 4.7493465 shares for each share conditionally granted.

** Awards granted in relation to the 2009/10 financial year were made in two separate instalments to allow for two separate TSR performance periods (as described above).

Awards granted during the year under review were subject to the EPS and TSR targets set out on page 25.

With regard to the other outstanding awards as at 2 April 2010, the awards granted in the year ended 31 March 2008 were subject to 50% benchmark earnings per share (EPS) growth targets and 50% relative total shareholder return (TSR) performance targets measured against the constituents of the FTSE 250 (excluding investment trusts). Under the EPS element, EPS growth of RPI+10% was required for 30% of this part of an award to vest, rising to full vesting for EPS growth of RPI+21%. Under the TSR element, median performance was required for 30% of this part of an award to vest, rising to full vesting for upper quartile. The awards granted on 27 November 2008 were subject to the achievement of a target repayment of a minimum of £100m of debt over the course of the three financial years ending 31 March 2011. To ensure the target is balanced and does not encourage inappropriate behaviour there is a supplementary requirement that return on capital employed must be at least 17% in the financial year ending 31 March 2011.

No directors have exercised any share options since 2 April 2010, nor have any shares vested under the performance share plan.

The non-executive directors do not participate in any share plans operated by the company.

The market price of the ordinary shares at 1 April 2010, being the last day of stock market trading before the period end, was 24.25p and the range during the period was 23.75p up to 162.50p.

During the period a former director, Mr D Hale, provided services on a consultancy basis to the group. The total payment made in respect of such services was £5,000.

Directors' interests

The beneficial interests of the directors, together with non-beneficial interests, in the ordinary shares of the company are shown below.

	2 April 2010		3 April 2009	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
K Chapman	30,184,690*	—	5,250,108	—
I J Bolton	1,724,802*	—	300,000	—
P E Jolly	480,512*	—	83,577	—
P B Maudsley	1,218,643	—	203,264	—
C D Hinton	—	—	—	—
G P Craig	452,454	—	70,000	—
M L Hawker	113,192	—	12,000	—
D A Johnson	292,480*	—	30,000	—
S S McKay	68,000	—	—	—
D A Sugden	—	—	—**	—
E F Tracey	50,000	—	—**	—

* on retirement
** on appointment

The increase in the directors' interests is in part as a result of the increase in the issued share capital of the company resulting from the share placing and open offer during the period under review. Messrs Chapman, Bolton, Jolly, Maudsley, Craig, Hawker and Johnson took up their full entitlement (equivalent to 4.7493465 shares in total for each share held). Messrs Sugden and Tracey were appointed after the date of the placing and offer.

There have been no changes in the above interests since 2 April 2010.

On behalf of the board
M L Hawker
Chairman of the Remuneration Committee

20 July 2010

The success of the group is firmly linked to its actions in respect of its Corporate Social Responsibilities. As well as remaining fully compliant with all relevant legislation, the group is determined to continually evaluate and enhance its performance in this area.

Our People

The group recognises the critical importance of its employees to its success. Personnel matters are addressed principally on a divisional basis, with the policies and procedures tailored to meet the needs of the division. The relevant personnel departments address the training and development needs of individuals in conjunction with those individuals through appraisals held at least annually from which a development plan is agreed. In certain areas a departmental skills matrix is maintained and used to assist in identifying training needs. Job vacancies are advertised internally allowing individuals to progress within the organisation. We are committed to promotion on merit and filling job opportunities in-house wherever possible. Exit interviews are conducted where appropriate.

We have written family friendly (flexible working) policies and have arrangements in place to offer childcare vouchers in place of salary (saving tax). In addition there are written policies on bullying & harassment, equal opportunity and discrimination. The company also offers access to stress and occupational health counselling. Each division provides employees with a handbook. All personnel documents are available on the divisional intranets.

With the exception of a small number of staff based in India and Hong Kong, the group is a UK based employer. Many of our sites are located in multi-cultural areas and we work hard to create and run a fair, equal opportunities employment culture that embraces this multi-culturalism. The needs of specific groups in the workforce are recognised and addressed with, for example, prayer facilities and employee information in foreign languages where relevant.

Our Home Shopping business employs a high number of temporary workers seasonally. These workers are given a highly detailed induction training, in part by members of the permanent staff who are given additional training to carry out this responsibility. Previous temporary workers who have proved satisfactory are the first port of call when recruiting for the new season.

Health and Safety

The group maintains a comprehensive structure to assess, monitor and mitigate health and safety risks in the business, which are largely related to manual handling and computer operation. All health and safety policies and procedures are available to the group's employees via the divisional intranets. Total annual reported incidents have fallen by 24% over the last five years, and the annual number of RIDDOR incidents has reduced from 20 to 17 over the same period.

Our Products

The group sells a range of over 100,000 stock lines across a broad range of categories and end customers. Our suppliers stretch from high profile multi national companies to individual factories. Product safety and quality are at the forefront when considering items for our ranges; appropriate safety certification is obtained where relevant backed up by independent testing by recognised third party product testing houses and in-house quality control checks. Our Hong Kong office has been sourcing product for group companies and third parties for over 27 years.

Careful selection of suppliers by our overseas offices, supported by regular quality and audit inspections, ensures adherence to our high standards. We actively engage with our suppliers to address emerging best practice. When sourcing product from the Far East and India, where the risk of poor labour practices is highest, our suppliers are required to conform to our Ethical Trading Code of Practice. This policy document clearly lays out our contractual standards in order to meet both United Nations and local laws on working conditions, employment, pay rates, holidays, etc. Continuing adherence to this code is ensured through verification during visits by our personnel for QA purposes, bi-annual updating of records which may involve audit visits, and reliance upon audit reports carried out by International Organisations.

The Environment

As a predominantly mail order business, our impact on the environment is principally through energy consumption and the use of paper and packaging, although it is recognised that, as a non-manufacturing company our emissions are relatively low.

We have calculated our carbon footprint in accordance the Greenhouse Gas Protocol Corporate Standard issued by the World Business Council for Sustainable Development. Through consolidation of warehousing and energy management initiatives we have, over the last five years, reduced our overall Scope 1 and 2 emissions from 16,900 to 14,900 tonnes, a reduction of over 30% in Kg of CO_2 per £1,000 of sales.

The high number of relatively low value despatches in our Home Shopping and Education Supplies businesses makes it economically and environmentally efficient to use third party carriers to transport product to our customers. Prior to appointment and on a regular basis we ask our third party carriers to demonstrate their environmental credentials, and we will in future years collect Scope 3 emission figures from them.

We aim to supply our customers with the information to make environmentally friendly choices by identifying in our catalogues products made from renewable or recycled materials, and the energy ratings of our white goods. Our Education Supplies division continues to increase its range of eco-friendly products, and most of its product ranges now include environmentally friendly alternatives.

We continue to seek innovative ways of reducing our costs and emissions, and for the first time this year enabled our Kleeneze Distributors to attend sales conferences by streamed video link. As well as making the conferences accessible to a greater number of people, it is estimated that this initiative will save 3,000 car journeys annually.

Energy

Our major use of energy is in heating, lighting and powered conveying equipment, and in our vehicle fleet. Consolidation of both office and warehouse operations, and energy management initiatives have reduced total energy consumption at our buildings by 14% over the last five years. Energy efficiency is a key priority when upgrading or replacing equipment and services.

The majority of our vehicle fleet now runs on Euro 4 compliant diesel engines and our policy is to specify diesel engines for replacement vehicles. Our vehicle fleet's CO_2 emissions are calculated and measured monthly and average emissions per km driven have fallen by 3% over the last four years.

We have invested in systems to enable an increasing proportion of our larger products to be sent directly from our suppliers to our customers significantly reducing the transportation and handling involved.

The new 55,000 sq foot Head Office for our Education Supplies division, opened in May last year, has delivered energy savings by, maximising natural light whilst minimising the need for air conditioning through the extensive use of glass to its North elevation. It also operates high efficiency Heating and Cooling systems and energy saving lighting controls.

Paper

Demand for our paper catalogues and brochures remains high, and the tonnage of paper consumed per £1,000 of sales has risen by 4% over the last five years. To contain this increase we have reduced the weight of the paper used in our main Home Shopping catalogues by 6%. We also ensure that our paper is sourced from suppliers who have ISO 14001 (Environmental Management Standard) accreditation and are FSC (Forestry Stewardship Council) approved. In addition we continue to develop our internet presence, with the percentage of orders placed on the internet growing each year.

Packaging

We are constantly seeking to be innovative in minimising the level of packaging commensurate with ensuring that products arrive with our customers undamaged. Our Home Shopping division pioneered the "Bag in a Box" system to minimise the need for filling material in larger packages, whilst investment in our business systems has allowed us to dynamically assess the contents of a parcel and eliminate the use of boxes completely for a proportion of our smaller parcels, using instead bags made from recycled paper. All despatch cartons in the division are now made from recycled board,

As well as being environmentally sound this has also helped us to reduce the volume of outgoing packaging per £1,000 of sales by 28% over the last five years.

Waste

All of our major Warehouses focus on Waste Management and Recycling, with clearly defined Recycling centres for Paper, Wood, Cardboard, Plastics and Scrap Metal. Waste reduction and recycling initiatives have been rolled out across the group with increasing success and purchased packaging has been reduced as measured against turnover.

We have developed reporting procedures at each site to disclose the amount of waste which goes to landfill compared to waste which is recycled. In this first year of reporting, 73% of our transit waste was recycled.

Community Support

Both the company and its employees work to support local communities, predominantly in the areas where we have group facilities. Our Home Shopping and Educational Supplies products are also much in demand for donating to less privileged schools, good causes and establishments, both in the UK and abroad.

To the members of Findel plc
We have audited the group financial statements of Findel plc for the period ended 2 April 2010 which comprise Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Changes in Equity and the related notes 1 to 41. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors
As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements
In our opinion the group financial statements:

- give a true and fair view of the state of the group's affairs as at 2 April 2010 and of its loss for the period then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the group financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Report and the Finance Director's Review that is cross referred from the Review of the Year and Future Prospects section of the Directors' Report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following:

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Under the Listing Rules we are required to review:

- the directors' statement contained within the Finance Director's Review in relation to going concern; and
- the part of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review.

Other matter
We have reported separately on the parent company financial statements of Findel plc for the period ended 2 April 2010 and on the information in the Directors' Remuneration Report that is described as having been audited.

Geoffrey Taylor (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Leeds, UK
20 July 2010

CONSOLIDATED INCOME STATEMENT

period ended 2 April 2010

		2010			2009		
Continuing operations	Notes	Benchmark* results £000	Other items £000	Total £000	Benchmark* results £000 (Restated)	Other items £000 (Restated)	Total £000 (Restated)
Revenue	3,5	547,013	53,162	600,175	572,096	38,670	610,766
Cost of sales before exceptional items		(284,695)	(32,192)	(316,887)	(278,171)	(21,260)	(299,431)
Exceptional stock rationalisation	6	—	—	—	—	(14,321)	(14,321)
Cost of sales		(284,695)	(32,192)	(316,887)	(278,171)	(35,581)	(313,752)
Gross profit		262,318	20,970	283,288	293,925	3,089	297,014
Trading costs	4	(222,905)	(25,959)	(248,864)	(243,957)	(28,547)	(272,504)
Amortisation of intangible assets		(2,765)	(2,360)	(5,125)	(1,949)	(1,775)	(3,724)
Exceptional operating costs (net)	6						
– Impairment of goodwill and associated intangible assets		—	(52,829)	(52,829)	—	(17,346)	(17,346)
– Additional debtors provision		—	—	—	—	(14,429)	(14,429)
– Impairment of property, plant and equipment and current assets relating to terminated businesses		—	(6,302)	(6,302)	—	—	—
– Impairment of other property, plant and equipment and software and IT development costs		—	(3,215)	(3,215)	—	(3,075)	(3,075)
– Other exceptional items		—	(16,695)	(16,695)	—	(16,443)	(16,443)
– Pension curtailment gain		—	5,409	5,409	—	—	—
Operating costs		(225,670)	(101,951)	(327,621)	(245,906)	(81,615)	(327,521)
Share of result of associate	19	(434)	—	(434)	403	(4,743)	(4,340)
Operating profit/(loss)	5	36,214	(80,981)	(44,767)	48,422	(83,269)	(34,847)
Finance income	8	7,082	3,213	10,295	12,471	—	12,471
Finance costs	9	(29,495)	(12,157)	(41,652)	(31,693)	(3,361)	(35,054)
Profit/(loss) before tax		13,801	(89,925)	(76,124)	29,200	(86,630)	(57,430)
Income tax income/(expense)	10	(3,974)	4,535	561	(8,207)	18,609	10,402
Profit/(loss) for the period attributable to the equity holders of the parent	11	9,827	(85,390)	(75,563)	20,993	(68,021)	(47,028)
Earnings/(loss) per share							
Basic	14	2.60p		(20.02)p	17.36p		(38.89)p
Diluted	14	2.60p		(20.02)p	17.36p		(38.89)p

* "Benchmark results" are defined as being before results from operations sold, to be sold or terminated at the time of reporting, exceptional stock rationalisation costs, amortisation of acquired intangible assets arising on business combinations, share-based payments, other exceptional operating items, derivative remeasurements and exceptional refinancing costs, together with the associated tax effect, but includes interest receivable from its former associate.

The accompanying notes are an integral part of this consolidated income statement.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

period ended 2 April 2010

	2010 £000	2009 £000 (Restated)
Loss for the period	(75,563)	(47,028)
Currency translation (loss)/gain arising on consolidation	(590)	1,783
Total comprehensive income for period	(76,153)	(45,245)

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

CONSOLIDATED BALANCE SHEET

At 2 April 2010

	Notes	2010 £000	2009 £000 (Restated)	2008 £000 (Restated)
Non-current assets				
Goodwill	15	47,299	54,073	64,431
Other intangible assets	16	70,757	78,175	85,042
Property, plant and equipment	17	44,295	52,784	55,043
Investments in associates	19	—	622	4,962
Loans and receivables due from associates	39	—	33,654	34,430
		162,351	219,308	243,908
Current assets				
Inventories	20	73,607	74,024	107,793
Trade and other receivables	21	210,355	229,580	265,783
Current tax receivable		—	1,954	—
Derivative financial instruments	26	—	—	457
Cash at bank and in hand	22	44,331	9,924	12,767
		328,293	315,482	386,800
Total assets		490,644	534,790	630,708
Current liabilities				
Trade and other payables	23	81,269	98,290	106,987
Current tax liabilities		7,393	—	7,672
Obligations under finance leases	24	1,006	1,393	595
Bank overdrafts and loans	25	352,918	42,204	66,107
Derivative financial instruments	26	6	3,219	315
Provisions	27	1,661	—	—
		444,253	145,106	181,676
Non-current liabilities				
Bank loans	25	—	341,558	332,287
Obligations under finance leases	24	5	854	494
Provisions	27	5,019	—	—
Deferred tax liabilities	28	7,345	6,752	10,324
Retirement benefit obligation	37	449	8,212	11,887
		12,818	357,376	354,992
Total liabilities		457,071	502,482	536,668
Net assets		33,573	32,308	94,040
Equity				
Share capital	30	24,472	4,257	4,255
Capital redemption reserve	31	403	403	403
Share premium account	31	79,240	24,003	23,944
Merger reserve	31	29,518	29,518	29,518
Own shares	31	(2,047)	(976)	(2,974)
Liability for share-based payments	31	4,379	1,342	1,342
Translation reserve	32	702	1,292	(491)
(Accumulated losses)/retained earnings	33	(103,094)	(27,531)	38,043
Total equity		33,573	32,308	94,040

Approved by the board and authorised for issue on 20 July 2010

P B Maudsley }
C D Hinton } Directors

The accompanying notes are an integral part of this consolidated balance sheet.

CONSOLIDATED CASH FLOW STATEMENT

period ended 2 April 2010

	Notes	2010 £000	2009 £000 (Restated)
Operating activities			
Operating loss		(44,767)	(34,847)
Adjustments for:			
Depreciation of property, plant and equipment		8,338	7,997
Impairment of property, plant and equipment and software and IT development costs		7,422	3,075
Amortisation of intangible assets		5,125	3,724
Impairment of goodwill and associated intangible assets		52,829	17,346
Share-based payment expense		2,186	—
(Profit)/loss on disposal of property, plant and equipment		(63)	1,440
Non-cash pension curtailment gain		(5,409)	—
Pension contributions less income statement charge		(3,158)	(3,543)
Share of result of associate		434	4,340
Operating cash flows before movements in working capital		22,937	(468)
Decrease in inventories		5,040	34,133
Decrease in receivables		18,174	40,333
Decrease in payables		(21,280)	(8,674)
Increase in provisions		6,680	—
Cash generated from operations		31,551	65,324
Income taxes received/(paid)		8,872	(2,797)
Interest paid (including £12,157,000 in respect of exceptional financing costs in the period ended 2 April 2010)		(32,191)	(24,344)
Net cash from operating activities		8,232	38,183
Investing activities			
Interest received		2,072	1,497
Proceeds on disposal of property, plant and equipment		474	209
Purchases of property, plant and equipment and software and IT development costs		(8,934)	(12,438)
Movements on loan with associate		(8,030)	776
Acquisition of subsidiaries	40	643	—
Net cash used in investing activities		(13,775)	(9,956)
Financing activities			
Dividends paid		—	(16,548)
Repayments of obligations under finance leases		(1,251)	(614)
Net proceeds on issue of shares		74,381	60
Movement on bank loans		(10,494)	(10,851)
Movement on securitisation loan		2,348	(5,729)
Net cash from/(used in) financing activities		64,984	(33,682)
Net increase/(decrease) in cash and cash equivalents		59,441	(5,455)
Cash and cash equivalents at the beginning of the period		(15,046)	(10,255)
Effect of foreign exchange rate changes		(64)	664
Cash and cash equivalents at the end of the period	22	44,331	(15,046)

The accompanying notes are an integral part of this consolidated cash flow statement.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

period ended 2 April 2010

	Share capital £000	Capital redemption reserve £000	Share premium account £000	Merger reserve £000	Own shares £000	Liability for share-based payments £000	Translation reserve £000	(Accumulated losses)/ retained earnings £000	Total equity £000
At 31 March 2008 (as previously reported)	4,255	403	23,944	29,518	(2,974)	1,342	(491)	54,985	110,982
Prior year adjustment	—	—	—	—	—	—	—	(16,942)	(16,942)
At 31 March 2008 (restated)	4,255	403	23,944	29,518	(2,974)	1,342	(491)	38,043	94,040
Total comprehensive income for the period (restated)	—	—	—	—	—	—	1,783	(47,028)	(45,245)
Share issues	2	—	59	—	—	—	—	—	61
Impairment of own shares	—	—	—	—	1,998	—	—	(1,998)	—
Dividends paid	—	—	—	—	—	—	—	(16,548)	(16,548)
At 3 April 2009 (restated)	4,257	403	24,003	29,518	(976)	1,342	1,292	(27,531)	32,308

	Share capital £000	Capital redemption reserve £000	Share premium account £000	Merger reserve £000	Own shares £000	Liability for share-based payments £000	Translation reserve £000	(Accumulated losses)/ retained earnings £000	Total equity £000
At 3 April 2009 (as previously reported)	4,257	403	24,003	29,518	(976)	1,342	1,292	(5,097)	54,742
Prior year adjustment	—	—	—	—	—	—	—	(22,434)	(22,434)
At 3 April 2009 (restated)	4,257	403	24,003	29,518	(976)	1,342	1,292	(27,531)	32,308
Total comprehensive income for the period	—	—	—	—	—	—	(590)	(75,563)	(76,153)
Share issues	20,215	—	55,237	—	(1,071)	—	—	—	74,381
Share warrants issue	—	—	—	—	—	851	—	—	851
Share-based payments	—	—	—	—	—	2,186	—	—	2,186
At 2 April 2010	24,472	403	79,240	29,518	(2,047)	4,379	702	(103,094)	33,573

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

1 General information and accounting policies

Findel plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 13. The nature of the group's operations and its principal activities are set out in the Directors' Report, and in the Chairman's Statement and Finance Director's Review on pages 2 to 12.

These financial statements are presented in sterling because that is the currency of the primary economic environment in which the group operates. Foreign operations are included in accordance with the accounting policies set out below.

New and amended accounting standards

The following relevant new standards are applicable to the group for the current financial year, and have not been previously implemented.

- IAS 1 (revised), "Presentation of financial statements". The most significant change within IAS 1 (revised) is the requirement to produce a statement of comprehensive income setting out all items of income and expense relating to non-owner changes in equity. There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The group has elected to present comprehensive income in two statements. In addition, IAS 1 (revised) requires the statement of changes in shareholders' equity to be presented as a primary statement.
- IFRS 8, "Operating segments". IFRS 8 replaces IAS 14, "Segment reporting" and requires the disclosure of segment information on the same basis as the management information provided to the chief operating decision maker. The adoption of this standard has not resulted in a change in the group's reportable segments.
- IFRS 7, "Financial instruments; disclosures". The amendment required enhanced disclosures in respect of fair value measurement and liquidity risk.
- IAS 23 (revised) "Borrowing costs" and amendments to IFRS 2 "Share-based payments" have not had a material impact on the financial statements of the group.

Accounting standards in issue but not yet effective

At the date of approval of these financial statements, the following new or revised standards and interpretations were in issue but not yet effective and have not been adopted in these financial statements:

- IFRS 2 (revised) "Share-based payments"
- IFRS 3 (revised) "Business combinations"
- IFRS 9 "Financial instruments"
- IAS 24 (revised) "Related party disclosures"
- IAS 27 (revised) "Consolidated and separate financial statements"
- IAS 32 (revised) "Financial instruments; presentation"
- IAS 39 (revised) "Financial instruments; recognition and measurement"
- IFRIC 17 "Distribution of non-cash assets to owners"
- IFRIC 19 "Extinguishing financial liabilities with equity instruments"

The directors anticipate that the adoption of the majority of the standards and interpretations in future periods will not have a material impact on the financial statements of the group. IFRS 9 "Financial instruments" will first apply to the 2014 annual report and accounts and the directors will be considering the impact of this new standard during the forthcoming financial year.

Restatements in respect of prior years

Education Supplies division accounting irregularities restatement

The impact of the Education Supplies division accounting irregularities noted in the Finance Director's Review on page 8 on the group's income statement and balance sheet were as follows:

- Overstatement of revenue principally relating to incorrect recognition of overseas contracts reducing net assets at 3 April 2009 by £5.4m (2008: £2.4m). Revenue and cost of sales in 2009 were overstated by £5.9m and £2.9m respectively.
- Incorrect recognition of purchasing rebate arrangements with suppliers together with associated inflated inventory pricing arrangements reducing net assets at 3 April 2009 by £6.2m (2008: £3.5m). Cost of sales in 2009 were understated by £2.7m.
- Overstatement of receivables and prepayments arising on disposal of certain businesses and product lines, and understatement of credit notes reducing net assets at 3 April 2009 by £3.4m (2008: £3.6m). Cost of sales in 2009 were overstated by £0.2m.

1 General information and accounting policies – continued

- Incorrect capitalisation of non-current assets reducing net assets at 3 April 2009 by £2.8m (2008: £1.9m). Operating costs in 2009 were understated by £0.9m.
- The under accrual of certain customer rebate arrangements and other unrecorded liabilities reducing net assets by £2.8m (2008: £2.8m), with no impact on the income statement in 2009.

Other adjustments to prior years

In preparing the 2010 financial statements the directors have reviewed the output of new financial systems and reports adopted by the Express Gifts business in respect of the accounting for cut off in respect of the direct despatch of goods, the presentation of certain transactions as agent or principal, and the impact of insurance costs and rebates received in pricing inventory. Following these improvements in financial reporting the directors have decided to restate the comparatives in the financial statements. The impact is as follows:

- The change to cut off practice reduces net assets at 3 April 2009 by £0.9m (2008: £0.9m) with no impact on the income statement.
- The recognition of certain transactions as an agent reduces both revenue and cost of sales in the period ended 3 April 2009 by £0.7m.
- The change to the pricing of inventory reduced inventory and net assets at 3 April 2009 by £1.0m (2008: £1.9m) and reduced cost of sales and increased operating profit in 2009 by £0.9m.

The effect of the above entries on the balance sheet at 3 April 2009 has been to:

- reduce software and IT development costs by £2.5m (2008: £1.9m);
- reduce property, plant and equipment by £0.3m (2008: £nil);
- reduce inventories by £1.1m (2008: £0.9m);
- reduce trade and other receivables by £11.0m (2008: £8.9m);
- increase trade and other payables by £7.5m (2008: £5.2m).

Using the weighted average number of shares (as previously reported) the effect on the previously disclosed earnings per share of the prior year adjustments described above was to change basic and diluted loss per share from (49.45)p to (55.99)p.

Basis of accounting

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) adopted for use in the European Union and therefore comply with Article 4 of the EU IAS Regulation. The financial statements have been prepared on the going concern basis as set out below.

The financial statements have been prepared on the historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below and have been applied consistently in the current and prior period other than as set out above.

Going concern basis

The directors have, at the time of approving the financial statements, a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the Going Concern basis of accounting in preparing the financial statements. Further detail is contained in the Finance Director's Review on page 12.

Basis of consolidation

Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the group. They cease to be consolidated from the date that the group no longer has control.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of all subsidiaries are prepared to the same reporting date as the parent company.

Associates

Associates are entities over which the group has significant influence but not control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over these policies. The equity method is used to account for investments in associates and investments are initially recognised at cost.

1 General information and accounting policies – continued

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting. Investments in associates are carried in the balance sheet at cost as adjusted by post-acquisition changes in the group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the group's interest in that associate (which includes any long-term interests that, in substance, form part of the group's net investment in the associate) are recognised only to the extent that the group has incurred legal or constructive obligations or made payments on behalf of the associate. Long-term loans to associates are reviewed for impairment where relevant, in line with the accounting policy for impairment of assets set out below.

Segment reporting

The group adopted IFRS 8 "Operating segments" with effect from 4 April 2009. IFRS 8 requires operating segments to be identified on the internal financial information reported to the Chief Operating Decision Maker (CODM) who is primarily responsible for the allocation of resources to segments and the assessments of performance of the segments. The CODM is the board of the company.

The CODM assesses profit performance using benchmark operating profit measured on a basis consistent with the disclosure in the group financial statements.

Previously, segments were determined and presented in accordance with IAS 14, "Segment reporting". The adoption of IFRS 8 has not resulted in a change in the group's reportable segments.

The group is organised into three operating divisions which were the primary business segments:

- Home Shopping;
- Education Supplies; and
- Healthcare.

Revenue recognition

Revenue comprises the fair value of the sale of goods and services to external customers, net of value added tax, rebates, discounts and returns. Revenue is recognised as follows:

Sale of goods

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer upon delivery and the amount of revenue can be measured reliably. A provision for estimated returns is made, representing the profit on goods sold during the period which will be returned and refunded after the period end. Revenue is reduced by the value of sales returns provided for during the period.

Interest income

Interest income on customer credit accounts is recognised on a time-proportion basis, using the effective interest method. When a receivable is impaired, the group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate.

Rendering of services

Revenue is recognised in respect of non-interest related financial income, delivery charges and parcel insurance. In addition, various services are provided under the group's healthcare contracts. Income is recognised when the relevant service has been provided to the customer.

Foreign currency translation

Functional and presentational currency

The consolidated financial statements are presented in sterling, which is the company's and group's functional and presentational currency. Items included in the financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions and balances

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the income statement with the exception of differences on translations that are subject to effective cash flow hedges.

Translation differences on non-monetary items are reported as part of the fair value gain or loss and are included in either equity or the income statement as appropriate.

Group companies

The results and financial position of overseas group entities are translated into sterling as follows:

- Assets and liabilities are translated at the closing rate at the date of that balance sheet;
- Income and expenses are translated at the average exchange rate for the period;
- All resulting exchange differences are recognised as a separate component of equity.

1 General information and accounting policies – continued

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are taken to equity. Tax charges and credits attributable to those exchange differences are taken directly to equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale. Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and are translated at the closing rate.

Share-based payments

The group operates a number of equity-settled, share-based compensation plans.

The group has applied the requirements of IFRS 2 "Share-based payments". In accordance with IFRS 1, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested at 1 January 2005.

The group principally issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

Fair value is usually measured by use of the Black Scholes model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Other items

The restructuring of the group's existing operations and the integration of acquisitions gives rise to significant incremental non-recurring costs. The group views these costs as costs associated with investment in the future performance of the business and not part of the group's underlying trading performance. These costs have a material impact on the absolute amount of and trend in the group operating profit and operating margins. Therefore such non-recurring costs are shown as exceptional items, and separated within operating profit on the face of the income statement.

In order to give an indication of the underlying earnings of the group, certain items are also presented within other items in the Consolidated Income Statement. These include amortisation of intangible assets arising on business combinations, impairments, derivative remeasurements, share-based payment charges, and one-off stock rationalisation and debtor provisions, together with the associated tax effects when applicable, but excludes interest received from former associates.

Dividend distribution

Dividend distributions to Findel plc shareholders are recognised in the group's financial statements in the period in which the dividends are declared.

Property, plant and equipment

Property, plant and equipment are held at cost less accumulated depreciation and any impairment in value.

Depreciation is charged on a straight-line basis as follows:

- Freehold properties are depreciated over 50 years;
- Leasehold premises with lease terms of 50 years or less are depreciated over the remaining period of the lease;
- Plant and equipment are depreciated over 3 to 20 years according to the estimated life of the asset;
- Equipment on hire or lease is depreciated over the period of the lease;
- Land is not depreciated.

Software and IT development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Expenditure on IT software development is recognised as an internally-generated intangible asset up to the point where the main projects cease to involve external contractors, and only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of three to seven years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

1 General information and accounting policies – continued

Goodwill

Goodwill is the excess of the fair value of the consideration payable for an acquisition over the fair value of the group's share of identifiable net assets of a subsidiary, associate or joint venture acquired at the date of acquisition. Fair values are attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are made where necessary to bring the accounting policies of acquired businesses into alignment with those of the group.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in the carrying amount of the investment. Goodwill is stated at cost less any impairment. Goodwill is not amortised but is tested annually for impairment. An impairment charge is recognised for any amount by which the carrying value of goodwill exceeds its fair value.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, allocated where necessary on a pro rata basis.

If the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in the income statement.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of assets, liabilities and contingent liabilities recognised.

Other intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill, if those assets are separable and their fair value can be measured reliably. Other intangible assets acquired separately from the acquisition of a business are capitalised at cost and principally relate to IT software development costs.

The cost of intangible assets with finite useful economic lives is amortised on a straight-line basis over that period. The carrying values of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying values may not be recoverable.

Brand names

Legally protected or otherwise separable trade names acquired as part of a business combination are capitalised at fair value on acquisition. Brand names are assumed to have an indefinite life and are not amortised, but are subject to annual impairment tests.

Customer relationships

Contractual and non-contractual customer relationships acquired as part of a business combination are capitalised at fair value on acquisition and amortised on a straight-line basis over a period of between 2 and 20 years, representing the directors' best estimate of their useful economic lives.

Financial instruments

Financial assets and financial liabilities are recognised in the group's balance sheet when the group becomes a party to the contractual provisions of the instrument.

Financial assets

Financial assets are classified as either financial assets "at fair value through profit or loss" (FVTPL) or "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest basis for debt instruments.

1 General information and accounting policies – continued

Financial assets at FVTPL

Financial assets are classified as at FVTPL where the financial asset is either held for trading or it is designated as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group's documented risk management or investment strategy, and information about the group is provided internally on that basis.

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 38.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial reorganisation.

For certain categories of financial asset, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables includes the group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

1 General information and accounting policies – continued

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets
The group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the group retains substantially all the risks and rewards of ownership of a transferred financial asset, the group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments
An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities
Financial liabilities are classified as either financial liabilities at “FVTPL” or “other financial liabilities”.

Financial liabilities at FVTPL
Financial liabilities comprising derivative financial instruments are classified as at FVTPL where the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of disposal in the near future; or
- it is a part of an identified portfolio of financial instruments that the group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the group’s documented risk management or investment strategy, and information about the group is provided internally on that basis.

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 38.

Other financial liabilities
Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

The group derecognises financial liabilities when, and only when, the group’s obligations are discharged, cancelled or they expire.

1 General information and accounting policies – continued

Derivative financial instruments

The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate swaps and foreign currency options. Further details of derivative financial instruments are disclosed in note 26 to the financial statements.

Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each balance sheet date. The resulting gain or loss is recognised in profit or loss immediately.

A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is calculated on either standard cost or weighted average cost, depending on the circumstances of the subsidiary, and where applicable includes those costs that have been incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Impairment of assets

Assets that have an indefinite useful life are not subject to amortisation but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Taxation

The tax currently payable or receivable is based on taxable profit or loss for the period. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred taxation is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. Deferred taxation is calculated using tax rates that are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

Deferred taxation assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Leases

Finance leases

Leases of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. Property, plant and equipment acquired under finance leases is depreciated over the shorter of the anticipated useful life of the asset and its lease term.

Operating leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease. Incentives from lessors are recognised as a systematic reduction of the charge over the lease term.

1 General information and accounting policies – continued

Retirement benefit costs

The group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the group pays fixed contributions into an independently administered fund. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The cost of providing these benefits, recognised in the income statement, comprises the amount of contributions payable to the schemes in respect of the year.

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date.

Actuarial gains and losses that exceed 10% of the greater of the present value of the group's defined benefit obligation and the fair value of the plan assets are amortised over the expected average remaining lives of the participating employees.

Past service cost is recognised immediately to the extent the benefits are already vested and otherwise are amortised on a straight-line basis over the average period until the benefits become vested.

Current and past service costs and settlement gains are recognised within administrative expenses in the income statement. Interest is included within finance costs.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs.

2 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the group's accounting policies

In the process of applying the group's accounting policies, which are described in note 1, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations, which are dealt with below).

Retirement benefits (note 37) – within the UK, the group operates a number of approved defined benefit schemes. The pension costs relating to the retirement plans are accounted for under the corridor approach under IAS 19 "Employee benefits" with the cost of providing retirement benefits determined using the Projected Unit Credit method, and actuarial valuations being carried out at each balance sheet date. Inherent in these valuations are key assumptions, including discount rates, expected returns on plan assets, compensation increases and mortality rates. These actuarial assumptions are reviewed annually and modified as appropriate in accordance with the advice of independent qualified actuaries.

Share-based payments (note 29) – the group offers share and share option plans to certain employees as part of their compensation and benefits package, designed to improve alignment of the interests of employees with those of shareholders. The costs relating to these share-based payments are accounted for under IFRS 2 "Share-based payments", those costs being calculated principally using the Black-Scholes model as a valuation basis. Inherent in these calculations are key assumptions regarding expected volatility, an appropriate risk free rate and expected dividend yield. These assumptions are reviewed annually and modified as appropriate.

Taxation (note 10) – accruals for tax contingencies require the exercise of judgement in relation to potential tax exposures. Amounts accrued are based on interpretation of tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. Once considered to be probable, each material tax benefit is reviewed to assess whether a provision should be taken against full recognition of the benefit on the basis of the potential settlement. All such provisions are due within one year and therefore included within current tax. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the asset can be utilised requiring judgements to be made in respect of the forecast of future taxable income.

2 Critical accounting judgements and key sources of estimation uncertainty – continued

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Goodwill and intangible assets (notes 15 and 16) – the group has significant investments in both goodwill and intangible assets as a result of acquisitions of businesses and purchases of such assets. Goodwill and certain intangible assets are held at cost and tested annually for impairment. Tests for impairment are based on discounted cash flow projections, which require an estimate of both future operating cash flows and an appropriate discount rate. Such estimates are inherently subjective. Impairments have arisen in 2009 and 2010.

Trade receivables (note 21) – trade receivables are recognised on the balance sheet at original invoice amount less provision for impairment. Provisions for impairment are established when there is objective evidence that the group will not be able to collect all amounts due and are based on anticipated collection rates at each year end. These collection rates are estimated based on historical and current trends and are inherently subjective.

Inventories (note 20) – inventories are recognised on the balance sheet at the lower of cost and net realisable value. Net realisable value is based on the estimated selling price. Estimated selling prices are based on historical and current trends and are inherently subjective.

Provisions (note 27) – the group makes provisions in respect of onerous leasehold property contracts and leasehold dilapidation commitments where it is probable that a transfer of economic benefit will be required to settle a present obligation. Such estimates are inherently subjective and are made using third party advice and the best information available at the balance sheet date.

3 Revenue and other income

An analysis of the group's revenue and other income is as follows:

	2010 £000	2009 £000 (Restated)
Sale of goods	505,231	507,538
Rendering of services	51,805	57,262
Interest	43,139	45,966
Revenue	600,175	610,766
Finance income	7,082	12,471
Gain on derivatives	3,213	—
Revenue and other income	610,470	623,237

4 Trading costs

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

	2010 £000	2009 £000 (Restated)
Selling and distribution costs	174,071	177,970
Administrative expenses	74,793	94,534
	248,864	272,504

5 Business and geographical segments

Business segments

For management purposes, the group is currently organised into three operating divisions – Home Shopping, Education Supplies and Healthcare.

These divisions are the basis on which the group reports its primary segment information. The accounting policies of the reportable segments are the same as the group's accounting policies described in note 1.

Segment information about these businesses is presented below.

2010
Revenue

	Home Shopping £000	Education £000	Healthcare £000	Eliminations £000	Total £000
Benchmark	345,102	138,404	63,507	—	547,013
Terminated operations	53,162	—	—	—	53,162
External sales	398,264	138,404	63,507	—	600,175
Inter-segment sales	28,820	—	43	(28,863)	—
Total revenue	427,084	138,404	63,550	(28,863)	600,175

Inter-segment sales are charged at prevailing market prices.

Loss after tax

	Home Shopping 2010 £000	Education 2010 £000	Healthcare 2010 £000	Unallocated 2010 £000	Total 2010 £000
Benchmark operating profit (before associate result)	30,542	3,489	2,617	—	36,648
Terminated operations operating profit	(2,803)	—	—	—	(2,803)
Total	27,739	3,489	2,617	—	33,845
Share-based payment expense	—	—	—	(2,186)	(2,186)
Amortisation of intangible assets arising on business combinations	(1,400)	(930)	(30)	—	(2,360)
Exceptional operating costs (net)					
Impairment of goodwill and associated intangible assets	(52,829)	—	—	—	(52,829)
Impairment of property, plant and equipment and current assets relating to terminated businesses	(6,302)	—	—	—	(6,302)
Impairment of other property, plant and equipment and software and IT development costs	(1,487)	(1,511)	(217)	—	(3,215)
Other exceptional items	(3,701)	(10,093)	(470)	(2,431)	(16,695)
Pension curtailment gain	—	—	—	5,409	5,409
Share of result of associate					
Benchmark	(434)	—	—	—	(434)
Operating (loss)/profit	(38,414)	(9,045)	1,900	792	(44,767)
Finance income					10,295
Finance costs					(41,652)
Loss before tax					(76,124)
Tax					561
Loss after tax					(75,563)

5 Business and geographical segments – continued

Other information

	Home Shopping 2010 £000	Education 2010 £000	Healthcare 2010 £000	Eliminations 2010 £000	Total 2010 £000
Capital additions	4,240	3,336	1,355	—	8,931
Depreciation and amortisation	8,470	3,677	1,316	—	13,463
Impairment losses	60,618	1,511	217	—	62,346
Balance Sheet					
Assets					
Segment assets	273,266	133,297	23,769	—	430,332
Unallocated corporate assets					60,312
Consolidated total assets					490,644
Liabilities					
Segment liabilities	(139,334)	(35,994)	(8,324)	—	(183,652)
Unallocated corporate liabilities					(273,419)
Consolidated total liabilities					(457,071)

Unallocated corporate assets and liabilities principally comprise cash and bank borrowings, loans and receivables due from associates, and current and deferred tax provisions.

2009

Revenue

	Home Shopping £000 (Restated)	Education £000 (Restated)	Healthcare £000	Eliminations £000	Total £000 (Restated)
Benchmark	345,007	162,305	64,784	—	572,096
Terminated operations	38,670	—	—	—	38,670
External sales	383,677	162,305	64,784	—	610,766
Inter-segment sales	32,670	—	141	(32,811)	—
Total revenue	416,347	162,305	64,925	(32,811)	610,766

Inter-segment sales are charged at prevailing market prices.

Loss after tax

	Home Shopping 2009 £000 (Restated)	Education 2009 £000 (Restated)	Healthcare 2009 £000	Unallocated 2009 £000	Total 2009 £000 (Restated)
Benchmark operating profit (before associate result)	34,403	8,751	4,865	—	48,019
Terminated operations operating profit	(11,137)	—	—	—	(11,137)
Total	23,266	8,751	4,865	—	36,882
Amortisation of intangible assets arising on business combinations	(815)	(930)	(30)	—	(1,775)
Exceptional cost of sales					
Stock rationalisation	(3,002)	(11,319)	—	—	(14,321)
Exceptional operating costs					
Impairment of goodwill and intangible assets	(17,346)	—	—	—	(17,346)
Additional debtors provision	(14,429)	—	—	—	(14,429)
Impairment of property, plant and equipment	(3,075)	—	—	—	(3,075)
Other exceptional items	(9,506)	(3,732)	(511)	(2,694)	(16,443)
Share of result of associate					
Benchmark	403	—	—	—	403
Other	(4,743)	—	—	—	(4,743)
Operating (loss)/profit	(29,247)	(7,230)	4,324	(2,694)	(34,847)
Finance income					12,471
Finance costs					(35,054)
Loss before tax					(57,430)
Tax					10,402
Loss after tax					(47,028)

5 Business and geographical segments – continued

Other information

	Home Shopping 2009 £000 (Restated)	Education 2009 £000 (Restated)	Healthcare 2009 £000	Eliminations 2009 £000	Total 2009 £000 (Restated)
Capital additions	8,992	3,709	1,428	—	14,129
Depreciation and amortisation	7,285	3,389	1,047	—	11,721
Impairment losses	20,421	—	—	—	20,421
Balance Sheet					
Assets					
Segment assets	290,794	145,820	23,741	—	460,355
Investments in associates					622
Unallocated corporate assets					73,813
Consolidated total assets					534,790
Liabilities					
Segment liabilities	(138,861)	(46,056)	(7,798)	—	(192,715)
Unallocated corporate liabilities					(309,767)
Consolidated total liabilities					(502,482)

Unallocated corporate assets and liabilities principally comprise cash and bank borrowings, loans and receivables due from associates, and current and deferred tax provisions.

Geographical segments

The group's operations are located in the United Kingdom and Hong Kong.

The following table provides an analysis of the group's sales by geographical market, irrespective of the origin of the goods/services.

	2010 £000	2009 £000 (Restated)
United Kingdom	570,040	573,149
Europe	17,384	16,192
Asia	6,419	5,425
Other	6,332	16,000
	600,175	610,766

The following is an analysis of the carrying amount of non-current assets analysed by geographical area in which the assets are located.

	2010 £000	2009 £000 (Restated)
United Kingdom	162,316	219,245
Hong Kong	35	63
	162,351	219,308

Major customers

The group has no transactions with any single customer that amounts to more than 10% of the group's total revenue in either period.

6 Exceptional items

The following is an analysis of the exceptional items arising within the group during the period, all of which have been included in other items in the Consolidated Income Statement.

	2010 £000	2009 £000
Exceptional cost of sales		
Stock rationalisation	—	14,321
Exceptional operating costs (net)		
Impairment of goodwill and associated intangible assets	52,829	17,346
Additional debtors provision	—	14,429
Impairment of property, plant and equipment and current assets relating to terminated businesses	6,302	—
Impairment of other property, plant and equipment and software and IT development costs	3,215	3,075
Pension curtailment gain (note 37)	(5,409)	—
Other exceptional items		
– Restructuring costs	5,827	9,739
– Warehouse reorganisation costs	4,188	1,881
– Costs in relation to business closures	—	4,823
– Onerous lease provisions	6,680	—
Exceptional financing costs		
Debt refinancing costs	12,157	—
	85,789	65,614

The costs of stock rationalisation, impairment of goodwill and associated intangible assets, additional debtors provision, impairment of property, plant and equipment and current assets relating to terminated businesses and impairment of other property, plant and equipment and software and IT development costs are split by business segment in note 5.

Restructuring costs relate to the Home Shopping business segment £1,933,000 (2009: £4,683,000), the Education Supplies business segment £1,989,000 (2009: £1,851,000) and the Healthcare business segment £43,000 (2009: £511,000), with the remainder £1,862,000 (2009: £2,694,000) not allocated to a specific business segment. Warehouse reorganisation costs relate to the Home Shopping business segment £1,768,000 (2009: £nil), the Education Supplies business segment £1,701,000 (2009: £1,881,000), the Healthcare business segment £427,000 (2009: £nil) with the remainder unallocated £292,000 (2009: £nil). Costs in the prior year in relation to business closures relate to the Home Shopping business segment. The onerous lease provisions relate to the Education Supplies business segment £6,403,000 with the remaining cost of £277,000 not allocated to a specific business segment.

Of the exceptional operating items listed above, £10,868,000 are classified as selling and distribution costs (2009: £16,310,000) and £62,764,000 are classified as administrative expenses (2009: £34,983,000).

7 Terminated businesses

In the current year, the operations of Webb, Confetti and IWOOT have either been sold or are in the process of being sold and as such are treated as terminated operations in the 2010 accounts. Together with the terminated businesses in 2009, The Cotswold Company and Letterbox, these businesses have been separately disclosed within the “other items” column on the face of the income statement. All the businesses are from the Home Shopping segment.

The decision to sell Webb was taken after 2 April 2010 and accordingly does not meet the criteria of IFRS 5, “Non-current assets held for sale and discontinued operations”. Webb will be treated as a discontinued operation in the 2011 financial statements.

	Revenue		Loss before tax and exceptional items	
	2010 £000	2009 £000	2010 £000	2009 £000
Terminated businesses	53,162	38,670	(2,803)	(11,137)

8 Finance income

	2010 £000	2009 £000
Interest on loans to, and other guarantees for, associates	853	4,316
Interest on bank deposits	1,215	2,177
Amounts arising on derivatives not in a designated hedge accounting relationship	3,213	—
Expected return on pension assets (note 37)	5,014	5,978
	10,295	12,471

9 Finance costs

	2010 £000	2009 £000
Interest on bank loans and overdrafts	23,398	25,638
Interest on finance leases	279	209
Exceptional debt refinancing costs	12,157	—
Amounts arising on derivatives not in a designated hedge accounting relationship	—	3,361
Interest on pension obligations (note 37)	5,818	5,846
	41,652	35,054

10 Tax income

	2010 £000	2009 £000 (Restated)
Current tax – current period (UK tax)	—	(6,070)
– current period (overseas tax)	412	461
– adjustments in respect of prior periods (UK tax)	57	(1,311)
– adjustments in respect of prior periods (overseas tax)	—	90
	469	(6,830)
Deferred tax – current period	(686)	(3,476)
– adjustments in respect of prior periods	(344)	(96)
	(1,030)	(3,572)
	(561)	(10,402)

The tax income for the year can be reconciled to the loss per the income statement as follows:

	2010 £000	2009 £000 (Restated)
Loss before taxation	(76,124)	(57,430)
Tax at the UK Corporation tax rate of 28% (2009: 28%)	(21,315)	(16,080)
Effects of:		
Tax effect of result of associate	122	1,215
Expenses not deductible for tax purposes	11,560	1,767
Movements on deferred tax assets	9,649	3,691
Lower tax rates on overseas earnings	(290)	(38)
Impact of loss carry back	—	(405)
Adjustments relating to changes in UK tax legislation	—	59
Reversal of deferred tax asset relating to share options	—	706
	(274)	(9,085)
Adjustments in respect of prior periods – current tax	57	(1,221)
Adjustments in respect of prior periods – deferred tax	(344)	(96)
	(561)	(10,402)

11 Loss for the period

	2010 £000	2009 £000 (Restated)
Stated after charging/(crediting):		
Cost of inventories recognised as expense	309,555	293,183
Impairment charge for inventories	7,332	20,569
Amounts arising on derivatives trading not in a designated hedge accounting relationship	(3,213)	3,361
Depreciation of property, plant and equipment		
– owned	7,501	7,237
– held under finance leases and hire purchase agreements	837	760
Amortisation of intangible assets	5,125	3,724
Impairment of goodwill	40,178	10,678
Impairment of intangible assets	11,754	6,668
Impairment of property, plant and equipment	6,736	3,075
(Profit)/loss on disposal of property, plant and equipment	(63)	1,440
Impairment charge for receivables	31,564	49,979
Staff costs (note 12)	68,228	68,198
Auditors' remuneration (see below)	1,628	1,164

The analysis of auditors' remuneration is as follows:

	2010 £000	2009 £000 (Restated)
Fees payable to the company's auditors for the audit of the company's annual accounts	111	111
Fees payable to the company's auditors and their associates for other services to the group:		
– The audit of the company's subsidiaries pursuant to legislation	384	320
Total audit fees	495	431
Other services pursuant to legislation		
– Reporting accountant (charged to share premium account)	600	—
Interim review	60	—
Corporate tax services	241	215
VAT services	—	116
Internal control review	9	74
Corporate finance services	745	305
Other services	70	15
Total non-audit fees	1,725	725
Fees payable to the company's auditors and their associates in respect of associated pension schemes		
Audit	8	8
	2,228	1,164
Charged to income statement	1,628	1,164
Charged to share premium account	600	—
	2,228	1,164

Fees payable to Deloitte LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements are required to disclose such fees on a consolidated basis.

In addition to the above, a Hong Kong based subsidiary is audited by BDO Limited. The remuneration in both years was £7,000.

A description of the work of the audit committee is set out in the Corporate Governance report on pages 19 and 20 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

12 Staff costs

The average monthly number of employees (including executive directors) was:

	2010 No.	2009 No.
Administration	1,402	1,631
Production	278	178
Selling and distribution	1,480	1,588
	3,160	3,397

Their aggregate remuneration comprised:

	2010 £000	2009 £000
Wages and salaries	61,845	61,895
Social security costs	5,175	4,986
Other pension costs	1,208	1,317
	68,228	68,198

13 Dividends

	2010 £000	2009 £000
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 3 April 2009 of nil p per share (2008: 17.50p per share)	—	14,897
Less: attributable to own shares held in Employee Benefit Trust	—	(197)
	—	14,700
Interim dividend for the period ended 2 April 2010 of nil p per share (2009: 2.20p per share)	—	1,873
Less: attributable to own shares held in Employee Benefit Trust	—	(25)
	—	1,848
	—	16,548

14 Earnings per share

	2010 £000	2009 £000 (Restated)
Net loss attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	(75,563)	(47,028)
Losses from terminated businesses (net of tax)	2,803	8,368
Exceptional stock rationalisation (net of tax)	—	10,311
Share-based payment expense and derivative remeasurements (net of tax)	(1,027)	3,361
Amortisation of intangible assets arising on business combinations (net of tax)	1,699	1,278
Impairment of goodwill and associated intangible assets (net of tax)	49,730	15,039
Additional debtor provision (net of tax)	—	10,389
Impairment of property, plant and equipment and current assets relating to terminated businesses (net of tax)	6,302	—
Impairment of other property, plant and equipment and software and IT development costs (net of tax)	3,215	2,214
Other exceptional items (net of tax)	14,405	12,978
Share of result of associate (non-benchmark)	—	4,744
Exceptional finance costs (net of tax)	12,157	—
Exceptional pension curtailment gain (net of tax)	(3,894)	—
Prior period adjustments in respect of tax on non-benchmark items	—	(661)
Net profit attributable to equity holders of the parent for the purpose of benchmark earnings per share	9,827	20,993

	2010 No.	2009 No.
Weighted average number of shares in issue (as previously reported)	377,402,818	83,998,501
Equity issue adjustment	—	36,929,070
Weighted average number of shares (revised)	377,402,818	120,927,571

	2010	2009 (Restated)
Loss per share – basic	(20.02)p	(38.89)p
Earnings per share – benchmark basic	2.60p	17.36p
Loss per share – diluted	(20.02)p	(38.89)p
Earnings per share – benchmark diluted	2.60p	17.36p

Benchmark earnings per share excludes the impact of the other items described on page 35.

Following the placing and open offer and firm placing of 404,312,124 ordinary shares announced on 24 July 2009 and approved at the company's Extraordinary General Meeting on 10 August 2009, in accordance with paragraph 26 of IAS 33, "Earnings per share", the group has treated the discount element to the open offer part of the increase in share capital as if it were a bonus issue. The effect of this is to increase the weighted average number of shares for reported prior periods, with a resulting reduction in the reported basic and diluted earnings per share for the period ended 3 April 2009.

15 Goodwill

	£000
Cost	
At 31 March 2008	67,431
Hindsight adjustments to provisionally determined goodwill arising on acquisitions in the prior year	320
At 3 April 2009	67,751
Acquisition of subsidiaries	33,404
At 2 April 2010	101,155
Impairment	
At 31 March 2008	3,000
Provision for period	10,678
At 3 April 2009	13,678
Provision for period	40,178
At 2 April 2010	53,856
Carrying amount	
Net book value at 2 April 2010	47,299
Net book value at 3 April 2009	54,073
Net book value at 31 March 2008	64,431

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. After recognition of impairment losses, the carrying amount of goodwill has been allocated as follows:

	2010 £000	2009 £000	2008 £000
Education Supplies Division			
Findel Education (single CGU)	44,671	44,671	44,671
Healthcare Division			
Nottingham Rehab (single CGU)	2,308	2,308	2,278
Home Shopping Division			
Home Shopping (several CGUs)	320	7,094	17,482
	47,299	54,073	64,431

The group tests annually for impairment, or more frequently if there are indications that goodwill might be impaired.

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and management's detailed budgets including expected changes to revenues and direct costs during the period. The key assumptions are based on past experience adjusted for expected changes in future conditions.

The group prepares cash flow forecasts for the next three to five years derived from the most recent budget information. Cash flows are extrapolated thereafter for 20 years based on an estimated growth rate of 3% (2009: 3%). This rate does not exceed the average long-term growth rate for the relevant markets in the context of a 20 year forecast. The group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. A cut in the long-term growth rate to 2% would result in the carrying value of goodwill associated with the Education Supplies division being reduced to its recoverable amount. The pre-tax rate used to discount the forecast cash flows is 12.5% (2009: 12.5%).

In the current year, the operations of Webb, Confetti and IWOOT have either been sold or are in the process of being sold. As a result the carrying value of goodwill and intangible assets have been impaired to reflect the actual consideration or estimated consideration received or to be received.

The impairment of goodwill and intangible assets (brand names) of £10.7m and £6.7m respectively recorded in the prior period relates to the Home Shopping CGU and arose due to the decision to close Letterbox and Cotswold.

The recoverable amount for each CGU exceeded its carrying value at the impairment test date.

16 Other intangible assets

	Software and IT development costs £000	Brand names £000	Customer relationships £000	Total £000
Cost				
At 31 March 2008 (as previously reported)	9,926	63,451	22,138	95,515
Prior year adjustment	(1,881)	—	—	(1,881)
At 31 March 2008 (restated)	8,045	63,451	22,138	93,634
Additions (restated)	3,525	—	—	3,525
At 3 April 2009 (restated)	11,570	63,451	22,138	97,159
Acquisition of subsidiaries	529	1,989	3,808	6,326
Additions	3,135	—	—	3,135
At 2 April 2010	15,234	65,440	25,946	106,620
Accumulated amortisation and impairment				
At 31 March 2008	1,776	—	6,816	8,592
Provision for period	1,949	—	1,775	3,724
Impairment	—	6,668	—	6,668
At 3 April 2009	3,725	6,668	8,591	18,984
Provision for period	2,765	—	2,360	5,125
Impairment	686	8,531	2,537	11,754
At 2 April 2010	7,176	15,199	13,488	35,863
Carrying amount				
Net book value at 2 April 2010	8,058	50,241	12,458	70,757
Net book value at 3 April 2009 (restated)	7,845	56,783	13,547	78,175
Net book value at 31 March 2008 (restated)	6,269	63,451	15,322	85,042

Brand names, which arise from the acquisition of businesses, are deemed to have an indefinite life and are subject to annual impairment tests, on the basis that they are expected to be maintained indefinitely and are expected to continue to drive value for the group.

The amortisation period for customer relationships, which arise from the acquisition of businesses, is between 2 and 20 years.

Brand names acquired in a business combination are allocated, at acquisition, to the cash generating units (CGUs) that are expected to benefit from that business combination. The carrying amount of brand names has been allocated as follows:

	2010 £000	2009 £000	2008 £000
Education Supplies Division			
Findel Education (single CGU)	20,102	20,102	20,102
Healthcare Division			
Nottingham Rehab (single CGU)	66	66	66
Home Shopping Division			
Home Shopping (several CGUs)	7,228	13,770	20,438
Kleeneze (single CGU)	22,845	22,845	22,845
	50,241	56,783	63,451

The group tests annually for impairment, or more frequently if there are indications that the brand names might be impaired.

These tests are conducted in a manner similar to those applied to goodwill as described in note 15.

17 Property, plant and equipment

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Plant and equipment £000	Total £000
Cost				
At 31 March 2008	25,156	2,792	41,602	69,550
Additions (restated)	1,198	13	9,393	10,604
Disposals	(5)	—	(5,254)	(5,259)
Exchange differences	—	—	66	66
At 3 April 2009 (restated)	26,349	2,805	45,807	74,961
Acquisition of subsidiaries	—	19	1,179	1,198
Additions	—	—	5,796	5,796
Disposals	(936)	—	(260)	(1,196)
Exchange differences	—	—	2	2
At 2 April 2010	25,413	2,824	52,524	80,761
Accumulated depreciation and impairment				
At 31 March 2008	6,306	698	7,503	14,507
Provision for period	394	48	7,555	7,997
Disposals	(5)	—	(3,355)	(3,360)
Impairment	—	—	3,075	3,075
Exchange difference	—	—	(42)	(42)
At 3 April 2009	6,695	746	14,736	22,177
Provision for period	835	261	7,242	8,338
Disposals	(637)	—	(148)	(785)
Impairment	—	501	6,235	6,736
At 2 April 2010	6,893	1,508	28,065	36,466
Carrying amount				
Net book value at 2 April 2010	18,520	1,316	24,459	44,295
Net book value at 3 April 2009 (restated)	19,654	2,059	31,071	52,784
Net book value at 31 March 2008	18,850	2,094	34,099	55,043

The following rates are used for the depreciation of property, plant and equipment:

Buildings	2%
Plant and equipment	5%-33%
Leased assets	Term of lease

The net book value of plant and equipment held under finance leases at 2 April 2010 was £2.9m (2009: £4.6m, 2008: £2.1m).

18 Subsidiaries

The principal subsidiary undertakings at 2 April 2010 were as follows:

Registered in England and Wales	
Express Gifts Limited	Home Shopping
Kleeneze Limited	Home Shopping
Kitbag Limited	Home Shopping
Findel Direct Limited	Home Shopping
Webb Group Limited	Home Shopping
Findel Education Limited	Education Supplies
Nottingham Rehab Limited	Healthcare

Registered and incorporated in Hong Kong	
Fine Art Developments (Far East) Limited	Procurement Services

All subsidiary undertakings are wholly owned directly by Findel plc and operate mainly in the country in which they are registered.

19 Investments in associates

	2010 £000	2009 £000	2008 £000
Cost of equity investment in associates	—	5,358	5,358
Value of non-equity investments in associates	—	5,764	5,764
Share of post-acquisition loss, net of dividend received	—	(10,500)	(6,160)
	—	622	4,962

Details of the group's associates at 3 April 2009 are as follows:

Name of associate	Proportion of voting power held	Principal activity
Webb Group Limited (Webb)	30%	Home Shopping

Webb is registered in England and Wales.

The group also held £5.9m of non-voting preference shares in Webb.

Summarised financial information in respect of the group's associates is set out below:

	2010 £000	2009 £000	2008 £000
Total assets	—	50,497	32,254
Total liabilities	—	(86,858)	(52,787)
Revenue	12,230	99,109	75,502
Loss for the period	(1,447)	(14,467)	4,500
Group's share of associates' loss for the period	(434)	(4,340)	(1,350)

The remaining 70% of the issued share capital of Webb was acquired for £3 on 23 July 2009 as described in note 40. The revenue and loss stated above are for the period from 3 April 2009 to 23 July 2009.

Details of the group's transactions with Webb are set out in note 39.

The basis of the review for impairment of the investment and the loans receivable from the associate of £33.7m at 3 April 2009 were similar to those adopted for goodwill as described in note 15 above, with no impairment identified.

20 Inventories

	2010 £000	2009 £000 (Restated)	2008 £000 (Restated)
Inventories at cost	85,155	93,737	113,992
Provision for impairment	(11,548)	(19,713)	(6,199)
	73,607	74,024	107,793

	2010 £000	2009 £000 (Restated)
Movement in the provision for impairment:		
Balance at beginning of period	19,713	6,199
Acquisition of subsidiaries	1,255	—
Provision made in the period	7,332	20,569
Provision utilised in the period	(16,752)	(7,055)
Balance at the end of the period	11,548	19,713

The provision made in the period includes £nil (2009: £14,321,000) for stock rationalisation (note 6).

21 Trade and other receivables

	2010 £000	2009 £000 (Restated)	2008 £000 (Restated)
Amount receivable following the sale of goods	308,119	307,213	325,512
Allowance for doubtful debts	(124,483)	(116,853)	(90,358)
Trade receivables	183,636	190,360	235,154
Other debtors	4,883	10,264	7,682
Prepayments	21,836	28,956	22,947
	210,355	229,580	265,783

Certain of the group's trade receivables are funded through a securitisation facility arranged by HSBC Investment Bank plc and funded through a vehicle owned by GRE Trust Company (Ireland) Limited. The facility is secured against those receivables and is without recourse to any of the group's other assets. The finance provider will seek repayment of the finance, as to both principal and interest, only to the extent that collections from the receivables financed allows and the benefit of additional collections remains with the group. At the period end, receivables of £132,620,000 (2009: £128,955,000, 2008: £137,024,000) were funded through the securitisation facility, and the facilities utilised were £94,160,000 (2009: £91,558,000, 2008: £97,287,000).

Included in other debtors are amounts of £2,000,000 (2009: £4,000,000), being deferred consideration arising from the sale of premises at Hyde.

Home Shopping

The average credit period taken on sales of goods is 223 days. Interest is charged at 2.6% per month on the outstanding balance. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Before accepting any new customer, the group uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are continually reviewed. There are no customers who represent more than 1% of the total balance of group trade receivables.

Included in the group's trade receivable balance are debtors with a carrying amount of £48,585,000 (2009: £51,045,000, 2008: £70,690,000) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances. The average age of these receivables is 74 days (2009: 81 days, 2008: 113 days).

An additional debtor provision of £nil has been recorded in the period (2009: £14,429,000) (note 6).

21 Trade and other receivables – continued

Education Supplies

The average credit period taken on sales of goods is 39 days. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Given the nature of the public sector customer base within the Education Supplies business segment, it is not considered necessary to utilise formal credit scoring. However, credit references are sought for all new customers prior to extending credit. There are no customers who represent more than 1% of the total balance of group trade receivables.

Included in the group's trade receivable balance are debtors with a carrying amount of £3,716,000 (2009 restated: £9,102,000, 2008 restated: £9,287,000) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances. The average age of these receivables is 39 days (2009: 80 days, 2008: 61 days).

Healthcare

The average credit period taken on sales of goods is 24 days. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Given the nature of the public sector customer base within the Healthcare business segment, it is not considered necessary to utilise formal credit scoring. There are no customers who represent more than 1% of the total balance of group trade receivables.

Included in the group's trade receivable balance are debtors with a carrying amount of £431,000 (2009: £1,752,000, 2008: £2,344,000) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances. The average age of these receivables is 88 days (2009: 108 days, 2008: 113 days).

Movement in the allowance for doubtful debts:

	Home Shopping £000	Educational Supplies £000	Healthcare £000	2010 £000
Balance at the beginning of the period	116,073	704	76	116,853
Acquisition of subsidiary	3,768	—	—	3,768
Impairment losses recognised	29,214	2,307	43	31,564
Amounts written off as uncollectible	(27,640)	—	(62)	(27,702)
Balance at the end of the period	121,415	3,011	57	124,483

	Home Shopping £000	Educational Supplies £000	Healthcare £000	2009 £000
Balance at the beginning of the period	89,320	798	240	90,358
Impairment losses recognised	49,789	131	59	49,979
Amounts written off as uncollectible	(23,036)	(225)	(223)	(23,484)
Balance at the end of the period	116,073	704	76	116,853

21 Trade and other receivables – continued

Ageing of past due but not impaired receivables – aged from due date:

	Home Shopping £000	Education Supplies £000	Healthcare £000	2010 £000
0 – 60 days	27,450	3,293	134	30,877
60 – 120 days	7,501	290	180	7,971
120+ days	13,634	133	117	13,884
Total	48,585	3,716	431	52,732

	Home Shopping £000	Education Supplies £000	Healthcare £000	2009 £000
0 – 60 days	25,724	4,264	603	30,591
60 – 120 days	7,373	2,121	16	9,510
120+ days	17,948	2,717	1,133	21,798
Total	51,045	9,102	1,752	61,899

	Home Shopping £000	Education Supplies £000	Healthcare £000	2008 £000
0 – 60 days	34,523	6,441	625	41,589
60 – 120 days	15,496	845	192	16,533
120+ days	20,671	2,001	1,527	24,199
Total	70,690	9,287	2,344	82,321

Ageing of impaired receivables – aged from due date:

	Home Shopping £000	Education Supplies £000	Healthcare £000	2010 £000
0 – 60 days	3,767	—	—	3,767
60 – 120 days	5,201	—	—	5,201
120+ days	112,447	3,011	57	115,515
Total	121,415	3,011	57	124,483

	Home Shopping £000	Education Supplies £000	Healthcare £000	2009 £000
0 – 60 days	6,710	—	—	6,710
60 – 120 days	7,810	—	1	7,811
120+ days	101,553	704	75	102,332
Total	116,073	704	76	116,853

	Home Shopping £000	Education Supplies £000	Healthcare £000	2008 £000
0 – 60 days	—	—	11	11
60 – 120 days	—	—	2	2
120+ days	89,320	798	227	90,345
Total	89,320	798	240	90,358

21 Trade and other receivables – continued

In determining the recoverability of a trade receivable the group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

The directors consider that the group's maximum exposure to credit risk is the carrying value of the trade and other receivables and that their carrying amount approximates their fair value. In excess of 90% of the above amounts are greater than 120 days overdue in the current and prior years.

22 Cash at bank and in hand

	2010 £000	2009 £000	2008 £000
Cash at bank and in hand	44,331	9,924	12,767
Cash and cash equivalents include the following for the purposes of the cash flow statement:			
Cash at bank and in hand (as above)	44,331	9,924	12,767
Bank overdrafts	—	(24,970)	(23,022)
	44,331	(15,046)	(10,255)

Cash and cash equivalents comprises cash and bank overdrafts held by the group, and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

23 Trade and other payables

	2010 £000	2009 £000 (Restated)	2008 £000 (Restated)
Trade payables	53,033	52,664	66,835
Other payables	5,971	12,168	9,931
Accruals	22,265	33,458	30,221
	81,269	98,290	106,987

The average credit period taken for trade purchases is 53 days (2009: 66 days, 2008: 70 days). No interest is charged on trade payables. The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amount of trade payables approximates their fair value.

24 Obligations under finance leases

	Minimum lease payments			Present value of minimum lease payments		
	2010 £000	2009 £000	2008 £000	2010 £000	2009 £000	2008 £000
Amounts payable under finance leases:						
Within one year	1,052	1,555	664	1,006	1,393	595
In the second to fifth years	7	1,012	589	5	849	494
In more than five years	—	7	—	—	5	—
	1,059	2,574	1,253	1,011	2,247	1,089
Less future finance charges	(48)	(327)	(164)	—	—	—
Present value of lease obligations	1,011	2,247	1,089	1,011	2,247	1,089
Less amounts due for settlement within one year				(1,006)	(1,393)	(595)
Amount due for settlement after one year				5	854	494

It is the group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is three years.

For the period ended 2 April 2010, the average borrowing rate was 7.50% (2009: 7.50%, 2008: 7.50%).

Interest rates are fixed at the contract date, and thus expose the group to fair value interest rate risk. The fair value approximates their carrying value. All lease obligations are denominated in sterling.

The group's obligations under finance leases are secured by the lessors' title to the leased assets.

25 Borrowings

	2010 £000	2009 £000	2008 £000
Secured borrowing at amortised cost			
Bank loans	352,918	91,558	97,287
Unsecured borrowing at amortised cost			
Bank overdrafts	—	24,970	23,022
Bank loans	—	267,234	278,085
	—	292,204	301,107
	352,918	383,762	398,394
Amount due for settlement within one year	352,918	42,204	66,107
Amount due for settlement after one year	—	341,558	332,287
	352,918	383,762	398,394

	Sterling £000	Euro £000	HK dollars £000	Total £000
Analysis of borrowings by currency				
2010				
Bank loans	352,918	—	—	352,918
2009				
Bank overdrafts	19,521	89	5,360	24,970
Bank loans	358,792	—	—	358,792
	378,313	89	5,360	383,762
2008				
Bank overdrafts	22,353	498	171	23,022
Bank loans	375,372	—	—	375,372
	397,725	498	171	398,394

	2010	2009	2008
The average interest rates paid were as follows:			
Bank overdrafts	—	5.32%	6.56%
Bank loans	4.23%	4.93%	6.72%

All borrowings are arranged at floating rates, thus exposing the group to cash flow interest rate risk. The group manages this risk by undertaking interest rate hedging as described in note 26.

The directors consider that the carrying value of bank loans and overdrafts approximates their fair value.

Bank overdrafts were repayable on demand, unsecured and predominantly carried interest at 1% over the UK base rate. US dollar and Hong Kong dollar bank overdrafts carried interest at rates based on the US prime rate.

The group has three principal bank loans:

(i) A secured, committed revolving credit facility of £250.0m provided pursuant to an agreement dated 3 September 2007 (as amended on 24 July 2009) which expires on 3 September 2012. The terms of the facility provide for amounts drawn under the facility to carry interest at 4% over LIBOR and, following the financial period ended 31 March 2010, amounts drawn under the facility will carry interest at a variable rate over LIBOR determined by reference to the group's ratio of net borrowings to earnings.

(ii) A secured, committed revolving credit facility of £45.0m provided pursuant to an agreement dated 24 July 2009 which expires on 23 March 2011. Amounts drawn under the facility carry interest at 4% over LIBOR.

(iii) A securitisation facility of up to £105.0m, dated 23 March 2006 which expires on 23 September 2011, the amount of the available facility being dependent upon the level of certain debtor balances within Express Gifts Limited. Amounts drawn under the facility carry interest at 2.7% over LIBOR.

25 Borrowing – continued

As a result of the accounting irregularities in the group's Education Supplies division certain representations and warranties made in connection with the bank facilities entered into at the time of the refinancing in July 2009 were found to be untrue. In addition, certain other provisions contained in these facilities have been breached. As a result of the breach to the banking covenants at 2 April 2010, all of the bank debt owed by the group was reclassified as falling due within one year on the consolidated balance sheet.

The group agreed amendments to the outstanding £250.0m and £77.3m credit facilities on 16 July 2010, the principle elements being:

- the facilities expire on 9 January 2012;
- as at 16 July 2010, the available facility under the £250.0m facility is an amount in excess of £236.6m which will reduce (subject to short-term increases to fund working capital requirements) to an amount just in excess of £208.3m prior to the termination date of the £250.0m facility;
- as at 16 July 2010, the available facility under the £77.3m facility is £45.0m which will reduce (subject to short-term increases to fund working capital requirements) to an amount just in excess of £39.6m prior to the termination date of the £77.3m facility;
- the facilities require a commitment fee and charge interest at 5% over LIBOR to 31 December 2010 and 6.5% over LIBOR thereafter;
- new financial covenants have been agreed and permanent waivers obtained in relation to the breaches referred to above.

Under certain circumstances additional fees from 14 January 2011 of up to a maximum of approximately £5.0m could become payable.

The group has in addition a securitisation facility of up to £105.0m which expires on 9 January 2012, the amount of the available facility being dependent upon the level of certain debtor balances within Express Gifts Limited. A permanent waiver to the cross-default of the above banking facilities has been obtained.

As a result of the above refinancing, bank loans which were shown as being due for settlement within one year are now due for settlement after one year. Had these new arrangements been in place at 2 April 2010 the group's balance sheet would have appeared as illustrated in the unaudited pro-forma consolidated balance sheet included on page 82 of the accounts.

	2010 £000	2009 £000	2008 £000
Borrowing facilities			
The group had undrawn committed borrowing facilities as follows:			
Expiring in one year or less	10,840*	62,720	48,000
Expiring in more than one year but not more than two years	—	13,442*	—
Expiring in more than two years	—	—	22,713*
	10,840	76,162	70,713

*Securitisation facility

26 Derivative financial instruments

	2010		2009		2008	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000	Assets £000	Liabilities £000
Forward foreign exchange contracts	—	(6)	—	(30)	457	—
Interest rate derivatives	—	—	—	(3,189)	—	(315)
	—	(6)	—	(3,219)	457	(315)
Analysed as:						
Current	—	(6)	—	(3,219)	457	(315)
Non-current	—	—	—	—	—	—
	—	(6)	—	(3,219)	457	(315)

Treasury and risk management

The group's treasury function seeks to reduce or eliminate exposure to foreign exchange, interest rate and other financial risks, to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. It does not engage in speculative transactions and transacts only in relation to underlying business requirements.

Interest rate risk management

The group's interest rate exposure is managed by the use of fixed and floating rate borrowings, and by the use of derivative arrangements. The group also mixes the duration of its borrowings to smooth the impact of interest rate fluctuations.

Currency risk management

An increasing proportion of the products sold through the group's Home Shopping division and the Educational Supplies division are procured through the group's Far East buying office. The currency of purchase for these goods is principally the US Dollar, with a proportion being in Hong Kong Dollars. The group has a policy of hedging these foreign currency denominated transactions by entering into forward exchange purchase contracts.

Borrowing risk

The group's exposure to borrowing and cash investment risk is managed by dealing only with banks and financial institutions with strong credit ratings, within limits set for each organisation.

27 Provisions

	2010 £000	2009 £000
Onerous leases		
At beginning of period	—	—
Provided in the period	6,680	—
At end of period	6,680	—
Amounts included in current liabilities	1,661	—
Amounts included in non-current liabilities	5,019	—
	6,680	—

Provision was made in the period for onerous leases for vacated leasehold properties. These provisions will be utilised over four years.

28 Deferred tax

The following are the major deferred tax liabilities and assets recognised by the group and movements thereon during the current and prior reporting period:

	Short-term timing differences £000	Accelerated capital allowances £000	Retirement benefit obligations £000	Tax losses £000	Other intangible assets £000	Total £000
At 31 March 2008	(1,441)	(173)	(3,328)	—	15,266	10,324
Charge/(credit) to profit or loss for the period	(82)	3,076	1,029	(3,855)	(3,740)	(3,572)
At 3 April 2009	(1,523)	2,903	(2,299)	(3,855)	11,526	6,752
Arising on acquisition	—	—	—	—	1,623	1,623
Charge/(credit) to profit or loss for the period	640	(2,841)	2,173	2,758	(3,760)	(1,030)
At 2 April 2010	(883)	62	(126)	(1,097)	9,389	7,345

Certain deferred tax assets and liabilities have been offset in accordance with the group's accounting policies.

The following is the analysis of the deferred tax balances (before offset) for balance sheet purposes:

	2010 £000	2009 £000	2008 £000
Deferred tax liabilities	11,158	15,356	18,613
Deferred tax assets	(3,813)	(8,604)	(8,289)
	7,345	6,752	10,324

On 22 June 2010, the Emergency Budget announced a change in corporation tax rates to reduce the UK main tax rate from 28% to 24% over a four year period from April 2011. It is anticipated that the Finance Act 2010 (2) will enact a 1% reduction effective of 1 April 2011. Therefore the impact on the group's deferred tax liability of the change is anticipated to be £262,000 at the next balance sheet date.

Recognition of deferred tax assets is based on management's assumptions that it is probable that the entities will have taxable profits against which the unused tax losses and deductible temporary timing differences can be utilised. Generally, in determining the amounts of deferred tax assets to be recognised, management uses profitability information and forecasted operating results based on approved business plans.

The aggregate amount of temporary differences associated with deferred tax assets which have not been recognised is £29,324,000 (2009: £13,232,000, 2008 restated: £11,393,000). These amounts primarily relate to carried forward tax losses and depreciation in advance of capital allowances. No asset has been recognised in respect of these differences because there is insufficient evidence that the relevant subsidiaries will make suitable future taxable profits against which these assets may be utilised.

The following are the major deferred tax assets not recognised by the group and movements thereon during the current and prior reporting period:

	Short-term timing differences £000	Depreciation in advance of capital allowances £000	Tax losses £000	Total £000
At 31 March 2008 (as previously reported)	—	—	(6,645)	(6,645)
Prior year adjustment	—	(655)	(4,093)	(4,748)
At 31 March 2008 (restated)	—	(655)	(10,738)	(11,393)
Movements during the period	(26)	(2,339)	526	(1,839)
At 3 April 2009	(26)	(2,994)	(10,212)	(13,232)
Movements during the period	3	(2,370)	(7,282)	(9,649)
Adjustments in respect of prior periods	—	638	(1,699)	(1,061)
Arising on acquisition	(290)	(116)	(4,976)	(5,382)
At 2 April 2010	(313)	(4,842)	(24,169)	(29,324)

Post the balance sheet date, the Webb Group has been disposed of which will result in a reduction of unrecognised deferred tax assets available to the group of £7.5m.

29 Share-based payments

Equity settled share option schemes

The company has a share option scheme for all employees of the group. Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The vesting period is three years. If the options remain unexercised after a period of seven years from the date of grant, the option expires. Options are forfeited if the employee leaves the group before the options vest.

	2010 No. of share options	2010 Weighted average exercise price (in £)	2009 No. of share options	2009 Weighted average exercise price (in £)
Outstanding at the beginning of the period	414,530	4.61	442,566	4.45
Granted during the period	—	—	—	—
Exercised during the period	—	—	(28,036)	2.14
Cancelled during the period	(225,688)	5.45	—	—
Outstanding at the end of the period	188,842	3.61	414,530	4.61
Exercisable at the end of the period	188,842	3.61	188,842	3.61

The weighted average share price at the date of exercise for share options exercised during the prior period was £2.90. The options outstanding at the end of the period have a weighted average remaining contractual life of 1.2 years (2009: 3.2 years). No options were granted in relation to this scheme in the current or prior period.

Performance Share Plan (equity settled)

The group issued to certain senior employees conditional awards of performance shares under a Performance Share Plan (PSP) that require the group to award shares to the employee on the vesting of the award subject to the achievement of certain predetermined performance conditions. The performance period is three years after which the awards may vest.

There are two distinct performance conditions that apply to all awards made under the PSP with the exception of those awards granted in November 2008. Half of any award is subject to the growth in the company's normalised earnings per share (EPS) growth in excess of "RPI". The remaining half of an award will be subject to the relative total shareholder return (TSR) of the company.

For awards granted in November 2008, awards will vest in full dependent on the achievement of a debt reduction of not less than £100.0m over the three years of the performance period whilst maintaining a return on capital of not less than 17% in the final year.

	2010 No. of shares	2009 No. of shares
Outstanding at the beginning of the period	2,746,890	629,614
Granted during the period	9,265,668	2,117,276
Adjustment as a result of the increased share capital	11,525,220	—
Lapsed during the period	(320,194)	—
Outstanding at the end of the period	23,217,584	2,746,890

The adjustment to the number of conditional phases granted is a result of the increase in the issued share capital of the company resulting from the firm placing and open offer during the period. The adjustment equates to 4.7493465 shares for each share conditionally granted.

The estimated fair value of the awards granted during the period is £3,398,000 (2009: £1,731,000). In each case these costs are expensed over three years.

The fair values of the awards in the current period and prior year were calculated using a Black-Scholes option pricing model. The inputs into the model were as follows:

	2010	2009
Weighted average share price (pence)	42.7	81.8
Weighted average exercise price (pence)	0.0	0.0
Expected volatility (%) (applicable to TSR performance condition)	105.9	N/A
Expected life (years)	3.0	3.0
Risk free rate (%) (applicable to TSR performance condition)	2.1	N/A
Expected dividend yield (%)	0.0	0.0
Weighted average fair value (TSR)	30.6	N/A
Weighted average fair value (non-TSR)	42.7	81.8

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous three years.

29 Share-based payments – continued

The group recognised total expenses of £2,186,000 (2009: £nil) related to equity-settled share-based payment transactions in the year reflecting the charge arising in the period being offset by the reversal of charges on non-market related performance criteria share options which are no longer expected to vest.

Other share-based payment plan

The group issued to certain senior employees share appreciation rights (SARs) under a Long Term Investment Plan (LTIP) detailed on page 30, the performance criteria for which have been met previously, that require the group to pay the intrinsic value of the SAR to the employee at the date of exercise.

	2010 No. of notional shares	2010 Weighted average exercise price (in £)	2009 No. of notional shares	2009 Weighted average exercise price (in £)
Outstanding at the beginning of the period	834,849	1.38	834,849	1.38
Lapsed during the period	(822,990)	1.36	—	—
Outstanding at the end of the period	11,859	2.64	834,849	1.38
Exercisable at the end of the period	11,859	2.64	834,849	1.38

The remaining 11,859 interests in notional shares lapsed in May 2010.

Share warrants (equity settled)

Share warrants for 4,256,503 ordinary shares with an exercise price of 20p per share were issued to the group's lenders in connection with the placing and open offer and firm placing (note 30). The warrants may be exercised at any time in the four years, 11 August 2009 to 11 August 2013. The fair value of each share warrant was 20p amounting to £851,000 in total. At 2 April 2010, 4,256,503 share warrants were outstanding.

30 Share capital

	2010 Number of shares	2009 Number of shares	2010 £000	2009 £000
Authorised				
Ordinary shares of 5p each	750,000,000	95,000,000	37,500	4,750
Allotted, issued and fully paid				
At the beginning of the period	85,130,052	85,102,016	4,257	4,255
Exercise of share options	—	28,036	—	2
Placing and open offer	204,312,124	—	10,215	—
Firm placing	200,000,000	—	10,000	—
At the end of the period	489,442,176	85,130,052	24,472	4,257

The company has one class of ordinary shares which carry no right to fixed income.

On 24 July 2009, the group announced the placing and open offer of 204,312,124 ordinary shares and the firm placing of 200,000,000 ordinary shares at 20p per share. This was approved at the company's Extraordinary General Meeting on 10 August 2009, and the shares were issued on 11 August 2009. Total proceeds raised were £80,862,000, less £1,071,000 relating to shares transferred to the Employee Benefit Trust, and associated costs of the equity raising of £5,410,000 resulted in net proceeds of £74,381,000.

31 Capital reserves

	Capital redemption reserve £000	Share premium account £000	Merger reserve £000	Own shares £000	Liability for share-based payments £000	Total £000
At 31 March 2008	403	23,944	29,518	(2,974)	1,342	52,233
Share issues	—	59	—	—	—	59
Impairment of own shares	—	—	—	1,998	—	1,998
At 3 April 2009	403	24,003	29,518	(976)	1,342	54,290
Share issues	—	55,237	—	(1,071)	—	54,166
Share warrants issue	—	—	—	—	851	851
Share-based payments	—	—	—	—	2,186	2,186
At 2 April 2010	403	79,240	29,518	(2,047)	4,379	111,493

31 Capital reserves – continued

Own shares comprises 6,486,347 (2009: 1,128,190) ordinary shares of 5p each of the company, representing 1.3% (2009: 1.3%) of the issued share capital of the company at 2 April 2010. The maximum number of such shares held during the year was 6,486,347 (2009: 1,128,190). These shares, which are held in an Employee Benefit Trust established for the purpose, were purchased in order to provide a hedge against the group's liabilities under the Long Term Incentive Plan and Performance Share Plan. The Employment Benefit Trust took up its entitlement of 2,707,656 ordinary shares under the placing and open offer (note 30) at 20p per share, amounting to £541,000 and subscribed for a further 2,650,501 ordinary shares under the offer at 20p per share, amounting to £530,000.

The liability for share-based payments represents the cumulative share option charge under IFRS 2 less the value of any share options that have been exercised plus the value of the share warrants issued less the value of share warrants exercised.

The capital redemption reserve arose on the purchase and cancellation of 8,060,234 ordinary shares during the year ended 31 March 1999.

The merger reserve arose on the acquisition of the whole of the share capital of Novara plc during the year ended 31 March 2002. The difference between the nominal value of the shares issued and the fair value of the assets acquired was credited to the merger reserve.

None of the above reserves are distributable.

32 Translation reserve

	£000
Balance at 31 March 2008	(491)
Currency translation gain arising on consolidation	1,783
Balance at 3 April 2009	1,292
Currency translation loss arising on consolidation	(590)
Balance at 2 April 2010	702

The translation reserve represents movements in the consolidated balance sheet which are taken directly to reserves, arising as a result of movements in exchange rates.

33 (Accumulated losses)/retained earnings

	£000
At 31 March 2008 (as previously reported)	54,985
Prior year adjustment	(16,942)
At 31 March 2008 (as restated)	38,043
Dividends paid	(16,548)
Loss for the period attributable to equity holders of the parent (restated)	(47,028)
Impairment of own shares reserve	(1,998)
At 3 April 2009 (as restated)	(27,531)
Loss for the period attributable to equity holders of the parent	(75,563)
At 2 April 2010	(103,094)

34 Non cash transactions

During the period the group entered into finance leases with a capital value at inception of £nil (2009: £1,772,000).

35 Capital commitments

The group had no capital commitments at 2 April 2010 or 3 April 2009.

36 Operating lease arrangements

	2010 £000	2009 £000
Minimum lease payments recognised as an expense in the period	13,698	12,220

At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2010 £000	2009 £000
Within one year	13,249	11,894
In the second to fifth years	38,706	32,984
After five years	69,254	52,924
	121,209	97,802

Operating lease payments predominantly represent rentals payable by the group for certain of its office and warehouse properties. Leases are negotiated for terms of seven to twenty-five years and rentals are fixed for an average of three years.

The group leases its premises at Hyde from Ham 450 LLP, an unrelated third party, at £852,000 per annum following its sale and leaseback by the group on normal commercial terms on 1 April 2009. The premises have a charge over them in favour of Mr K Chapman (a former director) and certain other members of his family arising from a loan to assist with the purchase of the premises.

37 Retirement benefit plans

Defined contribution schemes

The group operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the group in funds under the control of trustees. The only obligation of the group with respect to the retirement benefit plan is to make the specified contributions. The total expense recognised in the income statement of £530,000 (2009: £447,000) represents contributions payable at rates specified by the rules of the plan.

Defined benefit schemes

The principal UK scheme (the "Findel Group Pension Fund") was assessed by Aon Consulting, the scheme's actuaries, at 6 April 2007 using the projected unit method. The principal actuarial assumptions adopted in that valuation were that the annual rate of return on growth investments would be 1.50% higher than the annual increase in total pensionable remuneration and the return on bond investments would be between 2.05% and 2.25% higher than the annual increase in present and future pensions in payment. The actuarial value of the assets was sufficient to cover 91% of the benefits that had accrued to members, after allowing for expected future increases in pensionable remuneration. The market value of the scheme's assets at the date of valuation was £66.8m. The next formal valuation is due with an effective date no later than 6 April 2010.

In addition, the company sponsors the Findel Education Pension Scheme, which was assessed by Aon Consulting, the scheme's actuaries, at 6 April 2007. The principal actuarial assumptions adopted in that valuation were that the annual rate of return on investments would be 1.25% (1.75% for the purposes of the recovery plan) higher than the annual increase in total pensionable remuneration and 2.75% higher than the assumed price inflation assumption. The market value of the assets was sufficient to cover 85% of the benefits that had accrued to members, after allowing for expected future increases in pensionable remuneration. The market value of the scheme's assets at the date of valuation was £19.4m. The next formal valuation is due with an effective date no later than 6 April 2010.

In January 2010 the group decided to cease offering benefits under its defined benefit pension schemes to those employees still within these arrangements. This led to the further accrual of benefits ceasing from this date. This resulted in a curtailment gain of £6,624,000 (2009: £nil), of which £5,409,000 (2009: £nil) has been recognised in the income statement and is disclosed as an exceptional item.

The most recent valuations of the plans for IAS 19 purposes were carried out at 2 April 2010 by Aon Consulting. The present value of the defined benefit obligation and the related current service cost and past service cost, were measured using the projected unit credit method.

37 Retirement benefit plans – continued

The principal assumptions used for the purpose of the IAS 19 actuarial valuations were as follows:

	2010 %	2009 %
Discount rate for scheme liabilities	5.50	6.70
Expected return on scheme assets	6.30	6.70
Inflation	3.80	3.00
Rate of general increase in salaries	n/a	4.75
Rate of increase to pensions in payment	3.00	3.00
Rate of increase to deferred pensions	3.00	3.00

The assumption used for post-retirement mortality is equivalent to a life expectancy for a sample male aged 65 retiring in April 2010 of 87.0 years (2009: 87.0 years) (FGPF) and 87.0 years (2009: 87.0 years) (FEPS); and for a sample male retiring in April 2030 of 88.1 years (2009: 88.1 years) (FGPF) and 88.1 years (2009: 88.1 years) (FEPS).

The actual rate of return on assets was 27% (2009: (16)%). The overall expected rate of return of 6.70% (2009: 6.80%) is based on market conditions at the balance sheet date, reflecting the mix of assets held.

An increase/decrease in the discount rate assumption of 0.1% would result in an increase/decrease to the pension deficit of £2.1m. An increase/decrease in the inflation rate assumption of 0.1% would result in an increase/decrease in the pension deficit of £1.5m. An increase in life expectancy by one year over the assumed rate would result in an increase in the pension deficit of £3.5m.

Amounts recognised in the profit and loss account in respect of the defined benefit plans are as follows:

	2010 £000	2009 £000
(i) included within administrative expenses		
Current service cost	678	938
Recognised actuarial losses	83	—
Gains on settlements and curtailments (exceptional item note 6)	(5,409)	—
Total operating charge	(4,648)	938
(ii) included within financial income and costs		
Expected return on pension assets	(5,014)	(5,978)
Interest cost	5,818	5,846
Net cost/(income)	804	(132)

The amount recognised in the balance sheet arising from the group's obligations in respect of its defined benefit retirement benefit schemes is as follows:

	2010 £000	2009 £000	2008 £000
Fair value of scheme assets	91,880	72,227	84,781
Present value of funded obligations	(115,352)	(88,317)	(88,220)
Deficit in the scheme	(23,472)	(16,090)	(3,439)
Unrecognised actuarial losses/(gains)	23,023	7,878	(8,448)
Net pension liability recognised in the balance sheet	(449)	(8,212)	(11,887)

The related deferred tax asset is disclosed in Note 28.

Movements in the pension deficit were as follows:

	2010 £000	2009 £000
Opening deficit	(16,090)	(3,439)
Movement in period:		
Current service cost	(678)	(938)
Gains on settlements and curtailments	6,624	—
Interest cost	(5,818)	(5,846)
Expected return on pension assets	5,014	5,978
Actuarial loss	(16,443)	(16,256)
Contributions	3,919	4,411
Closing deficit	(23,472)	(16,090)

37 Retirement benefit plans – continued

Movements in the present value of defined benefit obligations were as follows:

	2010 £000	2009 £000
At beginning of period	(88,317)	(88,220)
Movement in period:		
Current service cost	(678)	(938)
Interest cost	(5,818)	(5,846)
Contributions by the members	(126)	(156)
Gains on settlements and curtailments	6,624	—
Actuarial (loss)/gain	(30,757)	3,613
Benefits paid	3,720	3,230
At end of period	(115,352)	(88,317)

Movements in the fair value of scheme assets were as follows:

	2010 £000	2009 £000
At beginning of period	72,227	84,781
Movement in period:		
Contributions	3,919	4,411
Contributions by the members	126	156
Expected return on pension assets	5,014	5,978
Actuarial gain/(loss)	14,314	(19,869)
Benefits paid	(3,720)	(3,230)
At end of period	91,880	72,227

The analysis of the scheme assets and the expected rate of return at the balance sheet date was as follows:

	Expected return		Fair value of assets	
	2010 %	2009 %	2010 £000	2009 £000
Equities/Property	7.75	8.00	49,412	35,818
Bonds	5.50	5.50	41,708	34,511
Other	0.50	5.25	760	1,898
	6.30	6.70	91,880	72,227

The history of experience adjustments is as follows:

	2010 £000	2009 £000	2008 £000	2007 £000	2006 £000
Fair value of plan assets	91,880	72,227	84,781	86,745	80,866
Fair value of defined benefit obligation	(115,352)	(88,317)	(88,220)	(99,222)	(99,788)
Deficit in the scheme	(23,472)	(16,090)	(3,439)	(12,477)	(18,922)
Experience adjustments on scheme liabilities					
Amount (£000)	(30,757)	3,613	2,394	(16)	(4,498)
Percentage of scheme liabilities (%)	(27%)	4%	3%	(0%)	(5%)
Experience adjustments on scheme assets					
Amount (£000)	14,314	(19,869)	(7,393)	(1,379)	8,408
Percentage of scheme assets (%)	16%	(28%)	(9%)	(2%)	11%

The group made voluntary additional contributions of £3.2m (2009: £3.7m) into the defined benefit pension schemes during the year and anticipates continuing to do so in the year ending 1 April 2011.

38 Financial instruments

Capital risk management
The group manages its capital to ensure that the group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the net debt and equity balance. The board of directors reviews the capital structure of the group regularly considering both the costs and risks associated with each class of capital. The capital structure of the group consists of:

	2010 £000	2009 £000 (Restated)
Net debt		
Obligations under finance leases (note 24)	1,011	2,247
Borrowings (note 25)	352,918	383,762
Cash at bank and in hand (note 22)	(44,331)	(9,924)
	309,598	376,085
Equity		
Share capital (note 30)	24,472	4,257
Capital reserves (note 31)	111,493	54,290
Translation reserve (note 32)	702	1,292
Accumulated losses (note 33)	(103,094)	(27,531)
	33,573	32,308
Gearing (being net debt divided by equity above)	9.2	11.6

Externally imposed capital requirement
The group is not subject to externally imposed capital requirements.

Significant accounting policies
Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Categories of financial instruments

	Carrying value	
	2010 £000	2009 £000 (Restated)
Financial assets		
Held for trading	—	—
Loans and receivables (including cash and cash equivalents)	254,686	273,158
Financial liabilities		
Held for trading	6	3,219
Amortised cost	435,198	484,299

Financial risk management objectives
The group's financial risks include market risk (including currency risk and interest risk), credit risk, liquidity risk and cash flow interest rate risk.

The group seeks to minimise the effects of these risks by using derivative financial instruments to manage its exposure. The use of financial derivatives is governed by the group's policies approved by the board of directors. The group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

Market risk
The group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase of inventory in US dollars; and
- interest rate swaps to mitigate the risk of rising interest rates.

38 Financial Instruments – continued

Foreign currency risk management

The group undertakes certain transactions denominated in foreign currencies. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed utilising forward foreign exchange contracts.

The carrying amounts of the group's foreign currency denominated monetary assets and monetary liabilities at the reporting date are as follows:

	Assets		Liabilities		Net exposure	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Euro	4,616	2,912	(728)	(1,865)	3,888	1,047
Hong Kong dollar	2,059	684	(1,226)	(6,161)	833	(5,477)
US dollar	6,196	8,166	(1,668)	(1,167)	4,528	6,999
	12,871	11,762	(3,622)	(9,193)	9,249	2,569

Foreign currency sensitivity analysis

A significant proportion of products sold through the group's Home Shopping and Educational Supplies divisions are procured through the group's Far East buying office. The currency of purchase for these goods is principally the US dollar, with a proportion being in Hong Kong dollars.

The following table details the group's sensitivity to a 10% increase and decrease in the Sterling against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the group where the denomination of the loan is in a currency other than the currency of the lender or the borrower. A positive number below indicates an increase in profit and other equity where Sterling strengthens 10% against the relevant currency. For a 10% weakening of Sterling against the relevant currency, there would be an equal and opposite impact on the profit and other equity, and the balances below would be negative.

	Euro currency impact		Hong Kong dollar currency impact		US dollar currency impact	
	2010 £000	2009 £000	2010 £000	2009 £000	2010 £000	2009 £000
Profit or loss and equity	(353)	(95)	(76)	498	(412)	(636)

Forward foreign exchange contracts

The group enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions out to approximately 12 months from the balance sheet date.

The following table details the forward foreign currency contracts outstanding as at the period end. All of these contracts are designated at fair value through the profit and loss account:

Outstanding contracts

	Average contract exchange rate		Foreign currency		Sterling		Period end fair value	
	2010 Rate	2009 Rate	2010 US$000	2009 US$000	2010 £000	2009 £000	2010 £000	2009 £000
Buy US dollars								
Less than 3 months	1.5423	1.4746	3,000	2,000	1,945	1,356	19	(5)
3 to 6 months	1.5415	1.4752	3,000	4,000	1,946	2,711	19	(10)
6 months to 12 months	1.5132	1.4760	8,000	6,000	5,287	4,065	(44)	(15)
	1.5254	1.4757	14,000	12,000	9,178	8,132	(6)	(30)

Changes in the fair value of non-hedging currency derivatives amounting to £24,000 have been credited to income in the period (2009: £487,000 charged to income).

Interest rate risk management

The group is exposed to interest rate risk as the group borrows funds at both fixed and floating interest rates. The risk is managed by the group by maintaining a mix between fixed and floating rate borrowings, and the use of interest rate swap contracts and forward interest rate contracts when considered necessary. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

The group's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

38 Financial Instruments – continued

Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the balance sheet date. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at balance sheet date was outstanding for the whole year. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the group's profit and equity reserves for the period ended 2 April 2010 would decrease/increase by £1,765,000 (2009: decrease/ increase by £1,919,000). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

Under interest rate swap contracts, the group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the group to mitigate the risk of changing interest rates on the fair value of issued fixed rate debt held and the cash flow exposures on the issued variable rate debt held. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the curves at the reporting date and the credit risk inherent in the contract, and is disclosed below. The average interest rate is based on the outstanding balances at the end of the financial year.

The following details the notional principal amounts and remaining terms of interest rate swap contracts outstanding as at the current and previous reporting date.

The group obtained interest rate derivatives in the prior year to manage its exposure to interest rate movements on its bank borrowings by the use of fixed interest rate arrangements. At 3 April 2009, contracts with a nominal value of £100.0m had a fixed rate of 4.8% for the period to 4 January 2010. No interest rate derivative contracts were in place at 2 April 2010.

At 2 April 2010 the fair value of the group's interest rate derivatives is a liability of £nil (2009: £3,189,000). These amounts are based on quoted market prices for equivalent instruments at the balance sheet date.

Changes in the fair value of non-hedging interest rate derivatives amounting to £3,189,000 have been credited to income in the period (2009: £2,874,000 charged to income).

Due to the nature of many of the group's hedging and derivative instruments, hedge accounting has not been adopted for these hedging relationships. Consequently, all of these instruments are designated at fair value through the profit and loss account.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the group. The group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. A more detailed commentary of the group's exposure to credit risk within its trade receivables, and the procedures employed to manage this risk, is set out in note 21.

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The group defines counterparties as having similar characteristics if they are connected entities. Other than the loan to associate disclosed in note 39, concentration of credit did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the directors' best estimate of the group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the group's short, medium and long-term funding and liquidity management requirements. The group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 25 is a description of additional undrawn facilities that the group has at its disposal to further reduce liquidity risk.

38 Financial Instruments – continued

Liquidity and interest risk tables

The following tables detail the group's remaining contractual maturity for its non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the group can be required to pay. The table includes both interest and principal cash flows.

	Weighted average effective interest rate %	Less than 1 year £000	1 to 5 years £000	5+ years £000	Total £000
2010					
Non-interest bearing	—	81,269	—	—	81,269
Finance lease liability	7.50	1,052	7	—	1,059
Variable interest rate instruments	4.23	352,918	—	—	352,918
		435,239	7	—	435,246
2009 (restated)					
Non-interest bearing	—	98,290	—	—	98,290
Finance lease liability	7.50	1,555	1,012	7	2,574
Variable interest rate instruments	4.96	59,043	376,884	—	435,927
		158,888	377,896	7	536,791

The group has access to financing and securitisation facilities, the total unused amount of which is £10,840,000 (2009: £76,162,000) at the balance sheet date. The group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets.

The group enters into two types of derivative financial instruments relating to gross settled foreign exchange contracts and net settled interest rate swaps which have been disclosed separately. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the interest and foreign currency rates prevailing at the balance sheet date.

The timing and fair value of the cash flows relating to the gross settled foreign exchange contracts are detailed in the "outstanding contracts" table above.

The timing and fair value of the cash flows relating to the net settled interest rate swaps are estimated as a £nil liability due within one year in respect of the period ended 2 April 2010. In respect of the year ended 3 April 2009, there was a liability of £3,219,000 due in less than one year.

Fair value of financial instruments

The fair values of financial assets and financial liabilities are determined as follows.

- Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts.
- Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair value of other non-derivative financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value. The group is required to analyse financial instruments that are measured subsequent to initial recognition at fair value, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The above financial assets and liabilities were measured at fair value on level 2 fair value measurement bases.

39 Related party transactions

Trading transactions

Transactions between the company and its subsidiaries, which are related parties of the company, have been eliminated on consolidation and are not discussed in this note.

During the period to 23 July 2010, the date on which the remaining 70% of the shares of the group's associate, Webb, were acquired, the group made purchases from its associate on normal commercial terms of £1.60m (2009: £6.91m) and in the same period the group supplied goods and services to its associate of £0.01m (2009: £7.61m). At 2 April 2010 the group had trade payables due to its associate of £nil (2009: £1.74m) and trade receivables due from its associate of £nil (2009: £6.70m). As Webb was part of the group at 2 April 2010, there is no requirement to disclose the balance outstanding with other group companies at that date. Historically, the group's trade indebtedness to its associate was £1.74m at 3 April 2009 and that of its associate to the group was £6.70m at the same date. At 3 April 2009, the group had loans receivable from its associate of £33.65m. During the current period, interest income of £0.86m (2009: £3.52m) has been recognised on the loan.

The group has a trading relationship with Herbert Walker & Son (Printers) Limited ("Herbert Walker"), a commercial printing company which is controlled by Mr K Chapman, a former director. During the period to 2 April 2010, group purchases from Herbert Walker on normal commercial terms amounted to £0.47m (2009: £0.32m) and in the same period the group supplied goods and services to Herbert Walker of £0.12m (2009: £0.11m). At 2 April 2010, the group indebtedness to Herbert Walker was £0.02m (2009: £0.04m) and that of Herbert Walker to the group was £0.01m (2009: £0.02m).

The group also has a trading relationship with Collisons Limited, a stationery supply company which is controlled by Mr K Chapman, a former director. In the period to 2 April 2010, purchases from Collisons amounted to £0.02m (2009: £0.03m). There were no sales to Collisons in either period. All transactions are made on normal commercial terms. At 2 April 2010, the group indebtedness to Collisons was £0.02m (2009: £0.03m).

On 1 April 2008, the company entered into a five-year agreement with A F K Nelson Limited on normal commercial terms in respect of premises at Nelson which it uses for warehouse and distribution. The annual rent is £175,000 and the lease is terminable on six months' notice by either party. The directors of A F K Nelson Limited are Jonathan Chapman and James Chapman, who are related to Mr K Chapman, a former director.

The company is currently party to a five-year lease with Shawbrook Developments Limited on normal commercial terms in respect of premises at Padiham which it uses for warehouse and distribution. The annual rent is £0.3m and the lease is terminable on six months' notice by either party. James Chapman is a director of, and shareholder in, Shawbrook Developments Limited and is related to Mr K Chapman, a former director.

During the year ended 3 April 2009 an initial deposit of £0.5m was repaid by Shawbrook Developments Limited in relation to a proposed joint venture property project to improve the warehouse and distribution capacity of the group. This was cancelled as a consequence of current market conditions.

Compensation of key management personnel

The remuneration of the directors including consultancy contracts and share-based payments and excluding any dividends paid in respect of their shareholdings in 2009, who are the key management of the group, is set out in the audited part of the Directors' Remuneration Report on pages 28 to 29 and is summarised below.

	2010 £000	2009 £000
Short-term employee benefits	1,829	1,932
Termination payments	1,042	—
Post-employment benefits	244	288
	3,115	2,220
Share-based payments	1,532	—
	4,647	2,220

40 Acquisition of business

On 23 July 2009, the group acquired the remaining 70% of the issued share capital of the Webb Group Limited ("Webb") for a nominal consideration of £3. The transaction has been accounted for by the purchase method of accounting.

	Book value 2009 £000	Fair value 2009 £000
Goodwill	3,141	—
Intangible assets – software and IT development costs (note 16)	529	529
Intangible assets – brands (note 16)	—	1,989
Intangible assets – customer relationships (note 16)	—	3,808
Property, plant and equipment (note 17)	1,243	1,198
Inventories	5,121	4,797
Trade and other receivables	7,516	3,232
Cash and cash equivalents	643	643
Trade and other payables	(46,457)	(47,076)
Current tax payable	(6)	(6)
Obligations under finance leases	(16)	(16)
Bank loans	(2,273)	(2,273)
Deferred tax liabilities (note 28)	—	(1,623)
Net liabilities	(30,559)	(34,798)
Acquired net liabilities of existing interest		10,439
Net liabilities acquired		(24,359)
Goodwill arising on acquisition		24,359
Total consideration		—
Net cash outflow arising on acquisition		
Cash consideration		—
Cash and cash equivalents acquired		643
		643

The goodwill associated with the original purchase of the 30% shareholding is £9,045,000. The adjustments to fair value of £1,583,000 relating to previously held interests has been treated as an impairment to intangible assets in the income statement, together with the subsequent impairment to goodwill of the Webb business reflecting its disposal on 8 June 2010 for consideration of £1. If the acquisition had occurred at the beginning of the year, group revenue would have been £12,230,000 higher, and losses attributable to equity holders of the parent would have been £1,013,000 higher.

The goodwill arising on the acquisition of Webb is attributable to staff acquired as part of the business, strategic acquisition synergies, and other opportunities which are specifically excluded in the identification of intangible assets on acquisition by the relevant accounting standards.

41 Events after the balance sheet date

On 8 June 2010, the Webb Group Limited was sold for £1 cash as described in the Chairman's Statement on page 5.

The group restructured its existing banking facilities on 16 July 2010 as described in note 25.

PRO-FORMA UNAUDITED CONSOLIDATED BALANCE SHEET

At 2 April 2010

As a result of the breach to the banking covenants at 2 April 2010, all of the bank debt owed by the group was reclassified as falling due within one year on the consolidated balance sheet.

On 16 July 2010 the group agreed a restructuring of its facilities.

An unaudited pro-forma balance sheet below reflects the financial position of the business had the group not been in breach of its covenants as at the period end, together with the audited position as a comparison:

	2010	
	Group unaudited pro-forma £000	Group audited £000
Non-current assets		
Goodwill	47,299	47,299
Other intangible assets	70,757	70,757
Property, plant and equipment	44,295	44,295
	162,351	162,351
Current assets		
Inventories	73,607	73,607
Trade and other receivables	210,355	210,355
Cash at bank and in hand	44,331	44,331
	328,293	328,293
Total assets	490,644	490,644
Current liabilities		
Trade and other payables	81,269	81,269
Current tax liabilities	7,393	7,393
Obligations under finance leases	1,006	1,006
Bank overdrafts and loans	31,576	352,918
Derivative financial instruments	6	6
Provisions	1,661	1,661
	122,911	444,253
Non-current liabilities		
Bank loans	321,342	—
Obligations under finance leases	5	5
Provisions	5,019	5,019
Deferred tax liabilities	7,345	7,345
Retirement benefit obligation	449	449
	334,160	12,818
Total liabilities	457,071	457,071
Net assets	33,573	33,573
Equity		
Share capital	24,472	24,472
Capital redemption reserve	403	403
Share premium account	79,240	79,240
Merger reserve	29,518	29,518
Own shares	(2,047)	(2,047)
Liability for share-based payments	4,379	4,379
Translation reserve	702	702
(Accumulated losses)/retained earnings	(103,094)	(103,094)
Total equity	33,573	33,573

To the members of Findel plc

We have audited the parent company financial statements of Findel plc for the period ended 2 April 2010 which comprise the Balance Sheet and the related notes 1 to 17. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' 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 and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the parent company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the parent company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion the parent company financial statements:

- give a true and fair view of the state of the parent company's affairs as at 2 April 2010;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; or
- the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the parent company financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Other matter

We have reported separately on the group financial statements of Findel plc for the period ended 2 April 2010.

Geoffrey Taylor (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
Leeds, UK
20 July 2010

COMPANY BALANCE SHEET

At 2 April 2010

	Notes	2010 £000	2009 £000
Fixed assets			
Tangible assets	4	12,260	13,261
Investments	5	147,726	125,853
		159,986	139,114
Current assets			
Debtors	6	162,490	278,330
Cash at bank and in hand		36,172	40,640
		198,662	318,970
Creditors: amounts falling due within one year	7	(326,921)	(91,185)
Net current (liabilities)/assets		(128,259)	227,785
Total assets less current liabilities		31,727	366,899
Creditors: amounts falling due after more than one year	8	—	(250,000)
Provisions for liabilities	9	(1,768)	(2,012)
Net assets		29,959	114,887
Capital and reserves			
Called-up share capital	12	24,472	4,257
Capital redemption reserve	13	403	403
Share premium account	13	79,240	24,003
Revaluation reserve	13	—	29,518
Own shares	13	(2,047)	(976)
Liability for share-based payments	13	4,379	1,342
Profit and loss account	13	(76,488)	56,340
Equity shareholders' funds	14	29,959	114,887

Approved by the board and authorised for issue on 20 July 2010

P B Maudsley }
C D Hinton } Directors

1 Significant accounting policies

Basis of accounting
The separate financial statements of the company are presented as required by the Companies Act 2006. They have been prepared under the historical cost convention, modified to include the revaluation of certain fixed asset investments, and in accordance with applicable United Kingdom Accounting Standards and law.

The principal accounting policies are summarised below. They have all been applied consistently throughout the period and the preceding year. The company has taken advantage of the allowed exemption from FRS 29 "Financial Instruments: Disclosures".

Fixed assets and depreciation
Tangible fixed assets are stated at cost, net of depreciation, and any provision for impairment.

Depreciation is calculated to write off all tangible fixed assets on a straight line basis, except for land, over their estimated useful lives using the following rates:

Freehold buildings: 2%
Fixtures and equipment: 5% – 33%

Fixed asset investments
Fixed asset investments are stated at valuation, less provision for impairment where appropriate. For those investments in subsidiaries acquired for consideration including the issue of shares qualifying for merger relief, cost is measured by reference to the nominal value only of the shares issued. The investment is then revalued to reflect the fair value of the consideration, the gain being taken to the revaluation reserve. Investments are revalued every year to a directors' valuation, with the surplus or deficit on book value being transferred to the revaluation reserve, except that a deficit in excess of any previously recognised surplus relating to the same investment is charged to the profit and loss account.

Financial instruments
Derivative financial instruments and hedge accounting
The company's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The company uses derivative financial instruments (primarily forward foreign currency contracts) to hedge its risks associated with foreign currency transactions. The significant interest rate risk arises from bank loans. The company converts a proportion of its floating rate debt to fixed rates, when appropriate.

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates.

Changes in the fair value of derivative financial instruments that are designated and effective as hedges of future cash flows are recognised directly in reserves and the ineffective portion is recognised immediately in the profit and loss account.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the profit and loss account as they arise.

Taxation
Current tax, including UK corporation tax, is provided at amounts expected to be paid (or recovered). Deferred tax is measured on a non-discounted basis, at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse.

Both current and deferred tax are measured using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised on a non-discounted basis in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing differences can be deducted.

Share-based payments
The accounting policy for share-based payments is set out in note 1 to the group financial statements.

1 Significant accounting policies – continued

Dividend distribution

Dividend distributions to Findel plc shareholders are recognised in the financial statements in the period in which the dividends are approved.

Leases

Operating leases

Leases in which a significant proportion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. Incentives from lessors are recognised as a systematic reduction of the charge over the periods benefiting from the incentives.

Retirement benefit costs

For defined benefit schemes, the pension scheme assets are measured using fair values whilst the pension scheme liabilities are measured using a projected unit method and discounted using an appropriate discount rate. The Findel Group Pension Scheme is a defined benefit scheme. However, the company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis and, consequently, has taken the exemption afforded by FRS 17 "Retirement benefits" to treat the pension scheme as if it were a defined contribution scheme.

For defined contribution schemes, the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Cash flow statement

The company has taken advantage of the exemption from the requirement of FRS 1 ("Cash flow statements") to present a cash flow statement, as it produces consolidated financial statements which are available to the public.

2 Loss for the year

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the year. The company reported a loss for the financial period ended 2 April 2010 of £132,828,000 (2009: £14,052,000).

The auditors' remuneration for audit services to the company was £111,000 (2009: £111,000).

3 Dividends

	2010 £000	2009 £000
Amounts recognised as distributions to shareholders in the period:		
Final dividend for the year ended 3 April 2009 of nil p per share (2008: 17.50p per share)	—	14,897
Less: attributable to own shares held in Employee Benefit Trust	—	(197)
	—	14,700
Interim dividend for the period ended 2 April 2010 of nil p per share (2009: 2.20p per share)	—	1,873
Less: attributable to own shares held in Employee Benefit Trust	—	(25)
	—	1,848
	—	16,548

4 Tangible fixed assets

	Land and buildings Freehold £000	Leasehold £000	Fixtures and equipment £000	Total £000
Cost				
At 3 April 2009	18,170	343	2,816	21,329
Additions	—	—	49	49
Disposals	(967)	—	(409)	(1,376)
At 2 April 2010	17,203	343	2,456	20,002
Depreciation				
At 3 April 2009	5,920	171	1,977	8,068
Charge for the period	328	13	400	741
Disposals	(669)	—	(398)	(1,067)
At 2 April 2010	5,579	184	1,979	7,742
Carrying amount				
Net book value at 2 April 2010	11,624	159	477	12,260
Net book value at 3 April 2009	12,250	172	839	13,261

Leasehold property includes short-term leases costing £343,000 (2009: £343,000), which after depreciation have a net book value of £159,000 (2009: £172,000).

Freehold land and buildings includes land costing £800,000 (2009: £800,000) on which no depreciation has been charged.

5 Investments

	Shares in group undertakings £000	Investments £000	Total £000
Cost or valuation			
At 3 April 2009	131,551	5,872	137,423
Transfer	5,872	(5,872)	—
Additions	154,090	—	154,090
Revaluation through reserves	(29,518)	—	(29,518)
At 2 April 2010	261,995	—	261,995
Provisions			
At 3 April 2009	11,570	—	11,570
Impairment	102,699	—	102,699
At 2 April 2010	114,269	—	114,269
Carrying amount			
Net book value at 2 April 2010	147,726	—	147,726
Net book value at 3 April 2009	119,981	5,872	125,853

Investments in shares in group undertakings on a historical cost basis are £147,726,000 (2009: £90,463,000).

Investments at 3 April 2009 comprised 30% of the issued share capital of Webb Group Limited. During the year, the company acquired the remaining 30% of the issued share capital of Webb Group for a nominal consideration of £3, hence the transfer of £5,872,000 from investments to shares in group undertakings.

In addition, the company subscribed for newly issued shares in group undertakings with a value of £154,090,000 settled through inter-company accounts.

The carrying value of the investments represents the directors' best estimate of the valuation at the balance sheet date. Accordingly, this investment figure has been impaired to reflect the sale or impending sale of Webb, Confetti and IWOOT and the expected cash generated from other subsidiary undertakings.

Principal subsidiary undertakings are listed in note 18 to the group financial statements.

6 Debtors

	2010 £000	2009 £000
Trade debtors	—	144
Amounts due from subsidiary undertakings	147,837	222,880
Other debtors	10,270	51,346
Prepayments and accrued income	4,383	3,960
	162,490	278,330

Included with other debtors are amounts of £5,327,000 (2009: £33,654,000) falling due after more than one year.

7 Creditors: amounts falling due within one year

	2010 £000	2009 £000
Bank loans and overdrafts	256,576	23,233
Obligations under finance leases	—	2
Trade creditors	700	771
Amounts due to subsidiary undertakings	63,611	59,092
Derivative liability (note 10)	6	3,219
Other creditors	370	—
Indirect tax and social security	610	1,920
Accruals and deferred income	5,048	2,948
	326,921	91,185

8 Creditors: amounts falling due after more than one year

	2010 £000	2009 £000
Bank loans	—	250,000

The maturity profile and interest rates relating to the bank loans are outlined in note 25 to the group financial statements.

9 Provisions for liabilities

	£000
Deferred tax:	
At 3 April 2009	2,012
Credit to profit and loss account	(244)
At 2 April 2010	1,768

The deferred tax liability is provided as follows:

	2010 £000	2009 £000
Accelerated capital allowances	1,768	2,020
Short-term timing differences	—	(8)
	1,768	2,012

10 Derivative financial instruments

As the group's derivative financial instruments are all held by the company, reference should be made to note 26 to the group financial statements for the required disclosures.

11 Share-based payments

As the group's share incentives are all held by the company, reference should be made to note 29 to the group financial statements for the required disclosures.

12 Called-up share capital

	2010 Number of shares	2009 Number of shares	2010 £000	2009 £000
Authorised				
Ordinary shares of 5p each	750,000,000	95,000,000	37,500	4,750
Allotted, issued and fully paid				
At the beginning of the period	85,130,052	85,102,016	4,257	4,255
Exercise of share options	—	28,036	—	2
Placing and open offer	204,312,124	—	10,215	—
Firm placing	200,000,000	—	10,000	—
At the end of the period	489,442,176	85,130,052	24,472	4,257

The company has one class of ordinary shares which carry no right to fixed income.

On 24 July 2009, the group announced the placing and open offer of 204,312,124 ordinary shares and the firm placing of 200,000,000 ordinary shares at 20p per share. This was approved at the company's Extraordinary General Meeting on 10 August 2009, and the shares were issued on 11 August 2009. Total proceeds raised were £80,862,000, less £1,071,000 relating to shares transferred to the Employee Benefit Trust, and associated costs of the equity raising of £5,410,000 resulted in net proceeds of £74,381,000.

13 Reserves

	Capital redemption reserve £000	Share premium account £000	Revaluation reserve £000	Own shares £000	Liability for share-based payments £000	Profit and loss account £000
At 3 April 2009	403	24,003	29,518	(976)	1,342	56,340
Share issues	—	55,237	—	(1,071)	—	—
Share warrants issue	—	—	—	—	851	—
Share-based payments	—	—	—	—	2,186	—
Revaluation loss in the period	—	—	(29,518)	—	—	—
Loss for the financial period	—	—	—	—	—	(132,828)
At 2 April 2010	403	79,240	—	(2,047)	4,379	(76,488)

Own shares comprises 6,486,347 (2009: 1,128,190) ordinary shares of 5p each of the company, representing 1.3% (2009: 1.3%) of the issued share capital of the company at 2 April 2010. The maximum number of such shares held during the year was 6,486,347 (2009: 1,128,190). These shares, which are held in an Employee Benefit Trust established for the purpose, were purchased in order to provide a hedge against the company's liabilities under the Long Term Incentive Plan and Performance Share Plan. The Employment Benefit Trust took up its entitlement of 2,707,656 ordinary shares under the placing and open offer (note 12) at 20p per share, amounting to £541,000, and subscribed for a further 2,650,501 ordinary shares under the offer at 20p per share, amounting to £530,000.

14 Reconciliation of movements in equity shareholders' funds

	2010 £000	2009 £000
Loss for the financial period	(132,828)	(14,052)
Revaluation loss in the period	(29,518)	—
Shares issued	74,381	61
Share warrants issue	851	—
Share-based payments	2,186	—
Dividends paid	—	(16,548)
Net reduction in equity shareholders' funds	(84,928)	(30,539)
Opening equity shareholders' funds	114,887	145,426
Closing equity shareholders' funds	29,959	114,887

15 Financial commitments

The company had no capital commitments at 2 April 2010 or 3 April 2009.

Annual commitments under non-cancellable operating leases are as follows:

	Land and buildings		Other assets	
	2010 £000	2009 £000	2010 £000	2009 £000
Expiry date:				
Within one year	—	—	271	313
In the second to fifth years	—	—	588	914
After five years	3,803	2,740	—	—
	3,803	2,740	859	1,227

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

16 Retirement benefit plans

The company's employees participate in the Findel Group Pension Scheme, a defined benefit pension scheme with the assets held in separate trustee administered funds.

As the company is unable to identify its share of the underlying assets and liabilities in the scheme on a consistent and reasonable basis, it has taken advantage of the exemption afforded by FRS 17 ("Retirement benefits") to treat the pension scheme as if it were a defined contribution scheme.

The disclosures required regarding the assets and liabilities of the scheme can be found in note 37 to the group financial statements.

17 Related party transactions

The company has taken advantage of the exemption in FRS 8 "Related party disclosures" not to disclose transactions with other members of the group headed by the company.

The company has a trading relationship with Herbert Walker & Sons (Printers) Limited ("Herbert Walker"), a commercial printing company which is controlled by Mr K Chapman, a former director. During the period to 2 April 2010, purchases from Herbert Walker on normal commercial terms amounted to £0.01m (2009: £0.01m) and in the same period the company supplied goods and services to Herbert Walker of £0.11m (2009: £0.99m). At 2 April 2010, the company's indebtedness to Herbert Walker was £nil (2009: £nil) and that of Herbert Walker to the company was £0.01m (2009: £0.18m).

At 2 April 2010, the company had loans receivable from its associate of £nil (2009: £33.7m). During the current period, interest income of £0.9m (2009: £3.5m) has been recognised on the loan. The loan carried interest at 12%, was unsecured and was repayable on demand.

On 1 April 2008, the company entered into a five-year agreement with A F K Nelson Limited on normal commercial terms in respect of premises at Nelson which it uses for warehouse and distribution. The annual rent is £175,000 and the lease is terminable on six months' notice by either party. The directors of A F K Nelson Limited are Jonathan Chapman and James Chapman, who are related to Mr K Chapman, who was a director.

The company is currently party to a five-year lease with Shawbrook Developments Limited on normal commercial terms in respect of premises at Padiham which it uses for warehouse and distribution. The annual rent is £0.3m and the lease is terminable on six months' notice by either party. James Chapman is a director of, and shareholder in, Shawbrook Developments Limited and is related to Mr K Chapman, who was a director.

During the year ended 3 April 2009 an initial deposit of £0.5m was repaid by Shawbrook Developments Limited in relation to a proposed joint venture property project to improve the warehouse and distribution capacity of the group. This was cancelled as a consequence of current market conditions.

The parent company has issued letters of support to all its trading subsidiaries in the period.

Notice is hereby given that the fifty-fifth annual general meeting of the company will be held at the Dunkenhalgh Hotel and Spa, Blackburn Road, Clayton Le Moors, Accrington, Lancashire, BB5 5JP on 19 August 2010 at 2.00 p.m. for the following purposes:

Ordinary business

1. To receive and adopt the statement of accounts of the company for the year ended 2 April 2010 together with the directors' and auditors' reports thereon.

2. To receive and adopt the board report on directors' remuneration for the year ended 2 April 2010.

3. To re-elect Mr P B Maudsley as a director.

4. To re-elect Mr S S McKay as a director.

5. To elect Mr D A Sugden as a director.

6. To elect Mr E F Tracey as a director.

7. To re-appoint Deloitte LLP as auditors to the company for the period to the conclusion of the next annual general meeting and to authorise the directors to fix their remuneration.

Special business

8. To consider and, if thought fit, to pass the following as an ordinary resolution:

That, in substitution for all existing authorities, pursuant to S.551 of the Companies Act 2006 (the "Act") the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the company to allot:

(a) shares (within the meaning of S.540 of the Act) and to grant rights to subscribe for or to convert any security into shares in the company in respect of and up to a maximum aggregate nominal amount of £8,075,795; and

(b) equity securities (within the meaning of S.560(1) of the Act) up to a nominal amount of £16,151,591 (after deducting from such limit any shares allotted under (a) above) in connection with an offer by way of a rights issue:

(i) to ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings; and

(ii) to people who are holders of other equity securities if this is required by the rights of those securities or, if the board considers it necessary, as permitted by the rights of those securities;

but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, record dates or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange, such authorities to apply until the earlier of the date of the next annual general meeting or the close of business on the day that is six months following the company's next accounting reference date; and so that the company may before that date and time make an offer or agreement which would, or might, require to be allotted after such time and the directors may allot shares in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

This resolution asks shareholders to renew the directors' general authority to allot unissued shares, should it be desirable to do so. In accordance with relevant guidelines, this authority is to be limited to the maximum nominal amount of £8,075,795 representing 33% of the company's issued share capital as at 20 July 2010. In line with guidance issued by the ABI, paragraph (b) of this resolution will give the directors authority to allot ordinary shares in connection with a rights issue in favour of ordinary shareholders up to an aggregate nominal amount equal to £16,151,591 as reduced by the nominal amount of any shares issued under paragraph (a) of this resolution. This amount represents approximately 66% of the company's issued ordinary share capital as at 20 July 2010. The company holds no treasury shares within the meaning of S.724 of the Act as at 20 July 2010. The directors have no present plans to issue shares using this authority.

9. Subject to resolution 8 being passed, to consider and, if thought fit, to pass the following as a special resolution:

That, in substitution for all existing authorities, pursuant to S.570 of the Act the directors be and are hereby authorised:

(i) to allot equity securities (within the meaning of S.560 of the Act) for cash pursuant to the authority conferred by the previous resolution; and

(ii) to sell equity securities (within the meaning of S.560(1) of the Act) for cash which before the sale were held by the company as treasury shares (within the meaning of S.724 of the Act),

as if sub-section (1) of S.561 of the Act did not apply to any such allotment PROVIDED that this power shall be limited:

(a) to the allotment or sale of equity securities in connection with an offer of equity securities (but, in the case of an allotment pursuant to the authority granted by paragraph (b) of resolution 8, such power shall be limited to the allotment of equity securities in connection with an offer by way of a rights issue only) to (i) ordinary shareholders in proportion (as nearly as may be practicable) to their existing holdings, and (ii) to people who are holders of other equity securities if this is required by the rights of those securities or, if the directors consider it necessary, as permitted by the rights of those securities, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements, record dates or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and/or

(b) to the allotment or sale (otherwise than pursuant to sub-paragraph ((a) above) of equity securities pursuant to the authority granted by paragraph (a) of resolution 8 in respect of and up to an aggregate nominal amount of £1,223,605,

and shall expire on the earlier of the date and time of the next annual general meeting or the close of business on the day that is six months following the company's next accounting reference date; save that the company may before that date and time make an offer or agreement which would or might require equity securities to be allotted or sold after such time and in such event the directors may allot or sell equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

If the directors wish to allot unissued shares or sell shares from treasury for cash, the Act requires that these shares are offered first to shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. This resolution asks shareholders to renew the directors' authority to issue or sell from treasury a limited number of equity securities for cash. The authorities being sought provide for non pre-emptive allotments of equity securities for cash (i) to ordinary shareholders in proportion to their existing shareholdings, (ii) to holders of other equity securities as required by, or subject to (as the directors consider necessary), the rights of those securities, and to deal with fractional entitlements and legal or practical problems in any territory, for example on a rights issue or other similar share issue, and (iii) in respect of and up to an aggregate nominal amount of £1,223,605 which represents 5% of the company's issued share capital as at 20 July 2010. The authorities being sought are in substitution for all existing authorities and will expire on the earlier of the date of the next annual general meeting of the company or the close of business on the day that is six months following the company's next accounting reference date.

10. To consider and, if thought fit, to pass the following as a special resolution:

That, in accordance with Regulation 52 of the articles of association, a general authority is hereby given for the purposes of S.701 of the Act for one or more market purchases (as defined in S.693(4) of the Act) by the company of any of its own shares subject to the following restrictions but otherwise unconditionally:

(i) The maximum aggregate number of shares to be so acquired shall not exceed 48,944,217 ordinary shares of 5p each with a nominal value of £2,447,211.

(ii) Shares may only be purchased at a price per share (exclusive of expenses) no higher than 5% above the average of the middle market quotations of the ordinary shares in the capital of the company, as derived from the London Stock Exchange Daily Official list, for the five business days immediately preceding the date of purchase but the minimum price that may be paid for such shares shall be the nominal value of 5p per share (exclusive of expenses).

(iii) Unless previously renewed, varied, or revoked, this authority shall expire at the conclusion of the next annual general meeting of the company, but the company may before such expiry make contracts for such purposes which would or might be executed wholly or partly after such expiry, and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

Under the terms of the Act and its articles of association, the company has power to purchase its own shares provided that this power has first been sanctioned by shareholders. The directors consider that in certain circumstances it may be beneficial for the company to purchase its own shares, for example, to return surplus cash to shareholders and to enhance earnings per share and/or net assets per share. This resolution asks shareholders to authorise the company to make purchases up to 48,944,217 ordinary shares (representing 10% of the issued ordinary share capital of the company as at 20 July 2010 at a minimum price of 5p per share and a maximum price of 5% above the average price of the middle market quotations of the ordinary shares in the capital of the company as derived from the London Stock Exchange Daily Official List for the five business days prior to the purchase. The total number of shares that may be issued on the exercise of outstanding options as at 20 July 2010 was 22,731,565 which represents approximately 4.64% of the issued share capital (excluding treasury shares) at that date. If the company were to purchase shares up to the maximum permitted by this resolution, the proportion of shares subject to outstanding options would represent approximately 5.16% of the resultant issued share capital (excluding treasury shares).

The purchase price for the company to purchase its own shares may only be satisfied out of distributable reserves, or the proceeds of a new issue of shares made for the purpose. Purchases will be made on the London Stock Exchange, and daily notification of any purchases will be made to a Regulatory Information Service. Full details of purchases made during the year will also appear in the company's annual report published in 2011.

The fact that the directors are seeking this authority should not be taken as an indication that the company will purchase its own shares at any particular price or indeed at all and the directors would only consider making purchases if they believed that such purchases would be in the best interests of the shareholders generally, having regard to the effect on earnings per share. The directors have no immediate intention to exercise the proposed authority to purchase shares. The Act permits companies to hold any shares acquired by way of market purchases in treasury rather than having to cancel them. The company would consider holding any of its own shares purchased under the authority granted by resolution 10 as treasury shares (within the meaning of S.724 of the said Act). This would give the company the ability to re-issue treasury shares as and when required quickly and cost effectively and would provide the company with additional flexibility in the management of its capital base. No dividends will be paid on shares while held in treasury and no voting rights will attach to those shares. Resolution 10 will be proposed as a special resolution. The authority contained in resolution 10 will expire at the earlier of the conclusion of the next annual general meeting or 15 months after the passing of such resolution.

11. To consider and, if thought fit, to pass the following as a special resolution:

That:

(i) the articles of association of the company be amended by deleting all the provisions of the company's memorandum of association which, by virtue of S.28 of the Act, are to be treated as provisions of the company's articles of association;

(ii) the articles of association produced to the meeting and initialled by the chairman of the meeting for the purpose of identification be adopted as the articles of association of the company in substitution for, and to the exclusion of, the existing articles of association.

It is proposed in this resolution to adopt new articles of association in order to update the company's existing articles of association primarily to take account of the implementation of the Companies (Shareholders' Rights) Regulations 2009 and the remaining provisions of the Act.

The principal changes to the current articles of association are summarised in Appendix 1. Other changes, which are of a minor, technical or clarifying nature or which reflect minor changes made by the Act or the Companies (Shareholders' Rights) Regulations 2009 have not been noted in Appendix 1. A copy of the new articles of association showing changes to the current articles of association is available for inspection at the registered office of the company.

12. To consider and, if thought fit, to pass the following as an ordinary resolution:

That, the directors of the company be and are hereby authorised and sanctioned, in accordance with article 116 of the existing articles of association and the new articles of association proposed to be adopted pursuant to resolution 11 above and notwithstanding article 116(2) in each set of articles to permit the aggregate principal amount outstanding at any time in respect of all moneys borrowed (as defined in the articles of association) by the company to exceed the limit imposed on them by article 116(2) provided that the authorisation and sanction hereby given shall not extend to permit the aggregate principal amount outstanding at any time in respect of moneys borrowed by the group to exceed a sum equal to £450,000,000, and further that any and all infringements by the directors prior to the date of the passing of this resolution of their duties to restrict borrowings as set out in article 116 of the articles of association, be and are hereby ratified and approved.

As set out in article 116 of the articles of association, the directors can exercise all the powers of the company to borrow money. Currently, the articles of association provide for a borrowing restriction which requires the directors to restrict the borrowings of the company to a multiple of three times the nominal amount of share capital of the company and the total reserves of the group (as calculated, and adjusted, in accordance with article 116(2) of the articles of association) and not to exceed such limit without the previous sanction of shareholders by way of an ordinary resolution of the company.

The directors believe that it would be prudent to request such a sanction by ordinary resolution to vary this limit. The directors believe that article 116(2) of the articles of association is no longer considered appropriate given the recent reduction in the group's consolidated reserves. The directors believe that such a variation is best achieved by introducing a specified maximum borrowing limit which the board will keep under review. The directors believe that the appropriate maximum borrowing limit should be £450m. Accordingly, the ordinary resolution set out above seeks shareholder approval to permit the current limit to be exceeded up to a maximum borrowing limit of £450m, as permitted under article 116(2), and to ratify and approve any and all infringements by the directors prior to the general meeting of their duties to restrict the company's borrowings.

13. To consider and, if thought fit, to pass the following as a special resolution:

To authorise the calling of general meetings of the company (not being an annual general meeting) by notice of at least 14 clear days.

The EU Shareholder Rights Directive (the "Directive") which was implemented in the UK in August 2009, requires that all general meetings of listed companies be held on at least 21 clear days' notice unless shareholders agree to a shorter notice period.

Under the Act and under the company's articles of association (both the existing articles of association and the new articles of association proposed to be adopted pursuant to resolution 11 above), the company is permitted to call general meetings (other than annual general meetings) on 14 clear days' notice. In order to preserve this right this resolution approves the calling of general meetings of the company on 14 clear days' notice and will be valid only up to the next annual general meeting of the company, when it is intended that a similar resolution will be proposed. The company will also need to meet the requirements for electronic voting under the Directive before it can call a general meeting on 14 clear days' notice.

By order of the board
I J Bolton
Secretary
20 July 2010

Appendix 1

Amendments to Articles of Association

The Company's objects
Prior to 1 October 2009, the provisions regulating the operations of the company were set out in the company's memorandum and articles of association. The company's memorandum contained, among other things, the objects clause which sets out the scope of the activities the company is authorised to undertake. The Companies Act 2006 (the "Act") significantly reduces the constitutional significance of a company's memorandum, providing that a memorandum will record only the names of subscribers and the number of shares each subscriber has agreed to take in the company. Under the Act, the objects clause and all other provisions which are contained in a company's memorandum are deemed to be contained in the company's articles of association, but the company can remove these provisions by special resolution.

Further, the Act states that, unless a company's articles of association provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. For this reason, the company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Act, are now treated as forming part of its articles of association. Resolution 11 confirms the removal of these provisions although, where appropriate, to preserve the status quo, certain directors' powers that were previously dealt with in the memorandum have been reflected in the new articles of association. As the effect of resolution 11 will also be to remove the statement currently in the company's memorandum of association regarding limited liability, the new articles also contain an express statement regarding the limited liability of shareholders.

Change of Name
Under the Companies Act 1985, a company could only change its name by special resolution. Since 1 October 2009, a company is able to change its name by other means provided in its articles. To take advantage of this provision, the new articles enable the directors to pass a resolution to change the name of the company. The company currently has no intention of changing its name.

Authorised share capital and unissued shares
The Act abolishes the requirement for a company to have an authorised share capital, and the new articles reflect this. Directors will still be limited as to the number of shares they can at any time allot because allotment authority continues to be required under the Act, save in respect of employees' share schemes.

Redeemable shares
Under the Companies Act 1985, if a company wished to issue redeemable shares, it had to include in its articles the terms and manner of redemption, whereas the Act enables directors to determine such matters themselves, provided that they are authorised to do so by the articles. The new articles contain such an authorisation for the directors. The company has no plans to issue redeemable shares but, if it did so, the directors would need shareholders' authority to issue new shares in the usual way.

Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital
Under the Companies Act 1985, a company required specific enabling provisions in its articles to purchase it own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The existing articles include these enabling provisions. Under the Act, a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly, the relevant enabling provisions have been removed in the new articles.

Adjournments for lack of quorum
Under the Act, as amended by the Companies (Shareholders' Rights) Regulations 2009, general meetings adjourned for lack of quorum must be held at least 10 clear days after the original meeting. The new articles amend the provisions of the existing articles to reflect this requirement.

Chairman's casting vote
The new articles remove the provision in the existing articles giving the chairman a casting vote in the event of an equality of votes, as this is no longer permitted under the Act.

Voting by proxies
The Companies (Shareholders' Rights) Regulations 2009 have amended the Act so that it now provides that, subject to a company's articles, each proxy appointed by a member has one vote on a show of hands, unless the proxy is appointed by more than one member, in which case the proxy has one vote for and one vote against if the proxy has been instructed by one or more members to vote for the resolution and by one or more members to vote against the resolution. The new articles amend the provisions of the existing articles to reflect these changes, and to clarify the procedure to be followed if a proxy is appointed by more than one member and is given discretion as to how to vote by one or more of those members.

Conflict of Interests
In 2008, the company included language in the current articles to deal with directors' conflicts of interest. The new articles contain some revised language intended to be clearer.

General
Generally, the opportunity has been taken to bring clearer language into the new articles and in some areas to conform the language of the new articles to the language used in the Act.

Notes

(a) Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. A shareholder may appoint more than one proxy in relation to the annual general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. If you do not have a Form of Proxy and believe that you should have one, please contact Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL. The appointment of a proxy does not preclude a member from attending and voting in person if he or she wishes to do so.

(b) Should you wish to appoint more than one proxy please photocopy the Form of Proxy indicating on each copy the name of the proxy you wish to appoint, the number of shares in respect of which the proxy is appointed and the way in which you wish them to vote on the resolutions that are to be proposed. You should send all pages to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL. Please also indicate by ticking the box on the Form of Proxy if you intend to appoint more than one proxy. The following principles shall apply in relation to the appointment of multiple proxies:

(i) The company will give effect to the intentions of members and include votes wherever and to the fullest extent possible.

(ii) Where a proxy does not state the number of shares to which it applies (a "blank proxy") then, subject to the following principles where more than one proxy is appointed, that proxy is deemed to have been appointed in relation to the total number of shares registered in the name of the appointing member (the "member's entire holding"). In the event of a conflict between a blank proxy and a proxy which does state the number of shares to which it applies (a "specific proxy"), the specific proxy shall be counted first, regardless of the time it was sent or received (on the basis that, as far as possible, the conflicting Forms of Proxy should be judged to be in respect of different shares) and remaining shares will be apportioned to the blank proxy (pro rata if there is more than one).

(iii) Where there is more than one proxy appointed and the total number of shares in respect of which proxies are appointed is no greater than the member's entire holding, it is assumed that proxies are appointed in relation to different shares, rather than that conflicting appointments have been made in relation to the same shares. That is, there is only assumed to be a conflict where the aggregate number of shares in respect of which proxies have been appointed exceeds the member's entire holding.

(iv) When considering conflicting proxies, later proxies will prevail over earlier proxies, and which proxy is later will be determined on the basis of which proxy is last sent (or, if the company is unable to determine which is last sent, last received). Proxies in the same envelope will be treated as sent and received at the same time, to minimise the number of conflicting proxies.

(v) If conflicting proxies are sent or received at the same time in respect of (or deemed to be in respect of) an entire holding, none of them shall be treated as valid.

(vi) Where the aggregate number of shares in respect of which proxies are appointed exceeds a member's entire holding and it is not possible to determine the order in which they were sent or received (or they were all sent or received at the same time), the number of votes attributed to each proxy will be reduced pro rata.

(vii) Where the application of paragraph (vi) above gives rise to fractions of shares, such fractions will be rounded down.

(viii) If a member appoints a proxy or proxies and then decides to attend the annual general meeting in person and vote, then the vote in person will override the proxy vote(s). If the vote in person is in respect of the member's entire holding then all proxy votes will be disregarded. If, however, the member votes at the meeting in respect of less than the member's entire holding then if the member indicates that all proxies are to be disregarded, that shall be the case; but if the member does not specifically revoke proxies, then the vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding the member's entire holding.

(ix) In relation to paragraph (viii) above, in the event that a member does not specifically revoke proxies, it will not be possible for the company to determine the intentions of the member in this regard. However, in light of the aim to include votes wherever and to the fullest extent possible, it will be assumed that earlier proxies should continue to apply to the fullest extent possible.

(c) To be valid at the meeting, the enclosed Form of Proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power or authority, must be deposited at the offices of Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.

(d) Where the appointor is a corporation, the enclosed Form of Proxy, to be valid, must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.

(e) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose, seniority shall be determined by the order in which the names appear on the register of members of the company in respect of the joint holding.

(f) Only those members registered in the Register of Members of the company at 6.00 p.m. on the day, two days prior to the day appointed for the holding of the meeting shall be entitled to attend and vote at the annual general meeting. CREST transactions after that time will not affect entitlements to attend and vote at the meeting and no transfers of securities in certificated form will be registered from that time until the close of the meeting.

(g) In accordance with section 325 of the Companies Act 2006 (the "Act"), the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the 2006 Act. Persons nominated to receive information rights under section 146 of the Act who have been sent a copy of this notice of annual general meeting are hereby informed, in accordance with section 149(2) of the Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

(h) Electronic proxy appointment through CREST

CREST members who wish to appoint a proxy or proxies through the CREST electronic proxy appointment service may do so for the annual general meeting to be held on 19 August 2010 and any adjournment(s) thereof by using the procedures described in the CREST Manual which can be viewed at www.euroclear.com/CREST. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual, which can be viewed at www.euroclear.com/CREST. The message, regardless or whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(i) Members should note that it is possible that, pursuant to requests made by shareholders of the company under section 527 of the Act, the company may be required to publish on a website a statement setting out any matter relating to the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting. The company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the annual general meeting includes the statement that the company has been required under section 527 of the 2006 Act to publish on a website.

(j) As at close of business on 20 July 2010 (being the last business day prior to publication of this notice), the company's issued share capital comprised 489,442,176 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the company as at 20 July 2010 is 489,442,176.

(k) Copies of the following documents will be available for inspection at the company's registered office during normal business hours of any weekday (public holidays excluded) until the conclusion of the annual general meeting:

(i) the directors' service contracts;

(ii) the register of directors' interested in the share capital of the company;

(iii) the new articles of association.

Such documents will also be available for inspection at the place of the annual general meeting for at least 15 minutes prior to the meeting as well as during the meeting.

(l) Pursuant to section 319A of the Act, the company must cause to be answered at the annual general meeting any question relating to the business being dealt with the annual general meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interest of the company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

(m) In accordance with section 311A of the Act, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the annual general meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the company after the date of this notice will be available on the company's website www.findel.co.uk.

(n) You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the company for any purpose other than those expressly stated.

www.findel.co.uk

Church Bridge House, Henry Street, Church, Accrington, Lancashire BB5 4EH