



FINDEL PLC

Annual
Report
& Accounts
2007

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Financial Highlights

	2007	2006
Revenue from ongoing businesses	£555.4m	£489.8m
Benchmark Profit before Tax*	£56.0m	£50.7m
Profit before Tax	£17.5m	£35.1m
Benchmark earnings per share*	50.17p	48.33p
Dividends per share	19.80p	18.00p

* Benchmark measures are as defined within the Finance Director's Review on page 5

Chairman's Statement

This has been another record year for your company. Overall sales for the financial year ended 31 March 2007 were 11% higher at £587m (2006: £528m). Benchmark* profit before tax increased by 10% to £56m from £50.7m. As a result of the high level of corporate activity and restructuring giving rise to a number of one-off costs, profit before tax reduced to £17.5m (2006: £35.1m).

Benchmark* earnings per share increased to 50.17p (2006: 48.33p) the prior year having benefited from a lower tax charge. Basic earnings per share were 19.33p (2006: 35.58p).

This has been a year of considerable strategy-led change designed to enhance the future prospects for the group's businesses. At the beginning of the year I said that we wanted to move strategically into the cash with order market and we have taken some significant steps with the acquisition of a number of businesses. Additionally, a number of actions were taken to prepare for this expansion in relation to which we incurred net non-recurring costs in the first half of £24.2m. As part of our strategic review of all divisions, we have also sold or discontinued a number of non-core businesses to improve the overall efficiency of the group. The total net non-recurring cost in the second half of the year was £12.4m after recognising a gain of £7.8m for negative goodwill arising on the acquisition of certain businesses from European Home Retail plc.

The principal non-recurring costs in the year were the disposal of our outlet stores (£16.5m), a warehouse reorganisation in Home Shopping and the exit of all third party fulfilment contracts (£7.5m), the final element of the reorganisation in Educational Supplies (£4.3m), the loss on disposal of Home Farm Hampers (£2.4m), losses in terminated businesses including in Home Farm Hampers (£6.0m), and the initial phase of the major project to integrate our cash with order acquisitions (£4.7m).

Home Shopping

Home Shopping sales from ongoing businesses increased by 29% to £338.4m (2006: £262.8m). Following the closure of the Home Farm Hampers business and the exit from all third party fulfilment contracts, all remaining activities previously reported as the Services division are now incorporated in the Home Shopping division results. The acquired cash

with order businesses contributed £70m to sales. Benchmark* operating profit increased by 29% to £48.4m (2006: £37.4m). For Home Shopping and Services combined, sales increased by 23% to £368.3m (2006: £299.5m) and operating profit was £20.3m (2006: £39.2m).

Our core home shopping credit business enjoyed a successful year with product sales increasing by 5%. I am delighted to report that the customer base is now over 1.5m with retention rates at a record 70%. Sales to established customers grew by 8% with average order value growing by 4%. Bad debt remains in line with budgeted levels at less than 8% of sales. All this has been achieved at a time when marketing expenditure was reduced from £34m to £29m.

The continued strong growth in sales from the internet is extremely encouraging. These now represent 30% of all sales in our core credit business, an increase of 35%. Additionally, last year tests on the internet proved it to be successful as a recruitment medium and our plans for this year are designed to build substantially on this. The focused internet skill sets brought in with our cash with order businesses will bring additional benefits to our credit business and we see this as a continuing exciting area of development. Next year we expect over 50% of the division's sales to be transacted over the internet.

A year ago Home Shopping operated only a credit model. During the year we acquired Kleeneze, Kitbag.com, Confetti, I Want One of Those.com, Letterbox and The Cotswold Company and consequently have built a cash with order business with annualised sales of over £150m.

A very significant integration exercise is being undertaken and is proceeding to plan. It is our intention over the next 12 months to maximise the synergies available from the acquired businesses. The central functions for the internet brands are being brought together under a new umbrella company, Findel Direct which will provide centralised finance, warehousing, distribution, systems support and administration. However, in order to maintain brand integrity we will retain brand management for both marketing and buying within each business. We have freed up a large part of our Chadderton site to house Findel Direct.

In addition, we are moving Kleeneze warehousing, customer service and administration functions to our main site in Accrington. The customer service and administration functions are currently moving and will be completed in July. The warehousing and logistics functions will be moved by the end of August. The incorporation of Kleeneze into our state of the art facility in Accrington will bring additional savings and further utilise its capacity.

The Home Shopping division is now well positioned with both a credit and cash with order offer. Divisional like for like sales in our credit business in the first 6 weeks of the new financial year are 7% ahead with product sales 13% ahead. Overall divisional sales following our acquisitions are some 64% ahead of last year.

Educational Supplies

The Educational Supplies division saw a slight reduction in ongoing sales to £168.2m (2006: £173.8m) with benchmark* operating profit at £22.7m (2006: £24.2m) reflecting a difficult market caused by a combination of factors; the way the government introduced the new multi year budgets, delays in providing this year's funding, or simply as noted by the schools' minister in March, the fact that schools are not spending to their budgets and have once again built up net surpluses to £1.6bn. Statutory sales were £169.6m (2006: £175.0m) and statutory operating profit was £16.4m (2006: £7.0m).

Findel is the market leader in Educational Supplies and has the best brands in the market. Over the past two years we have streamlined the business and have improved our service to what we consider to be the optimum level for a catalogue business. We are developing more unique product than ever before and this represents a key strength of our business. Unique product generates interest, refers teachers back into our main brand catalogues and importantly also protects margin.

We continue to look for strategic acquisitions which enhance or strengthen our presence in the market and we recently acquired Philograph Publications Ltd, whose Philip and Tacey brand specialises in sales to independent schools.

Research commissioned by Findel from independent agency Laing & Buisson suggests that our total addressable market in the UK is in the order of £1.8bn, giving us a market share of close to 10%. Around 75% comes from state establishments, largely primary and secondary schools. Of the remaining 25%, the majority comes from the private sector or from pre-school education providers such as nurseries, crèches, playgroups and childminders.

The supply base to the Educational Supplies market is highly fragmented and we have no national competitors of any size in our sector. Taking into account regional suppliers we estimate we have well over 1,000 direct competitors. Most of these are small operators often dealing in a very limited product range. The existence of these generally inefficient competitors offers us scope for significant growth through consolidation of the market.

We saw an upturn in demand in the final quarter of last year which has continued into the new financial year, with divisional demand for the first six weeks of the financial year 6% ahead of last year. I believe that our refreshed product range, improved service, increasing sophistication in the use of our data warehouse and thoroughly revitalised business present us with a strong opportunity for a return to growth this year.

Healthcare

NRS, our healthcare business, has gone through a period of consolidation and system development. Divisional sales were £48.8m (2006: £53.2m) with benchmark* operating profit at £1.8m (2006: £3.6m). Statutory operating profit was £1.0m (2006: £3.6m). Although sales and profit in the financial year were down, impacted by internal reorganisation and the introduction of our new operational pda based IT system, ICON, the action we have taken will be reflected in future sales and profitability.

During the year, NRS management worked hard with contractors to develop and roll out ICON and this is now installed across our entire contract base. Whilst the development of this has been very time consuming, the benefits will be considerable. With ICON we will be able to track and trace product throughout its lifecycle thereby optimising product re-use and obtain live data on the location of stock, vehicles and drivers resulting in significantly improved service levels. It will also provide a new web-based management information system with significantly enhanced information flow. Over time the introduction of this system will significantly enhance profitability.

During the year, NRS was awarded the largest ICES contract to come to market, Cambridgeshire and Peterborough, which is a five year contract at over £5m a year, with a two year extension. This contract went live on 1 April 2007. We successfully negotiated contract extensions to the value of £33m across five contracts. In addition, NRS has been awarded ISO accreditation, which will be increasingly important in our bid for new tenders.

At the half year we reported that part of our strategy was to expand into the provision and service of wheelchairs. This led to the successful acquisition of Synergy Managed Equipment Services which provides a managed wheelchair products and support service to the healthcare market.

NRS is the leader in the Integrated Community Equipment Supplies market with over 45% of the market in the private sector. I believe that the actions taken this year will strengthen that position in what will become a very fast growing sector. Sales in the new financial year have shown meaningful improvement and are already some 6% ahead of last year.

Dividends

The directors are recommending a final dividend of 15.6p per share (2006: 14.2p) a 10% increase. This will be paid on 5 July 2007 to shareholders on the register at 8 June 2007. This would make a total dividend for the year of 19.8p (2006: 18.0p per share) an increase of 10%.

Employees

The success we have enjoyed would not have been possible without the continued enthusiasm and loyalty of all our employees. On behalf of the board and the shareholders I would like to express our sincere appreciation to them.

Board Changes

On 4 July 2006 I was pleased to welcome Mike Hawker to the board as a non-executive director. Mike has over 25 years' experience in home shopping having latterly been Chief Executive of Otto (UK).

Having served over three full terms on the board as a non-executive director, John Padovan has decided not to offer himself for re-election at the annual general meeting. During his time on the board John has made an invaluable contribution and on behalf of the board and myself, I should like to thank him for all his assistance and wise counsel.

The board is actively seeking to appoint an additional non-executive director.

Strategic Review

The last six months have been extremely busy both corporately and operationally and have delayed a final decision on the future corporate structure of the group. However, we are now sufficiently advanced in dealing with the integration of our acquisitions to be able to focus on this question and expect to conclude the review by the end of this summer.

Prospects

The Educational Supplies division and Healthcare division are both market leaders and the work we have undertaken in both these divisions over the last two years positions them well for future growth, and we are currently seeing some signs of early progress.

In Home Shopping, the credit business has performed well and I am particularly pleased by the rapid development of our cash with order business and our significantly enhanced internet penetration. Cash with order opens an entire new channel to market for the division whilst the internet also provides significant opportunities for sales growth and customer recruitment.

Currently group sales including our acquisitions are 32% ahead of the equivalent six week period last year.

This year has been a strategically important period for the group and the board is confident that we will continue to make further progress in the current year.



Keith Chapman
Chairman

Burley House
Bradford Road
Burley-in-Wharfedale
West Yorkshire
LS29 7DZ

* Benchmark results are stated excluding the results of businesses sold or terminated in the period, amortisation of acquired intangibles, net restructuring charges, exceptional items, profits and losses on sale of investments, profits and losses on sale of businesses, gain from negative goodwill, share-based payment expenses and net fair value remeasurement adjustments to financial instruments.

Finance Director's Review

Benchmark measures

In order to ensure consistency of reporting the group has, in common with other companies in its sector, identified measures of benchmark profit from operations, profit before tax and earnings per share which it believes will aid in understanding its business. Benchmark results are stated excluding the results of businesses sold or terminated in the period, amortisation of acquired intangibles, net restructuring charges, exceptional items, profits and losses on sale of investments, profits and losses on sale of businesses, gains from negative goodwill, share-based payment expenses and net fair value remeasurement adjustments to financial instruments.

Revenue

Group revenues grew by 11% to £586.8m (2006: £527.8m). Excluding the businesses sold or terminated during the year, revenues increased by 13% to £555.4m (2006: £489.8m).

Profit

Benchmark profit before tax increased by 10% to £56.0m. Profit before tax decreased to £17.5m from £35.1m as a result of the high level of corporate activity and restructuring this year, which is discussed further in the Chairman's Statement. Return on sales on a Benchmark basis decreased slightly to 10.1% from 10.4% reflecting the sales mix of the group following the acquisitions made during the year. The charge for amortisation of acquisition intangibles increased from £0.9m to £1.6m due to the impact of the acquisitions made during the current year.

Divisional performance

Operating margins for both the Home Shopping and Educational Supplies divisions are discussed further within the Chairman's Statement on pages 2 to 4, as are average order values and retention rates within the Home Shopping division.

Within Educational Supplies, average order values were £201 (2006: £211) reflecting the impact of the difficult trading conditions during the year. Within NRS, on-time collections and deliveries were 95% (2006: 92%), an improvement against the previous year. Maintaining and improving these service levels is imperative for the continued growth and development of the NRS business.

Taxation

The group's effective rate of tax, calculated on a Benchmark basis, has increased from 19.6% to 25.2%, the increase predominantly arising from the impact of the resolution of a number of outstanding tax issues in the prior year against which provisions were held. The actual rate continues to be lower than the UK standard corporate tax rate, as a result of lower rates of company taxation in relation to the group's Hong Kong subsidiary, the utilisation of tax losses brought forward from prior periods, the impact of the share of profit from associates and tax losses available as a result of acquisitions.

Shareholder return and dividends

Benchmark earnings per share were 50.17p compared to 48.33p last year. Basic earnings per share were 19.33p in the year to 31 March 2007 compared to 35.58p last year. The board has proposed a final dividend of 15.6p per share, a rise of 1.4p or 10% on last year. The dividend for the year as a whole of 19.8p, a rise of 10% on last year, is covered 2.5 times by benchmark earnings.

Net assets

Net assets amount to £122.8m, a small increase on last year. This is equivalent to 144p per share.

Share Price and total shareholder return

The share price of Findel ranged from a low of 526p to a high of 768p during the financial year. On 31 March 2007 the mid market price was 692p, giving a market capitalisation of £588m at that date.

Total shareholder return (the increase in the value of a share including reinvested dividends) has been 795% in the ten years since the demerger of the group in 1996. This compares favourably with the total shareholder return for the average for the FTSE 350 General Retailers which was 76% over the same period.

Cash flow

The group's free cash flow before acquisitions and financing was an inflow of £6.3m, compared with an outflow of £18.3m in 2006. This includes cash costs of £7.1m relating to the restructuring of the group undertaken during the year, along with contributions of £2.8m over and above the normal funding costs of the group's pension schemes. Taxation payments reduced to £1.7m from £7.9m, principally due to the tax impact of the one-off costs incurred in the current and prior year. Acquisition costs of £43.2m incurred during the year and the increased cost of borrowing increased interest costs in the year by £1.2m and £0.7m respectively. Capital expenditure in 2007 decreased by 14% from £16.4m to £14.1m, equivalent to 169% of the depreciation charge in 2007.

Liquidity and funding

The maturity and currency profile of the group's borrowings are shown in note 25 to the financial statements. At 31 March 2007, 90% of the group's borrowings were drawn under long-term facilities, the earliest of which expires in March 2009, and there were undrawn committed facilities of £78.8m.

During the year, the group increased its revolving credit facility by £40m to £200m, this increase being used to fund the acquisitions made during the year.

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. It operates policies and procedures which are periodically reviewed by the board and is subject to regular audit control reviews.

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 "cap and floor" derivative arrangements, details of which are set out in note 26 to the financial statements. The group also mixes the duration of its borrowings to smooth the impact of interest rate fluctuations.

At £17.6m, net interest costs were £2.4m higher than last year. This principally reflects increased interest costs arising from the £43.2m expenditure on acquisitions in the year and the increased cost of borrowing. The net interest charge was covered 4.2 times by benchmark operating profit.

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 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. The group has a comprehensive system of risk management installed within all parts of its business to mitigate these risks as far as is possible, as described in detail in the Corporate Governance report on pages 15 and 16.

Home Shopping

The Home Shopping division is significantly impacted by movements in interest rates and the state of the wider consumer credit market. Any adverse movement in interest rates could have a consequent adverse impact on the performance of the Home Shopping division. The group undertakes appropriate interest rate hedging to mitigate this risk.

The Home Shopping industry is witnessing increased penetration of the market by internet based businesses challenging the historical dominance of catalogue based Home Shopping businesses. The Home Shopping division has responded to this challenge and is fully e-enabled, leaving it well placed to respond. During the year under review, internet sales grew by 35% and now account for 30% of all orders within our traditional Home Shopping credit business. The businesses acquired during the year have a higher element of internet sales and we anticipate that the coming year will see internet sales in the Home Shopping division exceed 50%.

Educational Supplies

The Educational Supplies division is influenced by government spending on Education. Any downward movement in government spending on Education may adversely impact the performance of the Educational Supplies division. The government has reaffirmed its continued spending priority on Education such that this risk is not perceived to be significant in the short term.

The Gershon report issued by the government suggested that significant savings were anticipated to be generated from Education spending through more efficient procurement techniques. There is a risk that this expectation may lead to more pressure on prices and margins with an adverse impact on business performance. As the Educational Supplies division is a large, efficient supplier of educational products, this may widen the opportunities available to the company due to its scale and efficiency.

Healthcare

The NRS business is reliant on a small number of contracts for substantially all of its revenues. There can be no guarantee that each of the contracts will be successfully renewed when the current contract terms expire. However, the business is the market leader within the industry, and thereby it is well placed to renew its current contracts and successfully bid for any new contracts that are put to tender.

Finally, each of the group's trading divisions are dependent on third party carriers to distribute the group's products. The group employs several carriers so as to spread this risk over a number of parties to avoid over dependence on a single carrier.

Exceptional costs

Exceptional costs incurred during the year principally comprise the costs of a warehouse reorganisation in Home Shopping and the exit of all third party fulfilment contracts (£7.5m), the final element of the reorganisation in Educational Supplies (£4.3m) and the initial phase of the major project to integrate our cash with order acquisitions (£4.7m). These costs have been reported as an exceptional charge against the operating profit of the respective divisions.

Loss on disposal of businesses

Losses incurred on the disposal of businesses in the year principally comprise the disposal of the outlet stores within the Home Shopping division (£16.5m) and the loss on disposal of Home Farm Hampers (£2.4m), following the strategic review undertaken during the year. Again, these costs have been separately reported against the operating profit of the respective divisions.

Share of profit of associates

The group's share of the profit generated by its associates decreased from £1.9m to £1m. In the year to 31 March 2006, Associate companies comprised both Webb Group Limited ("Webb") and Confetti Network Limited ("Confetti"). As a consequence of the acquisition of a controlling stake in the latter business on 24 November 2006, Confetti is only included as an associate in these financial statements for eight months of the financial year.

Minority interests

Losses attributable to equity minority interests in 2007 of £0.1m relates to the share of losses attributable to the minority shareholders of Home Farm Hampers prior to the acquisition of the remaining 40% of that business on 13 October 2006. The group disposed of the entire issued share capital of Home Farm Hampers on 7 March 2007.

Pensions

The group's defined benefit pension schemes had reduced deficits at 31 March 2007. To improve the funding of these schemes, the group made voluntary additional contributions totalling £2.8m during the year.

The net deficit for all retirement benefit schemes was £10.4m (2006: £12.6m) net of tax relief at 31 March 2007. The deficit is equal to around 1.8% of the group's market capitalisation and can prudently be resolved over a period of time.

Accounting Policies and Standards

The principal accounting policies used by the group are shown on pages 32 to 36. The accounting policies have been applied consistently throughout the current and preceding periods.

David Dutton
Group Finance Director

Directors and Advisors

Executive Chairman	K Chapman*
Chief Executive	P E Jolly, LLB
Company Secretary	I J Bolton, BSc, PhD
Chief Operating Officer	P B Maudsley
Finance Director	D B Dutton, BA, ACA
Non-executive	G P Craig**
	M L Hawker**
	D A Johnson, BSc (Econ), FCA
	J M F Padovan, LLB, BCL, FCA**

* Member of the Nomination Committee

** Member of the Audit, Remuneration and Nomination Committees

Secretary and Registered Office	I J Bolton Burley House Bradford Road Burley-in-Wharfedale Ilkley West Yorkshire LS29 7DZ
	Company Number: 549034

Auditors	Deloitte & Touche LLP 1 City Square Leeds West Yorkshire LS1 2AL
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Registrars	Lloyds TSB Registrars The Causeway Worthing West Sussex BN99 6DA
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Principal Bankers	Bank of Scotland Barclays Bank plc HSBC Bank plc Lloyds TSB Group plc National Australia Bank Limited The Royal Bank of Scotland plc
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Directors' Report

Activities

The principal activities of the group are home shopping and educational supplies sales through mail order catalogues 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 7, along with a review of the group's activities, the principal risks and uncertainties facing the group and its future prospects.

Dividends

An interim dividend of 4.20p (2006: 3.80p) per share was paid on 12 January 2007. The directors recommend a final dividend of 15.60p (2006: 14.20p) per share be paid on 5 July 2007 to shareholders on the register on 8 June 2007, with an ex-dividend date of 6 June 2007.

Share Capital

Share options outstanding at 31 March 2007 are shown in note 29 to the financial statements.

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 10,003,666 ordinary shares with a nominal value of £500,183 representing 11.76% of the issued share capital and will be able to issue 4,249,816 ordinary shares with a nominal value of £212,490 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.

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 those terms and to abide by such terms. The company's trade creditors at 31 March 2007 represented 24 creditor days (2006: 25 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 8. Information concerning their interests in the share capital of the company is included in the Board Report on Directors' Remuneration on page 24. All the directors served throughout the year, with the exception of Mr Hawker who was appointed on 4 July 2006. Mr Chapman, Mr Maudsley, Mr Craig and Mr Johnson will retire and, being eligible, offer themselves for re-election at the annual general meeting. Mr Hawker offers himself for election at the annual general meeting. Mr Padovan, who is in his seventieth year, is not seeking re-election. Brief biographical details of the directors are as follows:

Mr K Chapman (64, executive chairman)

Keith Chapman joined the Findel board in March 1984 and was subsequently appointed group managing director and then chairman and chief executive in January 1988.

Mr P E Jolly (41, chief executive)

Patrick Jolly joined the board in March 2001 as a non-executive director and was subsequently appointed chief executive in May 2006. He is an experienced corporate finance lawyer and was previously an executive director of SurfControl plc.

Dr I J Bolton (63, executive director and company secretary)

Ivan Bolton has been with the group for over 25 years in a number of senior commercial roles and was appointed to the board in 1989. He has a BSc and a PhD from Leeds University and had ten years industrial experience before joining the group.

Mr P B Maudsley (46, chief operating officer)

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 and then chief operating officer in May 2006.

Mr D B Dutton (47, group finance director)

David Dutton joined the group in 1986. He has held a number of roles, most latterly that of group financial controller. He was appointed to the board in December 2004 as group finance director.

Mr G P Craig (60, 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. He is now the chairman of Stirling Group Limited.

Mr M L Hawker (57, 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 D A Johnson (63, non-executive director)

Tony Johnson joined Findel in 1988 as group finance director and became the group managing director in 1994. In 1997, following the de-merger of Creative Publishing, he was appointed group chief executive. He was appointed deputy chairman in December 2004 and relinquished this role in July 2006 at which time he was appointed as a non-executive director.

Mr J M F Padovan (69, non-executive director)

John Padovan joined the board in October 1997. He has considerable experience both in the City and as a public company director, including past non-executive directorships with Tesco PLC and Whitbread PLC, and current ones, which include chairmanship of Schroder Split Investment Fund PLC and Dawnay, Day Property Finance Limited. He retires from the board following the annual general meeting on 2 July 2007.

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 £82,853 (2006: £78,826). In addition, the group made a one-off contribution of £250,000 to the Farepak relief fund. There were no donations for political purposes.

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 15 May 2007:

	Number of Shares	Proportion of Share Capital
Material interests of 3% or more		
Schroders plc	20,746,763	24.40%
AXA S.A.	7,509,677	8.83%
F & C Asset Management plc	4,505,512	5.30%
Legal & General Investment Management Limited	3,306,528	3.89%
Prudential plc	2,574,943	3.02%

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 1985) 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.

Deloitte & Touche LLP have notified their willingness to continue as auditors of the company and their re-appointment will be proposed at the annual general meeting.

By order of the board

I J Bolton

Secretary

25 May 2007

Corporate Governance Report

The company is committed to business integrity, high ethical values and professionalism in all its activities. As an essential part of this commitment the group supports the highest standards in corporate governance.

The board is accountable to the company's shareholders for good governance and this statement and the Board Report on Directors' Remuneration on pages 18 to 24 describe how the principles of good governance set out in the revised Combined Code on Corporate Governance, published by the Financial Reporting Council in July 2003, are applied within the company.

Compliance

The company complied throughout the year with the provisions of the Combined Code Principles of Good Governance and Code of Best Practice, except in the following aspects:

A.2.2 The chairman was previously the chief executive.

A.3.2 At least half the board, excluding the chairman, has not comprised independent non-executive directors.

B.2.1 The Remuneration Committee comprised only two members in the period from the appointment of Mr P E Jolly as an executive director on 11 May 2006 until the appointment of Mr M L Hawker as an independent non-executive director on 4 July 2006. Mr Jolly did not attend the meeting of the Remuneration Committee prior to 11 May 2006 when the remuneration for his executive role was discussed.

Predominantly, the areas of non-compliance set out above arise as a result of changes in the composition and structure of the board. To the extent possible, the board is seeking to address these issues.

The company's auditors, Deloitte & Touche LLP, are required to review whether the above statement reflects the company's compliance with the nine provisions of the Combined Code specified for its review by the Listing Rules and to report if it does not reflect such compliance.

We are committed to high standards of corporate governance. Currently less than half of the board are independent non-executive directors. The board is keeping the situation under review and will continue to strive to become compliant whilst maintaining an appropriate balance between refreshment and continuity.

The Board

As at 31 March 2007, the board was made up of nine members comprising the executive chairman, four other executive directors and four non-executive directors. The non-executive directors, except for Mr D A Johnson, 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 pages 9 and 10.

The division of responsibilities between the chairman and chief executive is clearly established and is understood by the board. The executive chairman is responsible for the overall strategy of the group with the chief executive officer being responsible for implementing the strategy and for the day to day running of the group; he is assisted by the other executive directors.

The senior independent director is Mr G P Craig 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 on the board, is subject to re-election annually.

Every year the board assesses whether each non-executive director is independent against the criteria set out in the Combined Code. Mr Craig and Mr Padovan were first elected at an annual general meeting on 1 July 1998 and have since then served for approximately nine years. The Nomination Committee and the board have reviewed their performance as part of our board evaluation and concluded that they make an effective contribution as non-executive directors and in their roles on the Audit, Remuneration and Nominations Committees and have challenged the executive directors in an independent manner. We have therefore reaffirmed our view that each of these non-executive directors is independent in character and judgement. In line with the recommendations of the Code, Mr Craig will stand for re-election by shareholders each year. Mr Padovan, who is in his seventieth year, has decided not to seek re-election. The board is actively seeking a suitable candidate to join the board as an independent non-executive director.

Mr D A Johnson retired as an executive director on 3 July 2006 and was re-elected to the board at the annual general meeting as a non-executive director. In line with corporate governance best practice, he will be subject to re-election annually. Mr Johnson will not be considered to be an independent non-executive director; he also has a consultancy agreement with the company.

Following the annual performance evaluation of the non-executive directors subject to election or re-election, the board confirms that each individual's performance has been effective throughout the last year and they have continued to demonstrate commitment to their role.

Board Procedures

The board met formally on six occasions during the year and individual attendance at those and the Board Committee meetings is set out in the table below. All board members are supplied with information in a form and of a quality appropriate to enable them to discharge their duties. Board and committee papers are sent out as appropriate before meetings take place.

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 is 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 year to 31 March 2007:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
K Chapman	6	*	*	2
I J Bolton	6	*	*	*
D B Dutton	6	*	*	*
P E Jolly	6	1*	*	*
P B Maudsley	6	*	*	*
G P Craig	6	3	5	2
M L Hawker	4	2	1	—
D A Johnson	5	*	*	*
J M F Padovan	6	3	5	2
Number of meetings in the year	6	3	5	2

* where an asterisk appears in the table the director listed is not a member of the committee (from 11 May 2006 in the case of Mr P E Jolly).

Mr M L Hawker has attended every meeting of the board and of each of the committees from the date of his appointment on 4 July 2006.

Mr P E Jolly was not involved in the meeting of each of the Nomination Committee and the Remuneration Committee at which matters relating to his nomination as an executive director and corresponding remuneration package were discussed.

Board Effectiveness

During the year an appraisal of the board, each Board Committee, and the performance of the individual directors was carried out. The appraisal of the board and the committees was undertaken using questionnaires which were completed by each director as appropriate. A summary of the responses was reviewed by the chairman prior to the submission of the results to the whole board.

Formal appraisals of the executive and non-executive directors' individual performance were conducted by the chairman by holding a meeting with each director.

The non-executive directors, chaired by the senior independent director, meet once a year without the chairman present to assess his performance. The senior independent director then discusses the results of that assessment with the chairman.

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 Interim Report, 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, the chief executive, the chief operating officer and the group finance director are 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 interim results. During the year the senior independent director has been available to meet with institutional shareholders if requested. Although the non-executive directors are not at present asked to meet the company's shareholders, their attendance at presentations of the annual results is encouraged. 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 and is comprised of only independent non-executive directors. The committee's report is set out on pages 18 to 24.

Nomination Committee

The Nomination Committee operates under written terms of reference. 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 comprises the chairman and the independent non-executive directors. The meetings of the committee are chaired by the chairman.

The committee's responsibilities include:

- regularly reviewing the structure, size and composition including the skills, knowledge and experience required of the board compared to its current position and make recommendations to the board with regard to any changes;
- giving full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the company and what skills and expertise are therefore needed on the board in the future;
- being responsible for identifying and nominating for the approval of the board candidates to fill board vacancies as and when they arise;
- before making an appointment, evaluating the balance of skills, knowledge and experience on the board and, in the light of this evaluation prepare a description of the role and capabilities required for a particular appointment;
- keeping up to date and fully informed about strategic issues and commercial changes affecting the company and the market in which it depends;
- reviewing annually the time required for non-executive directors. Performance evaluation should be used to assess whether the non-executive directors are spending enough time to fulfil their duties;

- ensuring that on appointment to the board, non-executive directors receive a formal letter of appointment setting out clearly what is expected of them in terms of time commitment, committee service and involvement outside board meetings;
- keeping under review the leadership needs of the organisation, both executive and non-executive, with a view to ensuring the continued ability of the organisation to compete effectively in the marketplace;
- advising the board on succession planning for executive board appointments; and
- considering any other matters the board may request.

Following the appointment of a new director, the chief executive in conjunction with the company secretary, is responsible for ensuring that a full, formal and tailored induction to the company and to his function within the company is given.

During the previous year, on behalf of the board, the committee undertook a search for the appointment of a new chief executive. After conducting this process, during which both internal and external candidates were considered, the committee made a recommendation to the board which subsequently resulted in the appointment of Mr P E Jolly, previously a non-executive director, as an executive director of the company and as chief executive on 11 May 2006. The committee also recommended the appointment of Mr D A Johnson as a non-executive director and as a consultant upon his resignation as an executive director in order to retain the benefit of his extensive financial knowledge, commercial experience, and his knowledge of the group.

The group utilises the services of executive search consultants to identify prospective candidates where appropriate.

Audit Committee

The Audit Committee operates under written terms of reference, which were reviewed during the year, meets at least three times a year and is comprised of only independent non-executive directors. Mr G P Craig, the senior non-executive director, 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 pages 9 and 10. The group finance director normally attends 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 company secretary acts as secretary to the committee. 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's responsibilities include:

- reviewing the effectiveness of the group's financial reporting and internal control procedures for the identification, assessment and reporting of risks;
- reviewing with the external auditors the nature and scope of their planned work;
- reviewing the half year and annual financial statements before submission to the board, focusing particularly on:
 - (i) any changes in accounting policies and practices;
 - (ii) major judgemental areas;
 - (iii) significant adjustments resulting from the audit;
 - (iv) the going concern assumption;
 - (v) compliance with accounting standards;
 - (vi) compliance with applicable stock exchange and legal requirements.
- discussing any problems and reservations arising from the interim and final audits, and any matters the auditors may wish to discuss (in the absence of the executive directors and other management, where necessary);
- reviewing the cost-effectiveness, independence and objectivity of the external auditors;
- considering the major findings of internal investigations and management's response; and
- considering any other matters the board may request.

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 also reviews the "whistleblowing" policy under which employees may in confidence notify the company of any concerns, including inter alia matters involving financial reporting. It also reviews the procedures for investigating and resolving any such concerns. A copy of the whistleblowing policy is available on the company's website (www.findel.co.uk). 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. Both the Audit Committee and the external auditors have safeguards in place to avoid such independence and objectivity being compromised.

The committee also liaises with the external auditors on the continuity and rotation of key partners from the external auditors in accordance with the Ethical Standards of the ICAEW.

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 & Touche 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. 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 & Touche LLP. Accordingly a resolution for the re-appointment of Deloitte & Touche LLP as auditors of the company will be proposed at the forthcoming annual general meeting.

The group does not have a dedicated internal audit function. The board annually reviews the need for such a function and has done so during the year. The group does however have a function which performs a number of internal audit tasks across the divisions and this, together with the fact that during the year, there were no adverse trends evident from the monitoring of internal controls or unexpected or unacceptable results of a material nature, has led the board to conclude that at present a dedicated internal audit function is not necessary. The board will continue to keep this matter under review.

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. For the whole of the year under review and up to the date of approval of the Annual Report and Accounts, the board has had formal procedures in place to ensure that it is in a position to consider all the significant aspects of internal control and has worked closely with the external auditors in assessing and ensuring their effectiveness.

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. This process is summarised as follows:

- 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;
- Operating units formally review all business risks and set out the significant risks to the operations, the controls in place and additional controls which could be implemented. These proposals are approved by each operating unit's management and submitted in the form of risk action plans to group executive management for review and approval. Any significant matters arising from this review are formally reported to the board by the finance director to ensure that appropriate initiatives are developed and implemented to manage those risks. The board is advised in this process by the Audit Committee;
- The risk and control identification and management process is monitored and periodically reviewed by group executive management;
- The key elements of the controls framework within which the group operates are:
 - an organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements;
 - an embedded culture of openness of communication between operating company management and the group executive management on matters relating to risk and control;
 - defined expenditure authorisation levels;
 - operating reviews covering all aspects of each business are conducted by group executive management each quarter;
 - a comprehensive system of financial reporting. An annual budget for each operating company is prepared in detail and approved by the chairman and the chief executive. The board approves the overall group's budget and plans. Monthly actual results are reported against budget and prior year and the forecast for the year is revised where necessary. Any significant changes and adverse variances are questioned by the board and remedial action is taken where appropriate. There is weekly cash and treasury reporting to the group finance director and periodic reporting to the board on the group's tax and treasury position.

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.

The risk framework as outlined above, gives reasonable assurance that the structure of controls in operation is appropriate to the group's situation and that there is an acceptable level of risk throughout the business.

The board confirms that there is an ongoing process for identifying, evaluating and managing the significant risks faced by the group; that this has been in place for the year under review and up to the date of approval of the Annual Report and Accounts.

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 judgments and estimates that are reasonable and prudent; and
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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; and
- 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.

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 1985.

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.

Going Concern

The directors consider, after making appropriate enquiries at the time of approving the financial statements, that the company and the group have adequate resources to continue in operational existence for the foreseeable future, and accordingly, that it is appropriate to adopt the going concern basis in the preparation of the Financial Statements.

Board Report on Directors' Remuneration

Introduction

This report has been prepared in accordance with the directors' Remuneration Report Regulations 2002 (the "Regulations") which introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. 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 committee are the independent non-executive directors, who were Mr J M F Padovan and Mr G P Craig throughout the year and Mr M L Hawker from the time of his appointment on 4 July 2006. Mr P E Jolly was a member until the time of his appointment as an executive director on 11 May 2006 but did not attend the meeting when the remuneration for his executive role was discussed. The chairman was Mr Padovan who continues until his retirement from the board on 2 July 2007. No member of the 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 has he any day-to-day involvement in running the business.

The chairman of the company normally attends meetings of the committee by invitation except when matters concerning his own remuneration are discussed. The committee is assisted when required by New Bridge Street Consultants LLP, who are appointed by the 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 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 directors 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 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.

The remuneration arrangements 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 reviewed annually by the committee to maintain appropriate relativities within the executive director population and within a general policy that base salary levels are set at no higher than market median level in relation to similar sized UK listed businesses and considering other elements of the package.

Benefits 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 an annual performance related bonus which in the past has been up to 60% of basic salary and these payments are largely dependent on achievement of profit targets. The targets are set at levels which are challenging in relation to budgets which would produce significant growth. The Committee is currently in the process of reviewing the current annual bonus arrangements, both in terms of quantum and structure, in light of current market practice. Any revisions to the annual bonus arrangements will be reported in next year's Board Report on Directors' Remuneration.

(iii) Share options

Executive directors have a continuing interest in share options previously granted as detailed below, however no options have been granted during the year other than one recruitment award, as was reported upon last 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. As a result of a review in early 2006, the Committee recommended the introduction of a new Performance Share Plan (PSP) to operate as the sole type of long term incentive arrangements for executive directors in future years. The PSP was approved by shareholders at the 2006 annual general meeting. Details of the PSP are set out 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.

Performance conditions

There are two distinct performance conditions that apply to awards made under the PSP. 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 compared against the constituents of the FTSE 250 Index (excluding Investment Trusts).

For awards made in year ending 31 March 2007, awards will vest on the third anniversary of grant, dependent upon the achievement of the following performance criteria over the three financial years 2006/07, 2007/08 and 2008/09:

<u>EPS growth of the company over the performance period</u>	<u>Vesting percentage of 50% of the shares subject to an award</u>
Less than RPI + 12%	0%
RPI + 12%	25%
RPI + 27%	100%
Between RPI + 12% and RPI + 27%	Between 25% and 100% pro rata on a straight-line basis

<u>TSR ranking of the company compared to the comparator group over the performance period</u>	<u>Vesting percentage of 50% of the shares subject to an award</u>
Below median ranking	0%
Median ranking	25%
Upper quartile ranking	100%
Between median and upper quartile ranking	Between 25% and 100% pro rata on a straight-line basis

EPS and TSR remain the most appropriate measures of the group's long-term performance. EPS is the key internal metric through which financial performance is measured and TSR is aligned with shareholders and the objective of generating long term sustainable returns to shareholders.

In line with best practice guidelines, the Committee is currently in the process of reviewing the range of EPS targets that will apply to any awards made under the PSP in the year ending 31 March 2008 to ensure that they reflect the company's current prospects and circumstances. Any revisions to the EPS range will be reported in next year's Board Report on Directors' Remuneration.

To determine whether the performance targets have actually been met at the end of the three year performance period, the EPS targets will be calculated by the company and verified by the Remuneration Committee. TSR calculations will be performed by the Committee's advisors and verified by the Remuneration Committee.

(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. From the date of his appointment as an executive director the company provides 15% of Mr P E Jolly's basic salary for contribution into his SIPP.

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

Mr D B Dutton remains a contributory member of the Scheme with Dr I J Bolton and Mr P B Maudsley participating during the year under review on a non-contributory basis.

Life assurance cover is four times salary for Mr Dutton and Dr Bolton and three times salary for Mr Maudsley.

Pensionable earnings for Mr Dutton and Mr Maudsley are defined as one third of the aggregate of the member's basic salary paid in the three years prior to retirement. Pensionable earnings for Dr Bolton are defined as the aggregate of basic salary paid in the three years prior to retirement plus one ninth of the aggregate of performance related bonuses paid in the same three year period. The Remuneration Committee has considered historically that the inclusion of a small proportion of annual bonus paid in the definition of pensionable pay to be justified after considering overall levels of base salary and bonus potential, and considering the smoothing effect of averaging the bonuses paid over three years.

From May 2007 Dr Bolton is no longer a member of the scheme having elected to take a transfer value out of the Scheme.

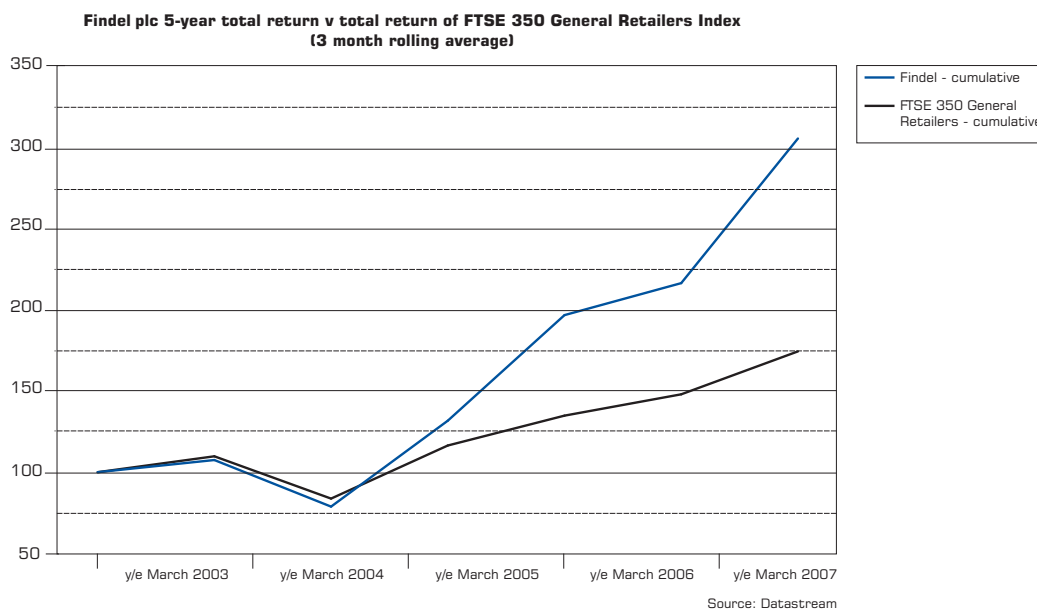
While Mr Maudsley remains a member of the Scheme, he no longer accrues benefits under the pension Scheme, instead electing to receive a cash equivalent contribution into a personal pension arrangement. The value of contributions made during the year was £59,126.

Messrs K Chapman and D A Johnson are no longer members of the Scheme and also receive a contribution to a personal arrangement in lieu of the value of pension benefits. Company contributions to their personal arrangements during the year under review amounted to £64,861 and £12,934 respectively.

The contributions to personal pension arrangements are cost neutral or lower from the company's perspective when compared to 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 The Directors' Remuneration Report Regulations 2003) with the FTSE 350 General Retailers Index. This index was selected as being, in the opinion of the committee, the most appropriate for comparison because the group is a member of the FTSE 350.



Service Agreements

It continues to be the Remuneration Committee's policy that service agreements for executive directors should be terminable on not more than 12 months' notice, in line with current market practice. In the event of early termination of a service agreement, the committee would consider appropriate use of mitigation and phased compensation payments.

Mr Chapman's service agreement is terminable subject to 1 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. 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 1 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 is terminable subject to 1 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. 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 1 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.

Mr Maudsley's service agreement is terminable subject to 1 year's notice by either party. It was entered into on 6 October 1997. The contract contains no provision for compensation to be payable on early termination and assessment of damages would be subject to mitigation.

Mr Dutton's service agreement is terminable subject to 1 year's notice by either party. It was entered into on 20 September 1991 and was subsequently varied on 31 August 2001. The contract contains no provision for compensation to be payable on early termination and assessment of damages would be subject to mitigation.

Mr Jolly's service agreement was entered into on 11 May 2006. It is terminable subject to 1 year's notice by either party; it contains no provision for compensation to be payable on early termination and assessment of damages would be subject to mitigation.

Mr Johnson's service agreement (until his retirement as an executive director) was terminable subject to 1 year's notice by either party. It was entered into on 12 June 1989 and was subsequently varied, most recently with effect from 1 April 2003; it terminated on 3 July 2006.

The appointment of non-executive directors is for an initial period of 3 years, subject to review and re-election at General Meeting. They do not have service agreements. Letters of Appointment for Mr G P Craig and Mr J M F Padovan were dated 18 August 1997, for Mr D A Johnson 11 May 2006 and for Mr M L Hawker 28 June 2006. Except for Mr Padovan, who is not seeking re-election, they are each due to be proposed for re-election at the annual general meeting in 2007 and for Mr Craig and Mr Johnson annually thereafter.

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 current fee of Mr Craig is £37,500 per annum, and of Mr Padovan, Mr Johnson and Mr Hawker is £35,000 per annum. Mr Johnson also receives £60,000 per annum for consultancy services under separate arrangements, which can be terminated at any time on six months notice by either party. There is no entitlement to compensation for loss of office in connection with the termination of the services of the non-executive directors.

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 year ended 31 March 2007 are shown below:

	Salary/fees	Annual Bonus	Long Term Incentives/Bonuses	Benefits in Kind	2007 Total	2006 Total
	£000	£000	£000	£000	£000	£000
Executive						
K Chapman	440	187	183	31	841	635
I J Bolton	250	125	116	28	519	404
D B Dutton	200	100	10	20	330	316
P E Jolly*	342	—	—	26	368	82
P B Maudsley	359	165	—	26	550	880
Non-executive						
G P Craig	37	—	—	—	37	37
M L Hawker	26	—	—	—	26	—
D A Johnson**	114	150	1,867	9	2,140	504
J M F Padovan	35	—	—	—	35	35
Total	1,803	727	2,176	140	4,846	2,893

* Non-executive in 2006

** Executive in 2006 and in 2007 until 3 July 2006

The figures above represent emoluments paid to directors during the relevant financial period. Such emoluments are paid in the same financial period in which they are earned with the exception of the annual performance related bonuses, which are paid in the period following that in which they are earned and the long term incentives which by their nature relate to a number of years. The long term incentive payment to Mr Johnson relates to the gain on 411,000 notional shares exercised in May 2006 and reported upon in the 2006 Annual Report and Accounts. In addition, Mr Johnson and Messrs Chapman, Bolton and Dutton also received long term share retention bonuses under the terms of the share option scheme approved in 1997, details of which are set out in a separate table below. In relation to performance related bonuses payable in respect of the year ended 31 March 2006, the financial performance over the year was such that the Remuneration Committee considered that payment of bonuses of 50% under the group plan were appropriate to Messrs Chapman, Bolton, Dutton and Johnson, and 55% to Mr Maudsley.

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

(ii) Directors' pension entitlements

Mr D B Dutton and Mr P B Maudsley are current members of the Findel Group Pension Fund, a defined benefit scheme, as was Dr I J Bolton until May 2007.

The following directors had accrued entitlements under the scheme as follows:

	Increase in accrued pension excluding inflation	Transfer value of increase	Accrued pension 31 Mar 2007	Accrued pension 31 Mar 2006	Increase in accrued pension including inflation	Transfer value of accrued pension 31 Mar 2007	Transfer value of accrued pension 31 Mar 2006	Increase in transfer value over the period
	£000	£000	£000	£000	£000	£000	£000	£000
I J Bolton	17	278	197	174	23	3,345	2,947	398
D B Dutton	11	90	58	45	13	454	342	112
P B Maudsley	12	93	85	71	14	654	526	128

The pension entitlements shown above are those which would be paid annually on retirement based on service to the end of the period. 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 year are as follows:

	31 March 2006	Granted	Exercised	31 March 2007	Exercise price	Exercise period
Interests in Share Options						
K Chapman	14,018	—	—	14,018	214.0p	May 2002 – May 2008
D A Johnson	14,018	—	14,018	—	214.0p	May 2002 – May 2008
D B Dutton	105,682	—	—	105,682	360.75p	May 2007 – May 2011
P B Maudsley	14,018	—	—	14,018	214.0p	May 2002 – May 2008
	44,326	—	44,326	—	141.0p	May 2003 – May 2006
	188,842	—	—	188,842	360.75p	May 2007 – May 2011
P E Jolly	—	225,688	—	225,688	545.0p	May 2009 – May 2013

The award to Mr Jolly was made on appointment to facilitate his recruitment and full details of the award were reported upon last year.

Interests in notional shares under the long term incentive plan

K Chapman	534,082	—	—	534,082	133.5p	July 2002 – July 2009
D A Johnson	411,985	—	411,985	—	133.5p	July 2002 – July 2009
I J Bolton	262,172	—	—	262,172	133.5p	July 2002 – July 2009
D B Dutton	11,859	—	—	11,859	263.5p	May 2003 – May 2010
P B Maudsley	26,736	—	—	26,736	205.0p	Dec 2002 – Dec 2009
	11,859	—	—	11,859	263.5p	May 2003 – May 2010

The performance criteria for all awards other than those granted during the year ended 31 March 2005 (which had an exercise period commencing May 2007) under the share option schemes and long term incentive plan have been met. For options granted during the year ended 31 March 2005, the performance condition requires average annual EPS growth of between RPI +2% for two thirds of options to be exercisable and RPI +3% for all options to be exercisable.

Interests in shares under the performance share plan

	31 March 2006	Granted	Vested	31 March 2007	Vesting date
D B Dutton	—	42,735	—	42,735	5 July 2009
P B Maudsley	—	64,102	—	64,102	5 July 2009
P E Jolly	—	64,102	—	64,102	5 July 2009

The awards granted in the year ended 31 March 2007 will vest on the third anniversary of grant, dependent upon the achievement of the performance criteria as set out in the PSP summary above.

There have been no grants of share options or long term incentives nor under the performance share plan since 31 March 2007.

Details of share options exercised during the year are as follows:

	Date of exercise	Number of shares	Exercise price	Mid market price on date of exercise	Notional gain on exercise
P B Maudsley	11 May 2006	44,326	141.0p	545.0p	179,077
D A Johnson	11 May 2006	14,018	214.0p	545.0p	46,399

Details of long term incentives exercised during the year are as follows:

	Date of exercise	Number of shares	Exercise price	Mid market price on applicable date	Notional gain on exercise
D A Johnson	11 May 2006	411,985	133.5p	535.0p	1,654,119

Other than the details above, no directors exercised any share options or long term incentives during the year ended 31 March 2007. The company, in line with the rules of the long term incentive plan, chose to settle the gain on exercise to Mr Johnson in cash.

There have been no variations to the terms and conditions or performance criteria for share options or awards under the long term incentive plan during the year ended 31 March 2007.

There have been no exercises of share options or long term incentives since 31 March 2007.

As was disclosed when the share option scheme was approved by shareholders in 1997, a cash bonus equivalent to 20% of the market value of shares purchased on exercise and retained for a period of two years is payable at the end of such two year period. Details of such bonuses paid to directors during the year are as follows:

Long Term Share Retention Bonus	
K Chapman	£182,864
D A Johnson	£213,341
I J Bolton	£116,444
D B Dutton	£10,235

Directors currently hold shares which they acquired by exercise of options and, if held for the remainder of the respective two year periods, will give rise to bonus amounts of 20% of their value at that time.

The market price of the ordinary shares at 31 March 2007 was 692.0p and the range during the year was 526.0p up to 768.0p.

The non-executive directors do not participate in the share option schemes, the long term incentive plan or the performance share plan.

During the year, certain former directors provided services on a consultancy basis to the group. The total payments made in respect of such services were £35,000.

Directors' interests

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

	31 March 2007		31 March 2006	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
K Chapman	4,888,590	—	4,888,590	—
I J Bolton	287,925	—	287,925	—
D B Dutton	44,326	—	44,326	—
P E Jolly	17,061	—	2,383	—
P B Maudsley	109,246	—	64,920	—
G P Craig	40,000	—	40,000	—
M L Hawker	—	—	—*	—*
D A Johnson	265,115	—	415,115	—
J M F Padovan	10,000	—	10,000	—

* on appointment

There have been no changes in the above interests since 31 March 2007.

On behalf of the board
 J M F Padovan
 Chairman of the Remuneration Committee
 25 May 2007

Corporate Social Responsibility

The group is very clear as to the continuing importance of all areas of Corporate Social Responsibility in the conduct of the company, its employees and its suppliers. Investor interest is increasingly concerned with our stance in this area and the group is determined to remain both fully compliant with all relevant legislation and increasingly involved in such matters.

We have continued to be involved with the Carbon Disclosure Project Secretariat in expressing our views and involvement in greenhouse gas emissions, although it is recognised that, as a predominantly non-manufacturing company, our emissions in this area are not significant.

The Findel company secretary, Dr I J Bolton, has overall responsibility for all corporate social responsibility affairs and he devolves day to day responsibility to the group director of health & safety. The latter chairs a review body which meets to assess legislative or other directives in order to set strategy and targets, and review the group's progress against these. This review body comprises senior facilities and purchasing managers from the group's major operating companies. We have been compiling figures for several years against which we set and monitor our targets.

Environmental policy

With the rapidly increasing importance across the world and the UK of energy consumption and global warming, we have identified that, as a predominantly distribution company with minimal manufacturing involvement, our environmental policy concentrates on energy consumption, waste disposal and, increasingly, product sourcing.

Our overall aim within this is to reduce our effect on the environment year on year as measured against our sales growth.

In particular, we are:

- Working with key suppliers to improve both their compliance and performance especially with suppliers of the group's new acquisitions;
- Actively considering and, where relevant, implementing recommendations to improve our environmental performance in both energy usage and waste generation;
- Monitoring and seeking to achieve our set targets on best practice in these areas;
- Ensuring that we comply with environmental legislation in all areas.

As a mail order distribution company, one of our key areas of focus has been the consumption of materials, especially paper and packaging. Significant strides have been made in changing the types of infill in packaging sent out involving a bag in the box style. This is widespread across the established group companies and is being introduced where relevant in the recent acquisitions.

Waste reduction and re-cycling has also been rolled out across the group with increasing success and both purchased packaging and waste volumes have been reduced as measured against turnover.

Energy

Our major use of energy is in heating, lighting and powered conveying equipment, and in the internal vehicle fleet. Consolidation of the group's activities previously enabled us to dispose of one major office site and significant warehouse space during the year. Recent acquisitions are enabling us to achieve further consolidation of both office and warehouse operations, further reducing energy consumption, the results of which will be seen during this coming year.

Vehicle fleet's CO₂ emissions are calculated and measured monthly and we have continued our move towards a more diesel oriented fleet in order to further reduce this.

Material consumption and waste management

With ever increasing volumes of product emanating from the Far East and India, our well-established Ethical Trading Policy documents remain key to our selection and ongoing trading with suppliers in those regions. Again, consolidation and integration of purchasing in some areas has brought more of our purchasing under this Ethical umbrella. 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. Resident staff in both India and Hong Kong enable us to ensure that these standards are met on an ongoing basis. Regular and surprise visits to suppliers are a vital part in ensuring compliance.

Human resources

With the exception of some 25 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. We are also committed to promotion on merit and filling job opportunities in-house wherever possible.

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.

Independent Auditors' Report

To the members of Findel plc

We have audited the group financial statements of Findel plc for the year ended 31 March 2007 which comprise the Consolidated Income Statement, the Consolidated Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Recognised Income and Expense and the related notes. These group financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration Report that is described as having been audited.

We have reported separately on the parent company financial statements of Findel plc for the year ended 31 March 2007.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union are set out in the statement of directors' responsibilities.

Our responsibility is to audit the group financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the group financial statements give a true and fair view, whether the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation and whether the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the group financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Finance Director's Review that is cross referred from the Review of the Year and Future Prospects section of the Directors' Report.

In addition we report to you if, in our opinion, we have not received all the information and explanations we require for our audit, or if information specified by law regarding director's remuneration and other transactions is not disclosed.

We review whether the Corporate Governance statement reflects the company's compliance with the nine provisions of the 2003 Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited group financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the group financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the group financial statements and the part of the Directors' Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the group financial statements, and of whether the accounting policies are appropriate to the group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the group financial statements and the part of the Directors' Remuneration Report to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the group financial statements and the part of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2007 and of its profit for the year then ended;
- the group financial statements have been properly prepared in accordance with the Companies Act 1985 and Article 4 of the IAS Regulation;
- the part of the Directors' Remuneration Report described as having been audited has been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the group financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Leeds

25 May 2007

Consolidated Income Statement

year ended 31 March 2007

	Notes	2007 £000	2006 £000
Revenue			
From ongoing businesses		555,424	489,831
From terminated businesses	7	31,354	37,965
	3	586,778	527,796
Cost of sales		(304,067)	(285,671)
Gross profit		282,711	242,125
Trading costs	4	(216,446)	(180,164)
Share of profit of associates	19	990	1,941
Amortisation of intangible assets	16	(1,637)	(930)
Negative goodwill arising on acquisitions in the year	36	7,787	—
Exceptional items	6	(18,775)	(13,177)
Loss on disposal of businesses	7	(19,496)	—
Share-based payment expense		(309)	(30)
Operating profit		34,825	49,765
Finance income	8	6,966	5,522
Finance costs	9	(24,332)	(20,220)
Profit before tax			
Benchmark		56,038	50,711
Losses from terminated businesses	7	(6,066)	(2,514)
Amortisation of intangible assets		(1,637)	(930)
Negative goodwill arising on acquisitions in the year		7,787	—
Exceptional items		(18,775)	(13,177)
Loss on disposal of businesses		(19,496)	—
Share-based payment expense		(309)	(30)
Derivative remeasurements		(83)	1,007
Total profit before tax		17,459	35,067
Profit before tax		17,459	35,067
Income tax expense	10	(1,393)	(4,933)
Profit for the year		16,066	30,134
Attributable to:			
Equity holders of the parent		16,198	29,660
Minority interest		(132)	474
		<u>16,066</u>	<u>30,134</u>
Earnings per share			
From continuing operations:	14		
Basic		<u>19.33p</u>	<u>35.58p</u>
Diluted		<u>19.09p</u>	<u>35.09p</u>
Benchmark		<u>50.17p</u>	<u>48.33p</u>

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

Consolidated Statement of Recognised Income and Expense

year ended 31 March 2007

	2007 £000	2006 £000
Exchange differences on translation of foreign operations	(663)	365
Net expense recognised directly in equity	(663)	365
Profit for the year	16,066	30,134
Total recognised income and expense for the year	15,403	30,499
Attributable to:		
Equity holders of the parent	15,535	30,025
Minority interest	(132)	474
	15,403	30,499

Consolidated Balance Sheet

At 31 March 2007

	Notes	2007 £000	2006 £000
ASSETS			
Non-current assets			
Goodwill	15	64,683	48,427
Other intangible assets	16	78,207	34,685
Property, plant and equipment	17	70,451	62,954
Investments in associates	19	6,312	10,324
		<u>219,653</u>	<u>156,390</u>
Current assets			
Inventories	20	102,365	101,068
Trade and other receivables	21	247,566	232,506
Derivative financial instruments	26	274	254
Cash at bank and in hand	22	7,624	2,284
		<u>357,829</u>	<u>336,112</u>
Total assets		<u>577,482</u>	<u>492,502</u>
LIABILITIES			
Current liabilities			
Trade and other payables	23	97,587	76,827
Current tax liabilities		2,227	3,627
Obligations under finance leases	24	522	518
Bank overdrafts and loans	25	33,000	19,082
Derivative financial instruments	26	127	24
Provisions	27	1,681	—
		<u>135,144</u>	<u>100,078</u>
Non-current liabilities			
Bank loans	25	289,211	244,172
Obligations under finance leases	24	464	986
Deferred tax liabilities	28	15,009	7,024
Retirement benefit obligation	38	14,876	18,024
		<u>319,560</u>	<u>270,206</u>
Total liabilities		<u>454,704</u>	<u>370,284</u>
NET ASSETS		<u>122,778</u>	<u>122,218</u>
EQUITY			
Share capital	30	4,250	4,245
Capital redemption reserve	31	403	403
Share premium account	31	23,568	23,409
Merger reserve	31	29,518	29,518
Own shares	31	(3,012)	(3,171)
Liability for share-based payments	31	369	60
Translation reserve	32	(404)	259
Retained earnings	33	68,086	67,313
Equity attributable to equity holders of the parent		<u>122,778</u>	<u>122,036</u>
Minority interest		—	182
TOTAL EQUITY		<u>122,778</u>	<u>122,218</u>

Approved by the board and authorised for issue on 25 May 2007

P E Jolly }
D B Dutton } Directors

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

Consolidated Cash Flow Statement

year ended 31 March 2007

	Notes	2007 £000	2006 £000
Operating activities			
Operating profit		34,825	49,765
Adjustments for:			
Depreciation of property, plant and equipment		8,384	6,910
Amortisation of intangible assets		1,637	930
Negative goodwill arising on acquisitions in the year		(7,787)	—
Loss on disposal of businesses		19,496	—
Share-based payment expense		309	30
Gain on disposal of property, plant and equipment		(1,188)	(4,049)
Pension contributions less income statement charge		(2,843)	(2,307)
Share of profit of associates		(990)	(1,941)
Operating cash flows before movements in working capital		<u>51,843</u>	<u>49,338</u>
(Increase)/decrease in inventories		(4,191)	2,229
Increase in receivables		(6,483)	(29,928)
Decrease in payables		(6,229)	(5,118)
Cash generated from operations		<u>34,940</u>	<u>16,521</u>
Income taxes paid		(1,729)	(7,874)
Interest paid		(15,751)	(15,364)
Net cash from operating activities		<u>17,460</u>	<u>(6,717)</u>
Investing activities			
Interest received		740	256
Proceeds on disposal of property, plant and equipment		2,183	4,567
Purchases of property, plant and equipment		(14,131)	(16,360)
Acquisition of subsidiaries		(43,221)	—
Net cash used in investing activities		<u>(54,429)</u>	<u>(11,537)</u>
Financing activities			
Dividends paid		(15,425)	(13,924)
Dividends paid to minority interests		—	(954)
Repayments of obligations under finance leases		(518)	(27)
Proceeds on issue of shares		165	495
New bank loans raised		54,472	35,000
Movement on securitisation loan		5,039	4,783
Net cash from financing activities		<u>43,733</u>	<u>25,373</u>
Net increase in cash and cash equivalents		6,764	7,119
Cash and cash equivalents at the beginning of the year		(6,798)	(14,022)
Effect of foreign exchange rate changes		(870)	105
Cash and cash equivalents at the end of the year	22	<u>(904)</u>	<u>(6,798)</u>

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

Notes to the Consolidated Financial Statements

1 General Information and Accounting Policies

Findel plc is a company incorporated in the United Kingdom under the Companies Act 1985. The address of the registered office is given on page 8. The nature of the group's operations and its principal activities are set out in note 5, and in the Chairman's Statement and Finance Director's Review on pages 2 to 7.

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.

At the date of authorisation of these financial statements, there are a number of Standards and Interpretations in issue but not yet effective which have not been applied in these financial statements, the most significant of which are as follows:

IFRS 7 Financial Instruments: Disclosures; and the related amendment to IAS 1 on capital disclosures

The directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the financial statements of the group except for the additional disclosures on capital and financial instruments required by IFRS 7, which comes into effect for periods commencing on or after 1 January 2007.

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 historical cost basis except for the revaluation of certain financial instruments. The principal accounting policies adopted are set out below.

Basis of consolidation

Subsidiaries

Subsidiaries are fully 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.

The group's share of net assets of its associates, loans, and non-equity investments made to associates is included in the group balance sheet. The group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in equity is recognised in the group's equity. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. The carrying amount of an investment in an associate is tested for impairment by comparing its recoverable amount to its carrying value whenever there is an indication that the investment may be impaired.

Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risks and returns that are different from those of segments operating in other economic environments.

During the period covered by this report, the group was organised into four core divisions which were the primary business segments:

- Home Shopping;
- Educational Supplies;
- Healthcare; and
- Services.

1 General Information and Accounting Policies – continued

Following the disposal and closure of the larger part of the Services business segment, the remaining activities currently reported as the Services business segment will be incorporated into the Home Shopping business segment during the year ending 31 March 2008.

The secondary reporting segments are the main geographic areas in which the group operates.

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:

Sales of goods

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

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.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings, 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 fair value of the employee services received under such schemes is recognised as an expense in the income statement. Fair value is determined by use of the Black Scholes Option Pricing Model. The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share incentives that are expected to vest. At each balance sheet date, the group revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the income statement, with a corresponding adjustment to equity, over the remaining vesting period.

Notes to the Consolidated Financial Statements

1 General Information and Accounting Policies – continued

Non-recurring costs

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 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, a separate line item within operating profit on the face of the income statement.

Dividend distribution

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

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, vehicles 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.

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 the basis of relative fair value.

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. Intangible assets acquired separately from the acquisition of a business are capitalised at cost.

The cost of intangible assets with finite useful economic lives is amortised 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 between 2 and 20 years, representing the directors' best estimate of their useful economic lives.

1 General Information and Accounting Policies – continued

Financial Instruments

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

Trade receivables

Trade receivables are recognised and carried at original invoice amount less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement. The cost of irrecoverable trade receivables is recognised in the income statement immediately.

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. For the purposes of the consolidated cash flow statement, cash and cash equivalents are as defined above, net of outstanding bank overdrafts.

Borrowings and borrowing costs

All loans and borrowings are initially recognised at the fair value of the consideration received net of issue costs associated with the borrowing. Borrowings are subsequently stated at amortised cost; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowing costs are expensed in the period in which they are incurred, except for issue costs which are amortised over the period of the borrowing.

Derivative financial instruments and hedge accounting

The group's activities expose it to the financial risks of changes in foreign exchange rates and interest rates. The group 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 group converts a proportion of its floating rate debt to fixed rates.

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 equity and the ineffective portion is recognised immediately in the income statement.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in the income statement as they arise.

Inventories

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

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).

Notes to the Consolidated Financial Statements

1 General Information and Accounting Policies – continued

Taxation

The tax currently payable is based on taxable profit for the year. 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, using the liability method, 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.

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the temporary difference will not reverse in the foreseeable future.

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 the 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 periods benefiting from the incentives.

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.

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 38) – 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 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 exercising 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 included within current liabilities. Any recorded exposure to interest on tax liabilities is provided for in the tax charge. 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.

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. No impairments to goodwill or intangible assets were identified in 2007 or 2006.

Derivative financial instruments (note 26) – derivative financial instruments are recorded on the balance sheet at their fair value in accordance with IAS 39 (“Financial instruments: recognition and measurement”). Changes in the fair value of derivatives are recognised in the income statement unless specific hedge accounting criteria are met. These fair values are based upon readily obtainable market price quotations. However, these are only an estimate of how future prices will move and are inherently subjective.

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.

Notes to the Consolidated Financial Statements

	2007 £000	2006 £000
3 Revenue		
An analysis of the group's revenue is as follows:		
Sale of goods	487,606	424,768
Rendering of services	61,102	65,823
Interest	38,070	37,205
	<u>586,778</u>	<u>527,796</u>
Other operating income	1,153	2,645
Finance income	6,966	5,522
	<u>594,897</u>	<u>535,963</u>

	2007 £000	2006 £000
4 Trading costs		
An analysis of the group's trading costs is as follows:		
Selling and distribution costs	144,636	120,413
Administrative expenses	72,963	62,193
Other operating income	(1,153)	(2,645)
Other operating expenses	—	203
	<u>216,446</u>	<u>180,164</u>

5 Business and Geographical Segments

Business Segments

For management purposes, the group is currently organised into four operating divisions – Home Shopping, Educational Supplies, Healthcare and Services.

These divisions are the basis on which the group reports its primary segment information.

Following the disposal and closure of the larger part of the Services business segment, the remaining activities currently reported as the Services business segment will be incorporated into the Home Shopping business segment during the year ending 31 March 2008. The amounts reported as "Home Shopping – prospective" subsequent to the current and prior year segmental revenue and result show how the results would look had this presentation been adopted during the current and prior year:

Segment information about these businesses is presented below.

2007

	Home Shopping £000	Education £000	Healthcare £000	Services £000	Eliminations £000	Total £000
Revenue						
Ongoing businesses	302,347	168,224	48,837	36,016	—	555,424
Terminated businesses	2,104	1,400	—	27,850	—	31,354
	<u>304,451</u>	<u>169,624</u>	<u>48,837</u>	<u>63,866</u>	<u>—</u>	<u>586,778</u>
External sales	5,229	—	—	17,392	(22,621)	—
Inter-segment sales	<u>309,680</u>	<u>169,624</u>	<u>48,837</u>	<u>81,258</u>	<u>(22,621)</u>	<u>586,778</u>

Inter-segment sales are charged at prevailing market prices.

"Home Shopping – prospective" – revenue from ongoing businesses, £338,363,000; revenue from terminated businesses, £29,954,000; total external sales, £368,317,000.

5 Business and Geographical Segments – continued

Result	Home Shopping 2007 £000	Education 2007 £000	Healthcare 2007 £000	Services 2007 £000	Eliminations 2007 £000	Total 2007 £000
Segment result:						
Ongoing businesses	45,385	22,719	1,848	2,992	—	72,944
Terminated businesses	(1,732)	(486)	—	(4,461)	—	(6,679)
Total	43,653	22,233	1,848	(1,469)	—	66,265
Share of profit of associates						990
Amortisation of intangible assets						(1,637)
Negative goodwill arising on acquisitions in the year						7,787
Exceptional items						(18,775)
Loss on disposal of businesses						(19,496)
Share-based payment expense						(309)
Operating profit						34,825
Finance income						6,966
Finance costs						(24,332)
Profit before tax						17,459
Tax						(1,393)
Profit after taxation						16,066

“Home Shopping – prospective” – segment result from ongoing businesses, £48,377,000; segment result from terminated businesses, loss of £6,193,000; total segment result, £42,184,000.

Share of profit of associates relates to the Home Shopping business segment. Amortisation of intangible assets relates to the Educational Supplies segment (£930,000) and the Home Shopping segment (£707,000). Negative goodwill arising in the year relates to the Home Shopping business segment. Segment information relating to the Exceptional items and the Loss on disposal of businesses is discussed in notes 6 and 7. Share-based payment expenses cannot be allocated to a specific business segment.

After allocation of these items, the segmental results are as follows: Home Shopping, profit of £23,108,000; Educational Supplies, profit of £16,425,000; Healthcare, profit of £987,000; and Services, loss of £2,855,000 leaving unallocated expenses of £2,840,000.

The amounts shown above for the Home Shopping business segment include revenue of £69,974,000 and operating profit of £4,938,000 in relation to acquisitions.

Other information	Home Shopping 2007 £000	Education 2007 £000	Healthcare 2007 £000	Services 2007 £000	Eliminations 2007 £000	Total 2007 £000
Capital additions	6,361	5,803	1,636	317	—	14,117
Depreciation and amortisation	5,871	3,431	506	213	—	10,021
Impairment losses	—	—	—	—	—	—
Balance Sheet						
Assets						
Segment assets	332,672	177,172	24,978	9,707	—	544,529
Investments in associates						6,312
Unallocated corporate assets						26,641
Consolidated total assets						577,482
Liabilities						
Segment liabilities	(151,801)	(46,803)	(5,638)	(3,985)	—	(208,227)
Unallocated corporate liabilities						(246,477)
Consolidated total liabilities						(454,704)

Notes to the Consolidated Financial Statements

5 Business and Geographical Segments – continued

2006

	Home Shopping £000	Education £000	Healthcare £000	Services £000	Eliminations £000	Total £000
Revenue						
Ongoing businesses	224,046	173,785	53,226	38,774	—	489,831
Terminated businesses	3,962	1,245	—	32,758	—	37,965
External sales	228,008	175,030	53,226	71,532	—	527,796
Inter-segment sales	2,611	150	—	14,031	(16,792)	—
Total revenue	230,619	175,180	53,226	85,563	(16,792)	527,796

Inter-segment sales are charged at prevailing market prices.

“Home Shopping – prospective” – revenue from ongoing businesses, £262,820,000; revenue from terminated businesses, £36,720,000; total external sales, £299,540,000.

Result

Segment result:

Ongoing businesses	34,877	24,152	3,632	2,559	—	65,220
Terminated businesses	(3,025)	(216)	—	(18)	—	(3,259)
Total	31,852	23,936	3,632	2,541	—	61,961
Share of profit of associates						1,941
Amortisation of intangible assets						(930)
Exceptional items						(13,177)
Share-based payment expense						(30)
Operating profit						49,765
Finance income						5,522
Finance costs						(20,220)
Profit before tax						35,067
Tax						(4,933)
Profit after taxation						30,134

“Home Shopping – prospective” – segment result from ongoing businesses, £37,436,000; segment result from terminated businesses, loss of £3,043,000; total segment result, £34,393,000.

Share of profit of associates relates to the Home Shopping business segment. Amortisation of intangible assets relates entirely to the Educational Supplies business segment. Segment information relating to the Exceptional items is discussed in note 6. Share-based payment expenses cannot be allocated to a specific business segment. The segment result of the Educational Supplies business after charging these items is £6,951,000. The segment result of the Services business after these items is £5,419,000.

5 Business and Geographical Segments – continued

Other information	Home Shopping	Education	Healthcare	Services	Eliminations	Total
	2006	2006	2006	2006	2006	2006
	£000	£000	£000	£000	£000	£000
Capital additions	7,575	8,264	976	119	—	16,934
Depreciation and amortisation	4,400	2,952	262	226	—	7,840
Impairment losses	—	—	—	—	—	—
Balance Sheet						
Assets						
Segment assets	<u>257,446</u>	<u>159,834</u>	<u>33,180</u>	<u>9,307</u>	<u>—</u>	459,767
Investments in associates						10,324
Unallocated corporate assets						<u>22,411</u>
Consolidated total assets						<u>492,502</u>
Liabilities						
Segment liabilities	<u>(112,645)</u>	<u>(42,718)</u>	<u>(4,375)</u>	<u>(10,348)</u>	<u>—</u>	(170,086)
Unallocated corporate liabilities						<u>(200,198)</u>
Consolidated total liabilities						<u>(370,284)</u>

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.

	2007	2006
	£000	£000
United Kingdom	564,314	513,074
Europe	12,052	6,489
Asia	4,681	3,315
Other	5,731	4,918
	<u>586,778</u>	<u>527,796</u>

The following is an analysis of the carrying amount of segmental assets, and additions to property, plant and equipment (PPE) and intangible assets, analysed by geographical area in which the assets are located.

	Segment assets		Additions to PPE and intangibles	
	2007	2006	2007	2006
	£000	£000	£000	£000
United Kingdom	564,485	481,487	59,213	16,929
Hong Kong	12,997	11,015	63	5
	<u>577,482</u>	<u>492,502</u>	<u>59,276</u>	<u>16,934</u>

Notes to the Consolidated Financial Statements

	2007 £000	2006 £000
6 Exceptional items		
The following is an analysis of the exceptional items arising within the group during the year:		
Aborted transaction costs	1,632	—
Warehouse reorganisation costs	11,243	—
Restructuring costs	7,207	16,055
Profit on land sale	(1,307)	(2,878)
	<u>18,775</u>	<u>13,177</u>

Aborted transaction costs cannot be allocated to a specific business segment. Warehouse reorganisation costs relate to the Home Shopping business segment (£10,382,000) and the Healthcare business segment (£861,000). Restructuring costs relate to the Home Shopping business segment (£1,726,000) (2006: £nil), the Education Supplies business segment (£4,332,000) (2006: £16,055,000) and the Services business segment (£250,000) (2006: £nil) with the remainder (£899,000) (2006: £nil) unable to be allocated to a specific business segment. Profit on land sale relates to the Services business segment.

Warehouse reorganisation costs is predominantly made up of £8.3m of stocks written off and £2.7m of incremental labour costs.

	2007 £000	2006 £000
7 Loss on disposal of businesses		
Home Shopping retail operation	16,500	—
Home Farm Hampers	2,443	—
AzTech	546	—
Liquidation of overseas subsidiary	7	—
	<u>19,496</u>	<u>—</u>

During the year, the group incurred losses on the disposal of the above businesses, each being the proceeds of disposal less the carrying amount of the net assets of the relevant business and any attributable goodwill.

On 29 November 2006, the group disposed of the retail operation within the Home Shopping business, which was used for the disposal of excess stock arising within that business. The sale included all stocks which would have been sold through the retail outlets.

On 7 March 2007, the group disposed of Home Farm Hampers Limited, following a strategic review by the group and a decision to focus on the core activities of the business.

On 31 March 2007, the group disposed of AzTech (being the Educational Services business within the Educational Supplies business segment).

The loss on the sale of the Home Shopping retail operation and the loss on liquidation of the overseas subsidiary relate to the Home Shopping business. The loss on sale of Home Farm Hampers Limited relates to the Services business segment. The loss on the sale of AzTech relates to the Educational Supplies business segment.

7 Loss on disposal of businesses – continued

The net assets of these businesses at the date of disposal were as follows:

	Home Shopping retail operation £000	Home Farm Hampers £000	AzTech £000	Total £000
Goodwill	—	2,188	—	2,188
Property, plant and equipment	606	—	14	620
Inventories	16,087	—	532	16,619
Other receivables	907	1,160	—	2,067
Trade and other payables	—	(905)	—	(905)
	<u>17,600</u>	<u>2,443</u>	<u>546</u>	<u>20,589</u>
Loss on disposal	(16,500)	(2,443)	(546)	(19,489)
Total consideration	<u>1,100</u>	<u>—</u>	<u>—</u>	<u>1,100</u>
Satisfied by:				
Cash	—	—	—	—
Deferred consideration	1,100	—	—	1,100
	<u>1,100</u>	<u>—</u>	<u>—</u>	<u>1,100</u>

The deferred consideration is due to be settled by the purchaser within the next 12 months.

Additionally, the revenue and profit/(loss) before tax of these businesses has been separately presented on the face of the income statement along with the revenue and profit/(loss) before tax of the third party services business and the Shanghai buying office, both of which were closed during the year.

The results of these operations, which have been separately disclosed as “terminated operations” on the face of the income statement, are as follows:

	Turnover		Profit/(loss) before tax	
	2007 £000	2006 £000	2007 £000	2006 £000
Home Shopping retail operation	2,104	3,962	(1,732)	(3,025)
Home Farm Hampers Limited	26,623	31,090	(1,222)	1,419
AzTech	1,400	1,245	(486)	(216)
Third party services	1,227	1,668	(2,276)	(469)
Shanghai buying office	—	—	(350)	(223)
	<u>31,354</u>	<u>37,965</u>	<u>(6,066)</u>	<u>(2,514)</u>

Both the losses incurred on the disposal of these businesses and the results of these operations in the current and prior year have been separately presented on the face of the income statement within continuing operations, as they do not meet the definition of a discontinued operation contained within IFRS 5 (“Non-current assets held for sale and discontinued operations”).

8 Finance income

	2007 £000	2006 £000
Interest on bank deposits	1,516	269
Expected return on pension assets (note 38)	5,450	4,246
Amounts arising on derivatives trading not in a designated hedge accounting relationship	—	1,007
	<u>6,966</u>	<u>5,522</u>

Notes to the Consolidated Financial Statements

	2007 £000	2006 £000
9 Finance costs		
On bank loans and overdrafts	19,011	15,374
On finance leases	93	83
Total borrowing costs	<u>19,104</u>	<u>15,457</u>
Amounts arising on derivatives trading not in a designated hedge accounting relationship	83	—
Interest on pension obligations (note 38)	5,145	4,763
	<u>24,332</u>	<u>20,220</u>
	2007 £000	2006 £000
10 Income tax expense		
Current tax – current year	828	5,561
– adjustments in respect of prior periods	(1,102)	(2,038)
	<u>(274)</u>	<u>3,523</u>
Deferred tax – current year	1,206	2,220
– adjustments in respect of prior periods	461	(810)
	<u>1,667</u>	<u>1,410</u>
	<u>1,393</u>	<u>4,933</u>
The charge for the year can be reconciled to the profit per the income statements as follows:		
Profit before taxation	<u>17,459</u>	<u>35,067</u>
Tax at the UK Corporation tax rate of 30% (2006: 30%)	5,238	10,520
Effects of:		
Tax effect of result of associate	(301)	(582)
(Income not taxable)/expenses not deductible for tax purposes	(1,782)	(1,331)
Movements on deferred tax assets not previously recognised	(835)	(608)
Lower tax rates on overseas earnings	(284)	(210)
Marginal relief	(2)	(8)
	<u>2,034</u>	<u>7,781</u>
Adjustments in respect of prior periods – current tax	(1,102)	(2,038)
Adjustments in respect of prior periods – deferred tax	461	(810)
	<u>1,393</u>	<u>4,933</u>

The tax charge in future periods may be affected by the following factors:

The group will continue to benefit from lower rates of company taxation in relation to its Hong Kong subsidiary.

The group will continue to benefit from the tax impact of the share of profit from associates and tax losses available as a result of acquisitions.

The group will benefit from reduced rates of corporation tax from April 2008, provided legislation proposed in the 2007 UK budget is fully enacted.

	2007 £000	2006 £000
11 Profit for the year		
Stated after charging/(crediting):		
Cost of inventories recognised as expense	305,364	283,527
Net foreign exchange losses	105	247
Amounts arising on derivatives trading not in a designated hedge accounting relationship	83	(1,007)
Depreciation of property, plant and equipment		
– owned	6,364	5,787
– held under finance leases and hire purchase agreements	2,020	1,123
Gains on disposal of property, plant and equipment	1,188	4,049
Amortisation of intangible assets	1,637	930
Negative goodwill arising on acquisitions in the year	(7,787)	—
(Decrease)/increase in provision for inventories	(672)	1,232
Staff costs (note 12)	70,645	57,187
Auditors' remuneration for audit services (see below)	415	290

The analysis of auditors' remuneration is as follows:

	2007 £000	2006 £000
Fees payable to the company's auditors for the audit of the company's annual accounts	79	75
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	336	215
Total audit fees	415	290
Other services pursuant to legislation		
– Corporate tax services	161	147
– VAT services	146	122
– Internal audit/risk management services	59	35
– Corporate finance services	635	200
– Other services	11	76
Total non-audit fees	1,012	580
Fees payable to the company's auditors and their associates in respect of associated pension schemes		
Audit	8	7
	1,435	877

Fees payable to Deloitte & Touche 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.

A description of the work of the audit committee is set out in the Corporate Governance report on page 14 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

Notes to the Consolidated Financial Statements

	2007 No.	2006 No.
12 Staff costs		
The average monthly number of employees (including executive directors) was:		
Administration	2,191	1,836
Production	21	23
Selling/distribution	1,830	1,402
	<u>4,042</u>	<u>3,261</u>
 Their aggregate remuneration comprised:		
	2007	2006
	£000	£000
Wages and salaries	59,840	48,980
Social security costs	6,683	5,829
Other pension costs	4,122	2,378
	<u>70,645</u>	<u>57,187</u>
	2007	2006
	£000	£000
13 Dividends		
Amounts recognised as distributions to equity holders in the period:		
Final dividend for the year ended 31 March 2006 of 14.20p per share (2005: 12.90p per share)	12,066	10,949
Less: attributable to own shares held in Employee Benefit Trust	(162)	(194)
	<u>11,904</u>	<u>10,755</u>
Interim dividend for the year ended 31 March 2007 of 4.20p per share (2006: 3.80p per share)	3,569	3,226
Less: attributable to own shares held in Employee Benefit Trust	(48)	(57)
	<u>3,521</u>	<u>3,169</u>
	<u>15,425</u>	<u>13,924</u>
Proposed final dividend for the year ended 31 March 2007 of 15.60p per share (2006: 14.20p per share)	13,259	12,066
Less: attributable to own shares held in Employee Benefit Trust	(178)	(162)
	<u>13,081</u>	<u>11,904</u>

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements.

	2007 £000	2006 £000
14 Earnings per share		
Net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	16,198	29,660
Losses from terminated businesses (net of tax)	4,246	1,760
Amortisation of intangible assets (net of tax)	1,147	930
Negative goodwill arising on acquisitions in the year	(7,787)	—
Exceptional items (net of tax)	13,654	8,621
Loss on disposal of businesses (net of tax)	14,312	—
Share-based payment expense and derivative remeasurements (net of tax)	275	(684)
Net profit attributable to equity holders of the parent for the purpose of benchmark earnings per share	<u>42,045</u>	<u>40,287</u>
	No.	No.
Weighted average number of shares in issue	83,799,565	83,359,631
Dilutive share options	1,059,781	1,168,407
Adjusted weighted average number of shares	<u>84,859,346</u>	<u>84,528,038</u>
Earnings per share – basic	<u>19.33p</u>	<u>35.58p</u>
Earnings per share – benchmark	<u>50.17p</u>	<u>48.33p</u>
Earnings per share – diluted	<u>19.09p</u>	<u>35.09p</u>

Dilutive share options represent the calculated dilutive effect of share options outstanding at the balance sheet date in accordance with the reporting requirements of IAS 33.

Benchmark earnings per share excludes the impact of losses from terminated businesses (net of tax), amortisation of intangible assets (net of tax), negative goodwill arising on acquisitions in the year, exceptional items (net of tax), losses on business disposals (net of tax) and share-based payment expense and derivative remeasurements (net of tax).

Notes to the Consolidated Financial Statements

£000

15 Goodwill

Cost	
At 1 April 2005	47,853
Adjustments to prior year goodwill	574
At 1 April 2006	48,427
Additions	18,444
Disposals	(2,188)
At 31 March 2007	64,683
Impairment	
Impairment loss at 1 April 2005 and 1 April 2006 and 31 March 2007	—
Carrying amount	
Net book value at 31 March 2007	64,683
Net book value at 31 March 2006	48,427

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. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2007 £000	2006 £000
Education Division		
Findel Education (several CGUs)	33,507	33,507
GLS (single CGU)	11,164	11,164
Healthcare Division		
Nottingham Rehab (single CGU)	3,756	3,756
Home Shopping Division		
Home Shopping (several CGUs)	16,256	—
	64,683	48,427

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 and expected changes to revenues and direct costs during the period. Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks in relation to the CGUs. Changes in revenues and direct costs are based on past results and expectations of future changes in the market.

The group prepares cash flow forecasts for the next two years derived from the most recent budget information. Cash flows are extrapolated thereafter based on an estimated growth rate of 3%. This rate does not exceed the average long-term growth rate for the relevant markets. The rate used to discount the forecast cash flows is 8%.

	Brand names £000	Customer relationships £000	Total £000
16 Other intangible assets			
Cost			
At 1 April 2005	19,006	18,606	37,612
At 1 April 2006	19,006	18,606	37,612
Additions	42,225	2,934	45,159
At 31 March 2007	61,231	21,540	82,771
Accumulated amortisation and impairment			
At 1 April 2005	—	1,997	1,997
Provision for year	—	930	930
At 1 April 2006	—	2,927	2,927
Provision for year	—	1,637	1,637
At 31 March 2007	—	4,564	4,564
Carrying amount			
Net book value at 31 March 2007	61,231	16,976	78,207
Net book value at 31 March 2006	19,006	15,679	34,685

Brand names, which arise from the acquisition of businesses, are deemed to have an indefinite life and are subject to annual impairment tests.

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

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

	2007 £000	2006 £000
Education Division		
Findel Education (several CGUs)	11,845	11,845
GLS (single CGU)	7,161	7,161
Healthcare Division		
Nottingham Rehab (single CGU)	—	—
Home Shopping Division		
Home Shopping (several CGUs)	19,380	—
Kleeneze (single CGU)	22,845	—
	61,231	19,006

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.

Notes to the Consolidated Financial Statements

	Land and buildings Freehold £000	Leasehold £000	Fixtures and equipment £000	Total £000
17 Property, plant and equipment				
Cost				
At 1 April 2005	28,360	2,136	59,332	89,828
Additions	36	365	15,959	16,360
Disposals	(2,721)	(145)	(2,311)	(5,177)
Exchange differences	—	—	16	16
At 1 April 2006	25,675	2,356	72,996	101,027
Acquisition of subsidiaries	—	—	3,371	3,371
Additions	21	105	13,991	14,117
Disposals	(956)	—	(2,666)	(3,622)
Exchange differences	—	—	(20)	(20)
At 31 March 2007	24,740	2,461	87,672	114,873
Accumulated depreciation and impairment				
At 1 April 2005	5,066	271	27,344	32,681
Provision for year	483	122	6,305	6,910
Disposals	(105)	(22)	(1,401)	(1,528)
Exchange differences	—	—	10	10
At 1 April 2006	5,444	371	32,258	38,073
Provision for year	450	121	7,813	8,384
Disposals	(130)	—	(1,891)	(2,021)
Exchange differences	—	—	(14)	(14)
At 31 March 2007	5,764	492	38,166	44,422
Carrying amount				
Net book value at 31 March 2007	18,976	1,969	49,506	70,451
Net book value at 31 March 2006	20,231	1,985	40,738	62,954

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

Buildings	2%
Fixtures and equipment	5%-33%

The net book value of plant, equipment and motor vehicles held under finance leases at 31 March 2007 was £1.8m (2006: £2.9m).

18 Subsidiaries

The principal subsidiary undertakings at 31 March 2007 were as follows:

Registered in England and Wales	
Express Gifts Limited	Home Shopping
Letterbox Mail Order Limited	Home Shopping
Kleeneze Limited	Home Shopping
Kitbag Limited	Home Shopping
I Want One of Those.com Limited	Home Shopping
Confetti Network Limited (93.3%)	Home Shopping
The Cotswold Company Limited	Home Shopping
Findel Education Limited	Educational Supplies
James Galt & Co. Limited	Educational Toys
Nottingham Rehab Limited	Healthcare
Registered and incorporated overseas	
Fine Art Developments (Far East) Limited	Procurement Services

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

19 Investments in associates

	2007 £000	2006 £000
Cost of equity investment in associates	5,358	7,187
Value of non-equity investments in associates	5,764	7,424
Share of post acquisition loss, net of dividend received	(4,810)	(4,287)
	<u>6,312</u>	<u>10,324</u>

Details of the group's associates at 31 March 2007 are as follows:

Name of associate	Proportion of voting power held	Principal activity
Webb Group Limited (Webb Group)	30%	Provision of charity services and card production

Webb Group is registered in England and Wales.

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

In the prior year, associate companies comprised both Webb Group and Confetti Network Limited ("Confetti").

On 24 November 2006, the group acquired a controlling interest in Confetti increasing its stake from 35% to 93.3% (note 36).

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

	2007 £000	2006 £000
Total assets	15,998	37,211
Total liabilities	(14,132)	(20,652)
Net assets	<u>1,866</u>	<u>16,559</u>
Group's share of associates' net assets	548	2,900
Value of non-equity investments in associates	5,764	7,424
	<u>6,312</u>	<u>10,324</u>
Revenue	21,163	32,845
Profit for the period	679	1,179
Group's share of associates' profit for the period	<u>204</u>	<u>353</u>

Notes to the Consolidated Financial Statements

	2007 £000	2006 £000
20 Inventories		
Raw materials	250	155
Work in progress	—	33
Finished goods	102,115	100,880
	<u>102,365</u>	<u>101,068</u>

	2007 £000	2006 £000
21 Other financial assets		
Trade and other receivables		
Amounts receivable from the sale of goods and services	221,143	203,183
Other debtors and prepayments	26,423	29,323
	<u>247,566</u>	<u>232,506</u>

An allowance has been made for estimated irrecoverable amounts from the sale of goods and services of £78.6m (2006: £63.5m). This allowance has been determined by reference to past default experience.

The directors consider that the carrying value of trade and other receivables approximates their fair value.

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 year end, receivables of £89,211,000 (2006: £84,172,000) were funded through the securitisation facility.

Bank balances and cash

Bank balances and cash comprise cash 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.

Credit Risk

The group's principal financial assets are bank balances and cash and trade and other receivables.

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 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 where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows.

The group has no significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

	2007 £000	2006 £000
22 Cash at bank and in hand		
Cash at bank and in hand	7,624	2,284
Cash and cash equivalents include the following for the purposes of the cash flow statement:		
Cash at bank and in hand as above	7,624	2,284
Bank overdrafts	(8,528)	(9,082)
	<u>(904)</u>	<u>(6,798)</u>

23 Trade and other payables

	2007 £000	2006 £000
Trade creditors and accruals	<u>97,587</u>	<u>76,827</u>

Trade creditors and accruals principally comprise amounts outstanding for trade purchases and ongoing costs.

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

24 Obligations under finance leases

Amounts payable under finance leases:

	Minimum lease payments		Present value of Minimum lease payments	
	2007 £000	2006 £000	2007 £000	2006 £000
Within one year	617	612	522	518
In the second to fifth years	548	1,154	464	977
In more than five years	—	11	—	9
	<u>1,165</u>	<u>1,777</u>	<u>986</u>	<u>1,504</u>
Less future finance charges	<u>(179)</u>	<u>(273)</u>	<u>—</u>	<u>—</u>
Present value of lease obligations	<u>986</u>	<u>1,504</u>	<u>986</u>	<u>1,504</u>
Less amounts due for settlement within 12 months			<u>(522)</u>	<u>(518)</u>
Amount due for settlement after 12 months			<u>464</u>	<u>986</u>

It is the group's policy to lease certain of its fixtures and equipment under finance leases. The average lease term is 6 years.

For the year ended 31 March 2007, the average borrowing rate was 7.5% (2006: 7.4%).

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.

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

Notes to the Consolidated Financial Statements

	2007 £000	2006 £000
25 Bank overdrafts and loans		
Bank overdrafts	8,528	9,082
Bank loans	313,683	254,172
	<u>322,211</u>	<u>263,254</u>
The maturity profile of financial liabilities is as follows:		
Within one year or on demand	33,000	19,082
In the second year	200,000	—
In the third year	—	160,000
In the fourth year	89,211	—
In the fifth year	—	84,172
	<u>322,211</u>	<u>263,254</u>
Less: amount due for settlement within 12 months (shown under current liabilities)	<u>(33,000)</u>	<u>(19,082)</u>
Amount due for settlement after 12 months	<u>289,211</u>	<u>244,172</u>
The currency profile of the group's borrowings is as follows:		
Sterling	<u>322,211</u>	<u>263,254</u>
The average interest rates paid were as follows:		
Bank overdrafts	<u>5.83%</u>	<u>5.58%</u>
Bank loans	<u>5.69%</u>	<u>5.52%</u>

All borrowings are arranged at floating rates, thus exposing the group to cash flow interest rate risk. The group manages this risk by undertaking appropriate 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 are repayable on demand, unsecured and predominantly carry interest at 1% over the UK base rate. US dollar and Hong Kong dollar bank overdrafts bear interest at rates based on the US prime rate. The average effective interest rate on bank overdrafts approximated to 5.83% (2006: 5.58%) in the year.

The group has two principal bank loans:

- (i) An unsecured, committed revolving credit facility of £200m dated 24 March 2004 and amended on 16 November 2006 which expires on 24 March 2009. Amounts drawn under the facility carry interest at 1.15% over LIBOR.
- (ii) A securitisation facility of up to £105m, dated 23 March 2006 which expires on 23 March 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 rates variable with the discount rate for Commercial Paper.

	2007 £000	2006 £000
Borrowing facilities		
The group had undrawn committed borrowing facilities as follows:		
Expiring in one year or less	63,000	63,418
Expiring in more than one year but not more than two years	—	—
Expiring in more than two years	15,789	20,828
	<u>78,789</u>	<u>84,246</u>

	2007		2006	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
26 Derivative financial instruments				
Forward foreign exchange contracts	—	(127)	254	—
Interest rate derivatives	274	—	—	(24)
	<u>274</u>	<u>(127)</u>	<u>254</u>	<u>(24)</u>
Analysed as:				
Current	274	(127)	254	(24)
Non-current	—	—	—	—
	<u>274</u>	<u>(127)</u>	<u>254</u>	<u>(24)</u>

An overview of the group's financial risk management objectives and policies is included in the Finance Director's Review on page 6.

Currency derivatives

The group utilises currency derivatives to hedge significant future transactions and cash flows. The group is party to a number of forward currency contracts in the management of its exchange rate exposures. The instruments purchased are primarily denominated in US dollars.

At the balance sheet date, the total notional amount of outstanding forward foreign exchange contracts to which the group is committed was £10.3m (2006: £5.0m).

At 31 March 2007 the fair value of the group's currency derivatives is estimated to be an approximate liability of £0.1m (2006: asset of £0.3m). These amounts are based on quoted forward currency rates at the balance sheet date.

Amounts of £172,000 (2006: £101,000) have been credited to the income statement in respect of contracts matured during the period. Changes in the fair value of non-hedging currency derivatives amounting to £381,000 have been charged to income in the year (2006: £965,000 credit to income).

Interest rate derivatives

The group uses interest rate derivatives to manage its exposure to interest rate movements on its bank borrowings by the use of interest rate Collar arrangements. Contracts with a nominal value of £50m have a Cap of 5.75% and a Floor of 4.70% for the period to 4 January 2010 and contracts with a nominal value of £50m have a Cap of 6.25% and a Floor of 4.24% for the period to 4 January 2010.

At 31 March 2007 the fair value of the group's interest rate derivatives is £0.3m (2006: liability of £0.02m). 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 £298,000 have been credited to income in the year (2006: £42,000).

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, movements in the fair value of derivative instruments have been recognised in the income statement.

Notes to the Consolidated Financial Statements

	Restructuring provision £000	Total £000
27 Provisions		
At 1 April 2006	—	—
Provision in the year	1,681	1,681
At 31 March 2007	1,681	1,681

The restructuring provision predominantly relates to redundancy costs to be incurred in the reorganisation of the businesses acquired during the year. It is currently envisaged that the provision will be utilised within 6 months of the balance sheet date

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	Other intangible assets £000	Total £000
At 1 April 2005	(3,245)	4,118	(5,944)	10,685	5,614
Charge to profit or loss for the year	1,158	(6)	537	(279)	1,410
At 1 April 2006	(2,087)	4,112	(5,407)	10,406	7,024
On acquisition	—	—	—	6,318	6,318
Charge to profit or loss for the year	264	950	944	(491)	1,667
At 31 March 2007	(1,823)	5,062	(4,463)	16,233	15,009

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

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

	2007 £000	2006 £000
Deferred tax liabilities	21,744	15,319
Deferred tax assets	(6,735)	(8,295)
	15,009	7,024

At the balance sheet date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised was £1,289,000 (2006: £1,122,000). No liability has been recognised in respect of these differences because the group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

29 Share-based payments

Equity settled share option schemes

	2007 No. of share options	2007 Weighted average exercise price (in £)	2006 No. of share options	2006 Weighted average exercise price (in £)
Outstanding at the beginning of the year	439,499	2.97	670,804	2.69
Granted during the year	225,688	5.45	—	—
Exercised during the year	(116,939)	1.58	(231,305)	2.14
Outstanding at the end of the year	<u>548,248</u>	<u>4.29</u>	<u>439,499</u>	<u>2.97</u>
Exercisable at the end of the year	<u>28,036</u>		<u>144,975</u>	

The weighted average share price at the date of exercise for share options exercised during the year was 548 pence. The options outstanding at the end of the year have a weighted average remaining contractual life of 4.80 years (2006: 3.72 years). On 11 May 2006, options were granted over 225,688 shares. The estimated fair value of the options at this date was £224,900. No options were granted in the prior year.

These fair values were calculated using the Black-Scholes option pricing model. The inputs into the model were as follows:

Weighted average share price (pence)	545.0
Weighted average exercise price (pence)	545.0
Expected volatility	27.5
Expected life (years)	3.0
Risk free rate (%)	4.5
Expected dividend yield (%)	3.3

The group recognised total expenses of £0.3m (2006: £0.03m) related to equity settled share-based payment transactions in the year.

Other share-based payment plan

The group issued to certain senior employees share appreciation rights (SARs) under a Long Term Investment Plan (LTIP) that require the group to pay the intrinsic value of the SAR to the employee at the date of exercise. As described in Note 31, the group holds 1,142,435 ordinary shares within an Employee Benefit Trust as a hedge against the group's liabilities under the LTIP.

	2007 £000	2006 £000
30 Share capital		
Authorised 95 million ordinary shares of 5p each	<u>4,750</u>	<u>4,750</u>
Allotted, issued and fully paid		
At the beginning of the year	4,245	4,233
Exercise of share options	<u>5</u>	<u>12</u>
At the end of the year	<u>4,250</u>	<u>4,245</u>

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

Notes to the Consolidated Financial Statements

	Capital redemption reserve £000	Share premium account £000	Merger reserve £000	Own shares £000	Liability for share-based payments £000	Total £000
31 Capital reserves						
At 1 April 2005	403	22,926	29,518	(3,171)	30	49,706
Share issues	—	483	—	—	—	483
Credit to equity for share-based payments	—	—	—	—	30	30
At 1 April 2006	403	23,409	29,518	(3,171)	60	50,219
Share issues	—	159	—	—	—	159
Share sales	—	—	—	159	—	159
Credit to equity for share-based payments	—	—	—	—	309	309
At 31 March 2007	403	23,568	29,518	(3,012)	369	50,846

Own shares comprises 1,142,435 ordinary shares of 5p each of the company, representing 1.3% of the issued share capital of the company at 31 March 2007. The maximum number of such shares held during the year was 1,500,000. 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.

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.

	£000
32 Translation reserve	
Balance at 1 April 2005	(106)
Exchange differences arising on translation of foreign operations	365
Balance at 1 April 2006	259
Exchange differences arising on translation of foreign operations	(663)
Balance at 31 March 2007	(404)

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.

	£000
33 Retained earnings	
At 1 April 2005	51,577
Dividends paid	(13,924)
Profit for the year attributable to equity holders of the parent	29,660
At 1 April 2006	67,313
Dividends paid	(15,425)
Profit for the year attributable to equity holders of the parent	16,198
At 31 March 2007	68,086

34 Non cash transactions

No new finance leases were entered into during the current or prior year.

35 Capital commitments

The group had no capital commitments at 31 March 2007 or 31 March 2006.

36 Acquisition of businesses

On 2 June 2006, the group acquired the entire issued share capital of Letterbox Mail Order Limited ("Letterbox") for consideration of £7,133,000. The transaction has been accounted for by the purchase method of accounting.

	Book value £000	Provisional fair value £000
Net assets acquired		
Intangible assets	—	4,664
Property, plant and equipment	157	157
Inventories	403	403
Trade and other receivables	78	78
Cash and cash equivalents	797	797
Trade and other payables	(2,038)	(2,038)
Current tax liabilities	(118)	(118)
Deferred tax liabilities	—	(1,399)
	<u>(721)</u>	<u>2,544</u>
Goodwill		<u>4,589</u>
Total consideration		<u>7,133</u>
Satisfied by:		
Cash		7,000
Directly attributable costs		133
		<u>7,133</u>
Net cash outflow arising on acquisition:		
Cash consideration		7,133
Cash and cash equivalents acquired		(797)
		<u>6,336</u>

The goodwill arising on the acquisition of Letterbox is attributable to the staff acquired with the business, the anticipated profitability of the business and the anticipated future operating synergies from the combination, all of which are specifically excluded in the identification of intangible assets on acquisition by the relevant accounting standards.

Fair value adjustments recorded on the acquisition of Letterbox relate to the recognition of intangible assets and the associated deferred tax liability.

Letterbox contributed £10,764,000 of revenue and £943,000 to the group's profit before tax for the period between acquisition and the balance sheet date.

Notes to the Consolidated Financial Statements

36 Acquisition of businesses – continued

On 13 October 2006, the group acquired the trade and assets of Kleeneze Limited (“Kleeneze”), Kitbag Limited (“Kitbag”) and I Want One of Those.com (“IWOOT”) from the administrators of European Home Retail plc for consideration of £32,040,000. The transaction has been accounted for by the purchase method of accounting.

	Book value £000	Provisional fair value £000
Net assets acquired		
Intangible assets	—	35,224
Property, plant and equipment	6,955	1,866
Inventories	14,786	10,768
Trade and other receivables	10,895	7,648
Cash and cash equivalents	558	558
Trade and other payables	(11,822)	(12,414)
Current tax liabilities	(485)	(485)
Deferred tax liabilities	—	(3,338)
	<u>20,887</u>	<u>39,827</u>
Negative goodwill		<u>(7,787)</u>
Total consideration		<u>32,040</u>
Satisfied by:		
Cash		31,529
Directly attributable costs		511
		<u>32,040</u>
Net cash outflow arising on acquisition:		
Cash consideration		32,040
Cash and cash equivalents acquired		(558)
		<u>31,482</u>

The negative goodwill arising on the transaction has been written back to the income statement in accordance with IFRS 3 (“Business Combinations”).

The principal fair value adjustments recorded on the acquisition of Kleeneze, Kitbag and IWOOT relate to the recognition of intangible assets and the associated deferred tax liability, the write down of property, plant and equipment to market value, and the recognition of provisions against inventories and trade receivables to reflect net realisable value.

Kleeneze contributed £34,941,000 of revenue and £440,000 to the group’s profit before tax for the period between the date of acquisition and the balance sheet date.

Kitbag contributed £11,041,000 of revenue and £603,000 to the group’s profit before tax for the period between the date of acquisition and the balance sheet date.

IWOOT contributed £9,232,000 of revenue and £1,109,000 to the group’s profit before tax for the period between the date of acquisition and the balance sheet date.

In addition, on 13 October 2006, the group acquired 40% of the share capital of Home Farm Hampers Limited for cash consideration of £2.188m giving rise to goodwill of £2.188m. Prior to this, the group owned 60% of the share capital of that company. The group disposed of the entire issued share capital of Home Farm Hampers Limited on 7 March 2007 (note 7).

36 Acquisition of businesses – continued

On 24 November 2006, the group acquired a controlling interest in Confetti Network Limited (“Confetti”) for consideration of £2,850,000, having previously held a 35% stake in the company. The transaction has been accounted for by the purchase method of accounting. At the balance sheet date, the group held a 93.3% interest in the ordinary share capital of Confetti.

	Book value £000	Provisional fair value £000
Net assets acquired		
Intangible assets	—	2,414
Property, plant and equipment	1,239	1,239
Inventories	1,289	924
Trade and other receivables	689	699
Cash and cash equivalents	(830)	(830)
Trade and other payables	(2,075)	(2,652)
Deferred tax liabilities	—	(724)
	<u>312</u>	<u>1,070</u>
Goodwill		<u>1,780</u>
Total consideration		<u>2,850</u>
Satisfied by:		
Cash		2,814
Directly attributable costs		<u>36</u>
		<u>2,850</u>
Net cash outflow arising on acquisition:		
Cash consideration		2,850
Cash and cash equivalents acquired		<u>830</u>
		<u>3,680</u>

In addition to the goodwill described above, goodwill of £5,002,000 arising on the acquisition of the initial 35% stake in Confetti has been transferred from the carrying value of Investments in associates into goodwill.

The goodwill arising on the acquisition of Confetti is attributable to the staff acquired with the business, the anticipated profitability of the business and the anticipated future operating synergies from the combination, all of which are specifically excluded in the identification of intangible assets on acquisition by the relevant accounting standards.

The principal fair value adjustments recorded on the acquisition of Confetti relate to the recognition of intangible assets and the associated deferred tax liability, and the recognition of provisions against inventories to reflect net realisable value.

Confetti contributed £2,924,000 of revenue and a loss of £53,000 to the group’s profit before tax for the period between the date of acquisition and the balance sheet date.

Notes to the Consolidated Financial Statements

36 Acquisition of businesses – continued

On 23 February 2007, the group acquired the entire issued share capital of The Cotswold Company Limited (“Cotswold”) for consideration of £151,000. The transaction has been accounted for by the purchase method of accounting.

	Book value £000	Provisional fair value £000
Net assets acquired		
Intangible assets	—	2,857
Property, plant and equipment	139	109
Inventories	459	459
Trade and other receivables	71	346
Cash and cash equivalents	616	616
Trade and other payables	(7,781)	(8,264)
Deferred tax liabilities	—	(857)
	<u>(6,496)</u>	<u>(4,734)</u>
Goodwill		4,885
Total consideration		<u>151</u>
Satisfied by:		
Cash		100
Directly attributable costs		51
		<u>151</u>
Net cash outflow arising on acquisition:		
Cash consideration		151
Cash and cash equivalents acquired		(616)
		<u>(465)</u>

The goodwill arising on the acquisition of Cotswold is attributable to the staff acquired with the business, the anticipated profitability of the business and the anticipated future operating synergies from the combination, all of which are specifically excluded in the identification of intangible assets on acquisition by the relevant accounting standards.

The principal fair value adjustments recorded on the acquisition of Cotswold relate to the recognition of intangible assets and the associated deferred tax liability.

Cotswold contributed £1,071,000 of revenue and £14,000 to the group’s profit before tax for the period between the date of acquisition and the balance sheet date.

36 Acquisition of businesses – continued

The following table sets out the aggregate book value and provisional fair value of all net assets acquired during the year, along with total consideration, the proportion of the consideration discharged by means of cash and cash equivalents, and the total net cash outflow arising.

	Book value £000	Provisional fair value £000
Net assets acquired		
Intangible assets	—	45,159
Property, plant and equipment	8,490	3,371
Inventories	16,937	12,554
Trade and other receivables	11,733	8,771
Cash and cash equivalents	1,141	1,141
Trade and other payables	(23,716)	(25,368)
Current tax liabilities	(603)	(603)
Deferred tax liabilities	—	(6,318)
	<u>13,982</u>	<u>38,707</u>
Goodwill		13,442
Negative goodwill		(7,787)
Total consideration		<u>44,362</u>
Satisfied by:		
Cash		43,631
Directly attributable costs		731
		<u>44,362</u>
Net cash outflow arising on acquisition:		
Cash consideration		44,362
Cash and cash equivalents acquired		(1,141)
		<u>43,221</u>

If the acquisitions had been completed on the first day of the financial year, group revenues for the period would have been £658,067,000 and group profit attributable to equity holders of the parent would have been £11,689,000.

Acquisitions made subsequent to the year end:

On 2 April 2007, the group acquired the entire issued share capital of Synergy Managed Equipment Services Limited ("SMES") for maximum consideration of £1,400,000. The final consideration is to be determined by reference to a target net asset value within a set of completion accounts, those completion accounts to be delivered by 4 June 2007.

Until such time that the completion accounts are delivered, it is impracticable to set out details of the book value and fair value of the net assets acquired.

Notes to the Consolidated Financial Statements

36 Acquisition of businesses – continued

On 3 April 2007, the group acquired the entire issued share capital of Philograph Publications Limited (“Philograph”) for consideration of £1,316,000. The transaction has been accounted for by the purchase method of accounting.

The following table sets out the provisional fair values of the net assets acquired and the resultant goodwill arising on the acquisition.

	Book value £000	Provisional fair value £000
Net assets acquired		
Intangible assets	—	1,209
Property, plant and equipment	2,387	2,097
Inventories	2,071	1,679
Trade and other receivables	634	604
Cash and cash equivalents	(1,416)	(1,416)
Trade and other payables	(685)	(1,074)
Deferred tax liabilities	—	(363)
Retirement benefit obligations	(665)	(665)
	<u>2,326</u>	<u>2,071</u>
Negative goodwill		<u>(755)</u>
Total consideration		<u>1,316</u>
Satisfied by:		
Cash		<u>1,316</u>
Net cash outflow arising on acquisition:		
Cash consideration		1,316
Cash and cash equivalents acquired		<u>1,416</u>
		<u>2,732</u>

Any negative goodwill arising on the transaction will be written back to the income statement in accordance with IFRS 3 (“Business Combinations”).

37 Operating lease arrangements

	2007 £000	2006 £000
Minimum lease payments recognised as an expense in the year	<u>7,423</u>	<u>7,863</u>

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

	2007 £000	2006 £000
Within one year	441	447
In the second to fifth years	5,046	5,604
After five years	<u>4,345</u>	<u>5,130</u>
	<u>9,832</u>	<u>11,181</u>

Operating lease payments predominantly represent rentals payable by the group for certain of its office and warehouse properties. Leases are negotiated for an average term of 5 years and rentals are fixed for an average of 3 years.

38 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 £747,000 (2006: £817,000) represents contributions payable at rates specified by the rules of the plan.

Defined benefit schemes

The principal UK scheme (the "Findel Group Pension Scheme") was assessed by Aon Consulting, the scheme's actuaries, at 6 April 2005 using the projected unit method. The principal actuarial assumptions adopted in that valuation were that the annual rate of return on investments would be between 0.25% and 1.50% higher than the annual increase in total pensionable remuneration and between 2.25% and 3.50% higher than the annual increase in present and future pensions in payment. The actuarial value of the assets was sufficient to cover 83% 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 £44.8m. The next valuation is due in April 2008.

A further two UK defined benefit schemes (the "Novara Defined Benefit Schemes") were acquired with the acquisition of Novara plc. These schemes were assessed by Aon Consulting, the schemes' actuaries, at 6 April 2005. The principal of these schemes, accounting for 84% of the combined assets and 85% of the combined liabilities of the schemes, was assessed using the Attained Age method. The principal actuarial assumptions adopted in that valuation were that the annual rate of return on investments would be between 0.50% and 3% higher than the annual increase in total pensionable remuneration and between 2% and 4.5% higher than the annual increase in present and future pensions in payment. The actuarial value of the assets was sufficient to cover 71% 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 £11.4m. These schemes were merged with effect from 1 April 2006. The next valuation is due in April 2008.

The most recent valuations of the plans for IAS 19 purposes were carried out at 31 March 2007 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.

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

	2007 %	2006 %
Discount rate for scheme liabilities	5.40	5.00
Expected return on scheme assets	6.50	6.40
Inflation	3.00	2.75
Rate of general increase in salaries	4.75	4.50
Rate of increase to pensions in payment	3.00	2.75
Rate of increase to deferred pensions	3.00	3.00

The assumption used for post-retirement mortality is equivalent to the following life expectancies for a sample male aged 65: 83.7 years for future pensioners and 84.3 years for current pensioners in the principal UK scheme; and 83.4 years for all members of the Novara Defined Benefit Schemes.

The overall expected rate of return is based on market conditions at the balance sheet date.

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

(i) included within administrative expenses	2007 £000	2006 £000
Current service cost	1,423	1,551
Past service cost	372	10
Total operating charge	<u>1,795</u>	<u>1,561</u>
(ii) included within financial costs		
Expected return on pension assets	(5,450)	(4,246)
Interest cost	5,145	4,763
Net (income)/cost	<u>(305)</u>	<u>517</u>

Notes to the Consolidated Financial Statements

38 Retirement benefit plans – continued

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:

	2007 £000	2006 £000
Fair value of scheme assets	86,745	80,866
Present value of funded obligations	(99,222)	(99,788)
	(12,477)	(18,922)
Unrecognised actuarial (gains)/losses	(2,399)	898
Net pension liability recognised in the balance sheet	(14,876)	(18,024)

The related deferred tax asset is disclosed in Note 28.

Movements in the pension deficit were as follows:

	2007 £000	2006 £000
Opening deficit	(18,922)	(24,622)
Movement in year:		
Current service cost	(1,423)	(1,551)
Past service cost	(372)	(10)
Interest cost	(5,145)	(4,763)
Expected return on pension assets	5,450	4,246
Actuarial gain	3,310	3,910
Contributions	4,625	3,868
Closing deficit	(12,477)	(18,922)

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

	2007 £000	2006 £000
At 1 April	(99,788)	(91,622)
Movement in year:		
Current service cost	(1,423)	(1,551)
Interest cost	(5,145)	(4,763)
Contributions by the members	(228)	(223)
Actuarial gain/(loss)	4,689	(4,498)
Benefits paid	3,045	2,879
Past service cost	(372)	(10)
At 31 March	(99,222)	(99,788)

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

	2007 £000	2006 £000
At 1 April	80,866	67,000
Movement in year:		
Contributions	4,625	3,868
Contributions by the members	228	223
Expected return on pension assets	5,450	4,246
Actuarial (loss)/gain	(1,379)	8,408
Benefits paid	(3,045)	(2,879)
At 31 March	86,745	80,866

38 Retirement benefit plans – continued

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	
	2007 %	2006 %	2007 £000	2006 £000
Equities/Property	8.00	8.00	50,924	45,618
Bonds	4.75	4.50	32,513	32,922
Other	5.25	4.50	3,308	2,326
			<u>86,745</u>	<u>80,866</u>

The history of experience adjustments is as follows:

	2007 £000	2006 £000	2005 £000	2004 £000	2003 £000
Fair value of plan assets	86,745	80,866	67,000	58,569	49,631
Fair value of defined benefit obligation	(99,222)	(99,788)	(91,622)	(79,320)	(72,676)
Deficit in the scheme	<u>(12,477)</u>	<u>(18,922)</u>	<u>(24,622)</u>	<u>(20,751)</u>	<u>(23,045)</u>
Experience adjustments on scheme liabilities					
Amount (£000)	(16)	(4,498)	(7,521)	81	2,148
Percentage of scheme liabilities (%)	0%	(5%)	(9%)	0%	3%
Experience adjustments on scheme assets					
Amount (£000)	(1,379)	8,408	2,892	6,959	(16,061)
Percentage of scheme assets (%)	2%	11%	5%	12%	(32%)

The group contributed 15% of employees pensionable earnings into the defined benefit pension schemes during the year and anticipates continuing to do so in the year ending 31 March 2008. The group expects to contribute approximately £3,807,000 to its defined benefit plans in the year ending 31 March 2008.

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 year to 31 March 2007, group purchases from its associates on normal commercial terms amounted to £0.01m (2006: £0.78m) and in the same period the group supplied goods and services to its associates of £7.10m (2006: £7.51m). At 31 March 2007 the group indebtedness to its associates was £nil (2006: £0.23m) and that of its associates to the group was £6.25m (2006: £5.01m).

The group has a trading relationship with Herbert Walker & Son (Printers) Limited, a commercial printing company which is controlled by Mr K Chapman, a director. During the year to 31 March 2007 group purchases from Herbert Walker on normal commercial terms amounted to £0.72m (2006: £0.79m) and in the same period the group supplied goods and services to Herbert Walker of £0.14m (2006: £0.14m). At 31 March 2007 the group indebtedness to Herbert Walker was £0.02m (2006: £0.18m) and that of Herbert Walker to the group was £0.03m (2006: £0.04m).

Compensation of key management personnel

The remuneration of the directors, who are the key management of the group, is set out in the audited part of the Directors' Remuneration Report on pages 22 to 24.

Independent Auditors' Report

To the members of Findel plc

We have audited the parent company financial statements of Findel plc for the year ended 31 March 2007 which comprise the Balance Sheet and the related notes. These parent company financial statements have been prepared under the accounting policies set out therein.

We have reported separately on the group financial statements of Findel plc for the year ended 31 March 2007 and on the information in the Directors' Remuneration Report that is described as having been audited.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the parent company financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the statement of directors' responsibilities.

Our responsibility is to audit the parent company financial statements and the part of the Directors' Remuneration Report to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the parent company financial statements give a true and fair view and whether the parent company financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the Directors' Report is consistent with the parent company financial statements. The information given in the Directors' Report includes that specific information presented in the Chairman's Statement and Finance Director's Review that is cross referred from the Review of the Year and Future Prospects section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report as described in the contents section and consider whether it is consistent with the audited parent company financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the parent company financial statements. Our responsibilities do not extend to any further information outside the Annual Report.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the parent company financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the parent company financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the parent company financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the parent company financial statements.

Opinion

In our opinion:

- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2007;
- the parent company financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the parent company financial statements.

Deloitte & Touche LLP

Chartered Accountants and Registered Auditors

Leeds
25 May 2007

Company balance sheet

At 31 March 2007

	Notes	2007 £000	2006 £000
Fixed assets			
Tangible assets	5	14,352	14,867
Investments	6	147,263	136,697
		<u>161,615</u>	<u>151,564</u>
Current assets			
Debtors	7	231,084	196,966
Cash at bank and in hand		44,632	35,073
		<u>275,716</u>	<u>232,039</u>
Creditors: amounts falling due within one year	8	<u>(66,336)</u>	<u>(118,266)</u>
Net current assets		<u>209,380</u>	<u>113,773</u>
Total assets less current liabilities		<u>370,995</u>	<u>265,337</u>
Creditors: amounts falling due after more than one year	9	<u>(200,046)</u>	<u>(160,111)</u>
Provisions for liabilities and charges	10	<u>(3,385)</u>	<u>(3,238)</u>
Net assets		<u>167,564</u>	<u>101,988</u>
Capital and reserves			
Called-up share capital	13	4,250	4,245
Capital redemption reserve	14	403	403
Share premium account	14	23,568	23,409
Revaluation reserve	14	29,518	29,518
Own shares	14	(3,012)	(3,171)
Liability for share-based payments	14	369	60
Profit and loss account	14	112,468	47,524
Equity shareholders' funds	15	<u>167,564</u>	<u>101,988</u>

Approved by the board and authorised for issue on 25 May 2007

P E Jolly }
D B Dutton } Directors

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

Notes to the Company Financial Statements

1 Significant accounting policies

Basis of accounting

The separate financial statements of the company are presented as required by the Companies Act 1985. 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 year and the preceding year.

Fixed assets and depreciation

Tangible fixed assets are stated at cost, net of depreciation.

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%, Plant and equipment: 5% – 33%, Long leasehold buildings: 2%, Motor vehicles: 25%, Short leasehold buildings: Period of the lease.

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.

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.

1 Significant accounting policies – continued

Share-based payments

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

The fair value of the employee services received under such schemes is recognised as an expense in the profit and loss account. Fair value is determined by use of the Black Scholes Option Pricing Model. The amount to be expensed over the vesting period is determined by reference to the fair value of share incentives, excluding the impact of any non-market vesting conditions. Non-market vesting conditions are included in assumptions about the number of share incentives that are expected to vest. At each balance sheet date, the group revises its estimates of the number of share incentives that are expected to vest. The impact of the revision of original estimates, if any, is recognised in the profit and loss account, with a corresponding adjustment to equity, over the remaining vesting period.

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 year. Differences between contributions payable in the year 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 Profit for the year

As permitted by section 230 of the Companies Act 1985, the company has elected not to present its own profit and loss account for the year. The company reported a profit for the financial year ended 31 March 2007 of £80,369,000 (2006: £7,737,000).

The auditors' remuneration for audit services to the company was £79,000 (2006: £75,000).

3 Staff costs

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

	2007 No.	2006 No.
Administration	22	18
Their aggregate remuneration comprised:		
	2007 £000	2006 £000
Wages and salaries	4,956	2,604
Social security costs	764	488
Other pension costs	2,796	2,350
	<u>8,516</u>	<u>5,442</u>

Notes to the Company Financial Statements

	2007 £000	2006 £000
4 Dividends		
Amounts recognised as distributions to shareholders in the period:		
Final dividend for the year ended 31 March 2006 of 14.20p per share (2005: 12.90p per share)	12,066	10,949
Less: attributable to own shares held in Employee Benefit Trust	(162)	(194)
	<u>11,904</u>	<u>10,755</u>
Interim dividend for the year ended 31 March 2007 of 4.20p per share (2006: 3.80p per share)	3,569	3,226
Less: attributable to own shares held in Employee Benefit Trust	(48)	(57)
	<u>3,521</u>	<u>3,169</u>
	<u>15,425</u>	<u>13,924</u>
Proposed final dividend for the year ended 31 March 2007 of 15.60p per share (2006: 14.20p per share)	13,259	12,066
Less: attributable to own shares held in Employee Benefit Trust	(178)	(162)
	<u>13,081</u>	<u>11,904</u>

The proposed final dividend is subject to approval by shareholders at the annual general meeting and has not been included as a liability in these financial statements.

	Land and buildings		Fixtures and equipment	Total
	Freehold £000	Leasehold £000	£000	£000
5 Tangible fixed assets				
Cost				
At 1 April 2006	18,170	343	3,452	21,965
Additions	—	—	584	584
Disposals	—	—	(501)	(501)
At 31 March 2007	<u>18,170</u>	<u>343</u>	<u>3,535</u>	<u>22,048</u>
Depreciation				
At 1 April 2006	4,937	129	2,032	7,098
Charge for the year	328	14	723	1,065
Disposals	—	—	(467)	(467)
At 31 March 2007	<u>5,265</u>	<u>143</u>	<u>2,288</u>	<u>7,696</u>
Carrying amount				
Net book value at 31 March 2007	<u>12,905</u>	<u>200</u>	<u>1,247</u>	<u>14,352</u>
Net book value at 31 March 2006	<u>13,233</u>	<u>214</u>	<u>1,420</u>	<u>14,867</u>

The net book value of fixtures and equipment includes £nil (2006: £0.1m) in respect of assets held under finance leases.

Leasehold property includes short-term leases costing £0.34m (2006: £0.34m), which after depreciation have a net book value of £0.20m (2006: £0.21m).

Freehold land and buildings includes land costing £0.8m (2006: £0.8m) on which no depreciation has been charged.

	Shares in Group undertakings £000	Investments £000	Total £000
6 Investments			
Cost or valuation			
At 1 April 2006	125,153	15,221	140,374
Additions	19,985	—	19,985
Disposals	(70)	(9,349)	(9,419)
At 31 March 2007	<u>145,068</u>	<u>5,872</u>	<u>150,940</u>
Provisions			
At 1 April 2006 and 31 March 2007	3,677	—	3,677
Net book value at 31 March 2007	<u>141,391</u>	<u>5,872</u>	<u>147,263</u>
Net book value at 31 March 2006	<u>121,476</u>	<u>15,221</u>	<u>136,697</u>

Investments in shares in group undertakings on a historical cost basis are £111.9m (2006: £92.0m).

The carrying value of the investments represents the directors best estimate of the valuation at the balance sheet date.

Investments at 31 March 2007 comprises 30% of the issued share capital of Webb Group Limited. Webb Group is registered in England and Wales.

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

	2007 £000	2006 £000
7 Debtors		
Trade debtors	465	572
Amounts due from subsidiary undertakings	226,433	191,223
Derivative asset (note 11)	274	254
Other debtors	2,497	3,197
Prepayments and accrued income	1,415	1,720
	<u>231,084</u>	<u>196,966</u>
	2007 £000	2006 £000
8 Creditors: amounts falling due within one year		
Bank loans and overdrafts	25,886	10,000
Obligations under finance leases	65	62
Trade creditors	751	988
Amounts due to subsidiary undertakings	33,382	104,862
Derivative liability (note 11)	127	24
Indirect tax and social security	315	244
Accruals and deferred income	5,810	2,086
	<u>66,336</u>	<u>118,266</u>

Notes to the Company Financial Statements

	2007 £000	2006 £000
9 Creditors: amounts falling due after more than one year		
Bank loans	200,000	160,000
Obligations under finance leases	46	111
	<u>200,046</u>	<u>160,111</u>

Bank loans are repayable in March 2009 and interest is charged at a rate variable with LIBOR.

Finance lease obligations fall due as follows:

Within one year	65	62
In the second to fifth years	46	111
In more than five years	—	—
	<u>111</u>	<u>173</u>

£000

10 Provisions for liabilities and charges

Deferred tax:		
At 1 April 2006		3,238
Charge to profit and loss account		147
At 31 March 2007		<u>3,385</u>

The deferred tax liability is provided as follows:

	2007 £000	2006 £000
Accelerated capital allowances	2,961	2,982
Short term timing differences	424	256
	<u>3,385</u>	<u>3,238</u>

11 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.

12 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.

	Number of shares	2007 £000	2006 £000
13 Called-up share capital			
Authorised			
Ordinary shares of 5p each	95,000,000	4,750	4,750
Allotted, issued and fully paid			
At the beginning of the year	84,893,579	4,245	4,233
Exercise of share options	102,755	5	12
At the end of the year	84,996,334	4,250	4,245

The company has one class of ordinary shares which carry no right to fixed income. During the year, the company allotted 102,755 ordinary shares with a nominal value of £5,138 for consideration of £164,424 in connection with the company's share option schemes.

	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
14 Reserves						
At 1 April 2006	403	23,409	29,518	(3,171)	60	47,524
Share issues	—	159	—	—	—	—
Share sales	—	—	—	159	—	—
Credit to equity for share-based payments	—	—	—	—	309	—
Profit for the financial year	—	—	—	—	—	80,369
Dividends paid	—	—	—	—	—	(15,425)
At 31 March 2007	403	23,568	29,518	(3,012)	369	112,468

Own shares comprises 1,142,435 ordinary shares of 5p each of the company, representing 1.3% of the issued share capital of the company at 31 March 2007. The maximum number of such shares held during the year was 1,500,000. 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.

	2007 £000	2006 £000
15 Reconciliation of movements in equity shareholders' funds		
Profit for the financial year	80,369	7,737
New shares issued	164	495
Own shares sold	159	—
Credit to equity for share-based payments	309	30
Dividends paid	(15,425)	(13,924)
Net increase/(reduction) in equity shareholders' funds	65,576	(5,662)
Opening equity shareholders' funds	101,988	107,650
Closing equity shareholders' funds	167,564	101,988

Notes to the Company Financial Statements

16 Financial commitments

The company had no capital commitments at 31 March 2007 or 31 March 2006.

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

	Land and buildings		Other assets	
	2007 £000	2006 £000	2007 £000	2006 £000
Expiry date:				
Within one year	—	—	148	113
In the second to fifth years	—	—	1,166	1,074
After five years	2,266	2,180	—	—
	<u>2,266</u>	<u>2,180</u>	<u>1,314</u>	<u>1,187</u>

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.

17 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 38 to the group financial statements.

18 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 & Son (Printers) Limited, a commercial printing company which is controlled by Mr K Chapman, a director. During the year to 31 March 2007 purchases from Herbert Walker on normal commercial terms amounted to £0.01m (2006: £0.01m) and in the same period the company supplied goods and services to Herbert Walker of £0.13m (2006: £0.12m). At 31 March 2007 the company's indebtedness to Herbert Walker was £nil (2006: £nil) and that of Herbert Walker to the company was £0.02m (2006: £0.02m).

Notice of Annual General Meeting

Notice is hereby given that the fifty-second annual general meeting of the company will be held at The Craiglands Hotel, Cowpasture Road, Ilkley, West Yorkshire, LS29 8RQ on Monday 2 July 2007 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 31 March 2007 together with the directors' and auditors' reports thereon.
2. To receive and adopt the board report on directors' remuneration for the year ended 31 March 2007.
3. To approve a final dividend for the year ended 31 March 2007.
4. To re-elect Mr K Chapman as a director.
5. To re-elect Mr P B Maudsley as a director.
6. To re-elect Mr G P Craig as a director.
7. To re-elect Mr D A Johnson as a director.
8. To elect Mr M L Hawker as a director.
9. To re-appoint Deloitte & Touche 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

10. To consider and, if thought fit, to pass the following as an ordinary resolution:

That pursuant to S.80 of the Companies Act 1985 the directors be and are hereby generally and unconditionally authorised to exercise all the powers of the company to allot Relevant Securities (within the meaning of S.80 of the said Act) in respect of and up to an aggregate nominal amount of £500,183 representing 11.76% of the issued ordinary share capital of the company at 25 May 2007 until the earlier of the date and time of the next annual general meeting or 15 months from the date of the passing of this resolution; and so that the company may before that date and time make an offer or agreement which would or might require Relevant Securities to be allotted after such time and the directors may allot Relevant Securities in pursuance of such an 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 £500,183 representing the company's authorised but unissued share capital as at 25 May 2007. The company holds no treasury shares within the meaning of S.162A of the said Act as at 25 May 2007. The directors have no present plans to issue shares using this authority.

11. Subject to resolution 10 being passed, to consider and, if thought fit, to pass the following as a special resolution:

That, pursuant to S.95 of the Companies Act 1985 the directors be and are hereby authorised:

- (i) subject to the passing of the previous resolution, to allot Equity Securities (within the meaning of S.94 of the said Act) for cash pursuant to the authority conferred by the previous resolution; and
- (ii) to sell Equity Securities (within the meaning of S.94 of the said Act) for cash which before the sale were held by the company as treasury shares (within the meaning of S.162A of the said Act)

as if sub-section (1) of S.89 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 a rights issue in favour of ordinary shareholders where the Equity Securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements 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 in respect of and up to an aggregate nominal amount of £212,490 representing 5% of the issued ordinary share capital of the company at 25 May 2007

and shall expire on the earlier of the date and time of the next annual general meeting or 15 months from the date of the passing of this resolution; 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 Companies Act 1985 requires that these shares are offered first to shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. There may be occasions however when, in order to act in the best interest of the company, the directors need the flexibility to finance business opportunities as they arise. Therefore this resolution asks shareholders to renew the directors' authority to issue or sell from treasury a limited number of shares for cash, up to a nominal amount of £212,490 equivalent to 5% of the company's issued share capital at 25 May 2007, or pursuant to a rights issue, without the shares first being offered to shareholders. Resolution 11 will be proposed as a special resolution. The authority contained in Resolution 11, will expire on the earlier date of the next annual general meeting or 15 months after passing of such resolution.

- 12.** 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. 166 of the Companies Act 1985 for one or more market purchases (as defined in S. 163 of the said Act) by the company of any of its own shares subject to the following restrictions but otherwise unconditionally:
1. The maximum aggregate number of shares to be so acquired shall not exceed 8,499,633 ordinary shares of 5p each with a nominal value of £424,981 representing 10% of the issued ordinary share capital of the company at 25 May 2007.
 2. 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).
 3. 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 Companies Act 1985 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 8,499,633 ordinary shares (representing 10% of the issued ordinary share capital of the company as at 25 May 2007) 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 5 business days prior to the purchase. The total number of shares that may be issued on the exercise of outstanding options as at 25 May 2007 was 548,248 which represents approximately 0.65% 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 0.71% 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 2008.

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 Companies Act 1985 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 12 as treasury shares (within the meaning of S. 162A 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 12 will be proposed as a special resolution. The authority contained in Resolution 12 will expire at the earlier of the conclusion of the next annual general meeting or 15 months after the passing of such resolution.

By order of the board

I J Bolton
Secretary
25 May 2007

Notes

- (a) A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote in his place. A proxy need not also be a member. Completion and return of a Form of Proxy will not preclude a member from attending and voting at the meeting should he/she so decide.
- (b) 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 Lloyds TSR Registrars, The Causeway, Worthing, West Sussex BN99 6ZL not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.
- (c) 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):

- (i) the directors' service contracts;
- (ii) the register of directors' interested in the share capital of the company;

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.

- (d) Only those member registered in the Register of Members of the company 48 hours before the time 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.
- (e) 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 2 July 2007 and any adjournment(s) thereof by using the procedures described in the CREST Manual. 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. The message, regardless of 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 7RA01) 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.