



FINDEL PLC

Annual
Report
& Accounts
2008



www.findel.co.uk

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Financial Highlights



	2008	2007
Revenue from ongoing businesses	£634.0m	£546.0m
Benchmark Profit before Tax*	£57.0m	£55.9m
Profit before Tax	£34.0m	£16.4m
Benchmark basic earnings per share*	48.72p	50.05p
Basic earnings per share	28.42p	18.06p
Dividends per share	22.20p	19.80p

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

Chairman's Statement

The financial year ended 31 March 2008 has been a positive year for your company with overall sales from continuing operations and benchmark* profit before tax higher at £634.0m (2007: £546.0m) and £57.0m (2007: £55.9m) respectively. As a result of recent corporate activity, integration and development, the group has incurred a number of one-off costs and as such statutory profit before tax for the year was £34.0m (2007: £16.4m). Benchmark* earnings per share were 48.72p (2007: 50.05p), the prior year having benefited from a lower tax charge. Basic earnings per share were up 57% to 28.42p (2007: 18.06p).

The group has made good progress during the year even though the final result was disappointing in light of our previous expectations and it is this that I would like to address first.

When we issued our year end closing update on 2 April 2008 we anticipated that our results would be within the range of market expectations albeit at the lower end due to a higher interest charge. Such a result would have produced a good increase in profit year on year.

However, in early April, it became clear that collection rates and hence the level of bad debt in our credit Home Shopping business for the month of March would materially impact on the results for the year. Whilst we had seen in February that collection rates were slightly down we were comfortable with this as in any single month we do see fluctuations both up and down and the financial effect at that time was quite small. However the figures that were reported for March showed that the actual collection rates were much worse than predicted. As a result the year on year bad debt charge was automatically increased.

The seasonality of our Home Shopping credit business is such that customers shop in the run up to Christmas and then start paying down their credit from February onwards. Collection rates in March tend to worsen due to the credit performance of new recruits who are shopping with us for the first time. In any year, new recruits make up a third of our customer base. This March we suffered from a sudden increase in default rates particularly from this group as the economic effects of the credit crunch

spread into customer's pockets affecting their payment behaviour and resulting in an increase in bad debt. It is for this reason that we issued our trading statement on 17 April 2008.

Collection rates for April have followed the same pattern to those of prior years with the pronounced peak in March reducing by the same rate as in previous years. In other words, we are not seeing a continuing deterioration. We are modifying our recruitment strategy this year to guard against a recurrence of this issue in the current economic climate.

Exceptional Charges

2007/08 has been a year of consolidation with significant integration and restructuring projects across the group. Although these actions have been at a cost with exceptional charges incurred of £15.9m, the infrastructure we are building will substantially benefit the group in future years.

The exceptional charges relate in part to the integration of the businesses acquired in 2007. The two key integration exercises have been to move Kleeneze into our Accrington warehouse and to bring together our direct brands under Findel Direct. Both of these actions have been successfully completed with service levels improving and cost savings in excess of £3m per annum.

The balance of the exceptional charges relate to the redevelopment of our Hyde site which will include the construction of a custom built new office for the Education Division and the commercial development of the remainder of the site.

Home Shopping

Sales from ongoing businesses in our Home Shopping division increased by 22% to £403.5m (2007: £330.7m) with benchmark* operating profit increasing to £50.3m (2007: £47.6m). The Home Shopping division now comprises a number of leading brands, each with its own unique appeal and market. Statutory sales for the Home Shopping division were £409.8m (2007: £368.3m) with statutory operating profit of £41.0m (2007: £19.2m).

2007/08 was the first full trading year for our cash with order division in which it generated £137.5m in sales with net operating margins of 7%. We experienced strong sales growth from Kitbag as it launched three more Premier League football club sites and moved into cricket, rugby, motorsport and tennis. We also benefited from a particularly good profit performance from Kleeneze following its integration into our Accrington site.

The main feature in the year for the cash with order brands was their relocation and integration. This was a huge undertaking and inevitably created some distraction, although we are pleased with the results.

Findel Direct's brands are Kitbag.com, I Want One of Those.com, Letterbox, The Cotswold Company and Confetti. Combined, these brands have a customer base of over 1 million and in excess of 70% of their sales are transacted over the Internet. Now that the hard work of centralising the brands has taken place the focus is to achieve profitable growth.

The plans for these direct brands will be greatly assisted by the introduction of a common IT infrastructure. We have committed to investing over £3m this year to achieve this. Once fully implemented, the new infrastructure will enable us to interact with our credit brands so that the group can capitalise on the considerable marketing and cross selling opportunities our combined Home Shopping customer base of over 2.5 million present.

The Home Shopping credit business has made progress in the year despite the necessity for an additional bad debt provision. Overall sales have increased by just over 5% to £245.1m and benchmark* operating profit has increased by 3% to £42.8m.

The credit business continues to grow online which now accounts for over 40% of sales. 36% of new first orders are being placed over the internet. The customer base has grown to 1.53 million with retention rates of 70%.

I believe that our integrated product and credit model aimed at a predominately lower demographic has much to commend it in times of economic uncertainty where banks have retrenched from providing unsecured personal lending. However, we also recognise that such economic conditions bring with them a higher risk of default, particularly from customers who do not have a trading history with us. In recognition of this, a core part of our strategy this year is to re-direct a proportion of our recruitment marketing spend to encourage larger and more frequent orders from our established customer base. The significant levels of detailed historical transactional data we have in relation to our established customers is of material assistance to us in managing their credit.

Sales for the first six weeks of this financial year in the credit business are up 5% on the prior period which is an encouraging start.

Overall Home Shopping division sales are up 6% against the same period last year.

Educational Supplies

The Educational Supplies division had a strong year with sales from ongoing businesses increasing by 5% to £174.7m (2007: £166.5m) and benchmark* operating profit up 15% at £26.7m (2007: £23.3m). Statutory sales were £179.4m (2007: £169.6m) with statutory operating profit of £16.2m (2007: £16.4m). This was at a time when trading patterns

changed following the introduction of three year financial budgets for schools. This has affected purchasing behaviour, particularly in the last quarter of the financial year and has led to some margin erosion resulting from the need for increased promotional activity.

In January 2008, the Education Division went live on a new CRM and warehouse management system. The system is a significant investment which has taken almost two years to implement at a cost of £4m. This investment will enable the Education Division to capitalise on its market leading position and gain a larger share of the pedagogic toy and educational resources market in the UK and overseas.

The Division saw particularly strong growth in the core Primary School sector reflecting an increase in Government funding by just over 6% and the results of our focused product development in that area. Sales to Primary Schools now account for over 30% of the Division's sales. Export sales have also been an area of progress where a focused approach to countries with high economic growth has helped increase these sales by 8%.

Domestically the Project division is benefiting from the building schools for the future initiative with all BSF project work delivered on time and to budget. Although there have been some delays in the BSF roll out, the Division is well placed to be a beneficiary of it over the next 7 to 10 years.

We continue to run the Active Kids campaign for J. Sainsbury's plc and have just successfully completed the first year of a three year contract with a wider product offering than ever before.

Our product mix is broadly spread and covers virtually the full range of schools' requirements. We continue to focus strongly on own developed products which we produce following extensive consultation with teachers and having regard to changes in the National Curriculum such as Mod Pods, the Mosi science kit and our own developed first full colour monitor primary data logger.

Sales in the first six weeks of the new financial year in the Education Division are 5% up on the same period for last year.

Healthcare

NRS our Healthcare business has had a strong year with both revenues and benchmark* operating profit improving materially. Sales were up by 14% to £55.8m (2007: £48.8m) and benchmark* operating profit was up 66% at £3.1m (2007: £1.8m). The statutory operating loss was £0.3m (2007: profit of £1.0m) with a goodwill impairment charge of £3.0m in the current year relating to the decision not to renew certain historic contracts.

This performance belies the state of flux of the largest market in our Healthcare division, the running of Integrated Community Equipment Supply contracts for Primary Care Trusts and Local Authorities. As reported previously the government is currently undertaking a review of this market and a change is expected in the short to medium term in the way that patients are provided with support and services on hospital discharge.

We will continue to focus on maximising performance from our existing contracts since we do not believe many new tenders will be issued in the foreseeable future. The increased performance from these contracts has been the primary drivers of growth in this area.

In addition, we have also relaunched our Primary Care business with a new catalogue and fully transactional website. This has been a great success with strong sales in the last quarter of the year which have continued into the start of this year. Although the Primary Care business is a small component of the Healthcare Division we are encouraged by its performance and believe that it has an exciting future.

Sales in the new financial year have continued to improve and in the first six weeks of the new financial year are 5% ahead of last year.

Cash Flow

The group's net cash flow from operating activities was an outflow of £4.4m compared to an inflow of £17.5m in 2007. The major contributor of the increase was the additional working capital required to fund the growth in the business over the year.

Net cash used in investing activities was £50.1m (2007: £54.4m). The most significant factor within the current year was the funding of £34m, advanced to our associate company Webb Ivory in support of its purchase of Choices UK and the development of the enlarged group. Webb management will refinance the new Webb/Choices group when the integration of the businesses has been completed.

Balance Sheet

Overall net assets increased by £8.1m, the uplift reflecting the group's statutory profit before taxation less dividends paid in the year.

The principal movements during the year reflect the transactions with the Webb Group referred to elsewhere in this report, which have resulted in an increase in trade and other receivables offset by higher borrowings.

This increase in borrowings resulted in gearing at the year-end of 298% of net assets compared to 259% last year. Interest cover on benchmark* operating profit was 3.6x (2007:4.3x), comfortably within our banking covenant.

Dividends

The directors are recommending a final dividend of 17.5p per share (2007: 15.6p) a 12% increase over last year. Subject to approval, this will be paid on 8 July 2008 to shareholders on the register on 6 June 2008. This would make a total dividend for the year of 22.2p (2007: 19.8p) an increase of 12%.

Employees

The progress the company has made during the year would not have been possible without the continued determination and support of all our employees. On behalf of the board and the shareholders I would like to express my sincere appreciation.

Board changes

On 2 October 2007 I welcomed Chris Hinton to the board as Group Finance Director. Chris is a Chartered Accountant and was previously Group Finance Director of Lorien plc with responsibility for all aspects of Finance, IT and HR and has a background in corporate finance.

At the same time, David Dutton, who served the group for 21 years retired from the board. David had given many years' valuable service to the group and left with the board's thanks and best wishes for the future.

Prospects

The group remains focused on achieving growth in all its businesses. All divisions have made positive sales progress in the first six weeks of the new financial year with overall sales some 5% ahead. I believe that the considerable investments we have made and continue to make in the group's businesses together with a focused and determined management team will deliver long term growth.



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, goodwill impairment, gain from negative goodwill, share-based payment expenses and net fair value remeasurement, adjustments to financial instruments but includes interest received from associates.

Finance Director's Review

Benchmark measure

In order to ensure consistency of reporting the group has, in common with other companies in its sector, identified a measure of benchmark 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, goodwill impairment, gains from negative goodwill, share-based payment expenses and net fair value remeasurement adjustments to financial instruments but includes interest received from associates.

Revenue

Group revenues grew by 10% to £645.1m (2007: £586.8m). Excluding the businesses sold or terminated during the year, revenues increased by 16% to £634.0m (2007: £546.0m).

Profit

Benchmark profit before tax increased by 2% to £57.0m. Profit before tax increased to £34.0m from £16.4m primarily as a result of the impact of the high level of corporate activity and restructuring in the prior year. Return on sales on a Benchmark basis decreased slightly to 9% from 10% reflecting the sales mix of the group following the acquisitions made during the current and prior year. The charge for amortisation of acquisition intangibles increased from £1.6m to £2.3m due to the impact of the acquisitions made during the current year and the full year impact of those made during the prior 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 retention rates within the Home Shopping division.

Within Home Shopping, average order values increased to £43 (2007: £41), reflecting the continued progress of the division in an increasingly difficult market. Within Educational Supplies, average order values were broadly comparable with the prior year at £200 (2007: £201). Within NRS, on-time collections and deliveries were 94% (2007: 95%), a slight decrease against the previous year. In the coming year, renewed effort will be focused on maintaining and improving these service levels.

Taxation

The group's effective rate of tax, calculated on a Benchmark basis, has increased from 25.2% to 28.3%. The increase predominantly arises due to the lower rate of tax in the prior year which resulted from the resolution of a number of outstanding tax issues 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 and the utilisation of tax losses brought forward from prior periods.

Shareholder return and dividends

Benchmark basic earnings per share were 48.72p compared to 50.05p last year. Basic earnings per share were 28.42p in the year to 31 March 2008 compared to 18.06p last year. The board has proposed a final dividend of 17.5p per share, a rise of 1.9p or 12% on last year. The dividend for the year as a whole of 22.2p, a rise of 12% on last year, is covered 2.2 times by benchmark earnings.

Net assets

Net assets amount to £129.8m, an increase of 7% on last year. This is equivalent to 153p per share.

Share price

The share price of Findel ranged from a low of 454.25p to a high of 784.5p during the financial year. On 31 March 2008 the mid market price was 493.25p, giving a market capitalisation of £420m at that date.

Cash flow

The group's net cash from operating activities was an outflow of £4.4m, compared with an inflow of £17.5m in 2007. This includes cash costs of £11.8m relating to the ongoing restructuring and integration of the Home Shopping businesses acquired during 2007 and £3.4m relating to the redevelopment of the Hyde site within the Educational Supplies division. Additional contributions over and above the normal funding costs of the group's pension schemes increased slightly from £2.8m to £2.9m. Tax payments also increased to £4.4m from £1.7m, principally due to the tax impact of one-off costs incurred in the prior year. Net cash used in investing activities was £50.1m, the most significant element of which was the loan of £34.4m made to the group's associate company in support of its acquisition and integration of Choices UK. Acquisition costs of £5.1m were also incurred during the year. Net interest costs increased by £4.4m during the year, £2.7m of which arose due to the increased costs of borrowing.

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 2008, 83% of the group's borrowings were drawn under long-term facilities, the earliest of which expires in March 2011, and there were undrawn committed facilities of £70.7m.

During the year, the group increased its revolving credit facility by £50m to £250m.

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 £21.8m, net interest costs were £4.4m higher than last year. This principally reflects the full year impact of interest costs arising from the increased borrowings used to fund acquisitions made in the prior year, and the increased cost of borrowing. The net interest charge was covered 3.6 times by benchmark operating profit, comfortably within our banking covenant.

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 16 and 17.

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, 40% of all orders within our Home Shopping credit business were placed over the internet.

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 the restructuring and integration of the Home Shopping businesses acquired during the prior year (£11.8m) and the costs relating to the redevelopment of the Hyde site within the Educational Supplies division (£3.4m). These costs have been reported as an exceptional charge against the operating profit of the respective divisions.

Loss on disposal of businesses

Net losses incurred on the disposal of businesses in the year principally comprise the profit on disposal of James Galt & Co within the Home Shopping division (£2.5m) and the losses on disposal of non core businesses within the Educational Supplies division (£3.0m), 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 associate

The group's share of the result generated by its associate decreased from a profit of £1m to a loss of £1.35m.

During the current year, interest income of £2.2m has been recognised on the loan of £34.4m advanced to the associate

Pensions

The group's defined benefit pension schemes had reduced deficits at 31 March 2008. To improve the funding of these schemes, the group made voluntary additional contributions totalling £3.9m during the year.

The net deficit for all retirement benefit schemes was £8.6m (2007: £10.4m) net of tax relief at 31 March 2008. The deficit is equal to around 2% 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 38. The accounting policies have been applied consistently throughout the current and preceding periods, other than as described in note 1.

Chris Hinton
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	C D Hinton, ACA
Non-executive	G P Craig**
	M L Hawker**
	D A Johnson, BSc (Econ), FCA
	S S McKay**

* 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	Equiniti Limited Aspect House Spencer Road Lancing West Sussex BN99 6ZL
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Principal Bankers	Allied Irish Banks plc Barclays Bank plc HBOS 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 4.70p (2007: 4.20p) per share was paid on 11 January 2008. The directors recommend a final dividend of 17.50p (2007: 15.60p) per share be paid on 8 July 2008 to shareholders on the register on 6 June 2008, with an ex-dividend date of 4 June 2008.

Capital Structure

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

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

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

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

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

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the Combined Code, the Companies Acts and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Main Board Terms of Reference, copies of which are available on request, and the Corporate Governance Statement on page 13.

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

A resolution will be proposed at the annual general meeting authorising the directors to allot shares and other securities of the company and empowering them in certain limited circumstances to issue shares for cash without first being required to offer such shares to existing shareholders. If the resolutions are passed the directors will be able to allot 9,869,948 ordinary shares with a nominal value of £493,497 representing 11.59% of the issued share capital and will be able to issue 4,256,502 ordinary shares with a nominal value of £212,825 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 2008 represented 11 creditor days (2007: 24 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 McKay who was appointed on 3 July 2007 and Mr Hinton who was appointed on 2 October 2007, and of Mr J M F Padovan and Mr D B Dutton who retired from the board on 2 July 2007 and 2 October 2007 respectively. Dr Bolton, Mr Craig and Mr Johnson will retire and, being eligible, offer themselves for re-election at the annual general meeting. Mr McKay and Mr Hinton offer themselves for election at the annual general meeting. Brief biographical details of the directors are as follows:

Mr K Chapman (65, 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 (42, 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 (64, 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 (47, 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 C D Hinton (38, group finance director)

Chris Hinton joined the board in October 2007. He has a strong background in corporate finance and was previously group finance director of Lorien plc.

Mr G P Craig (61, 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 (58, 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 (64, 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 S S McKay (61, non-executive director)

Stuart McKay joined the board in July 2007. He has over 35 years' experience in stationery supplies and retailing.

Employees

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

Donations

During the year the group made charitable donations of £72,716 (2007: £82,853, 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 16 May 2008:

	Number of Shares	Proportion of Share Capital	Number of voting rights	Proportion of voting rights
Material interests of 3% or more				
Schroders plc	24,885,113	29.23%	21,932,740	25.76%
AXA S.A.	6,638,487	7.79%	6,638,487	7.79%
F & C Asset Management plc	6,588,901	7.73%	6,588,901	7.73%
Legal & General Assurance (Pensions Management) Limited	4,145,378	4.86%	3,773,075	4.43%

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.

This confirmation is given and should be interpreted in accordance with the provisions of s234 ZA of Companies Act 1985.

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

23 May 2008

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 19 to 26 describe how the principles of good governance set out in the revised Combined Code on Corporate Governance, published by the Financial Reporting Council in June 2006, 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.

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 2008, 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 page 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 was first elected at an annual general meeting on 1 July 1998 and has since then served for approximately ten years. The Nomination Committee and the board have reviewed his performance as part of our board evaluation and concluded that he makes an effective and valuable contribution as a non-executive director and in his roles on the Audit, Remuneration and Nominations Committees and has challenged the executive directors in an independent manner. We have therefore reaffirmed our view that he 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 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 2008:

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

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

Mr Hinton and Mr McKay have attended every meeting of the board and, in the case of Mr McKay, each committee, from the date of their appointment. Mr Dutton and Mr Padovan attended every meeting of the board and, in the case of Mr Padovan, each committee, until the date of their retirement.

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 19 to 26.

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 year, on behalf of the board, the committee undertook a search for the appointment of a new group financial director. 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 C D Hinton as an executive director of the company and as group finance director on 2 October 2007.

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 page 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;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare financial statements on a going concern basis.

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 G P Craig and Mr M L Hawker throughout the year, Mr J M F Padovan until the time of his retirement on 2 July 2007 and Mr S S McKay from the time of his appointment on 3 July 2007. The chairman was Mr Padovan until his retirement from the board on 2 July 2007 and Mr Hawker from 3 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 Hewitt New Bridge Street, 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 with regard to market median level in relation to similar sized UK listed businesses and considering other elements of the package.

In reviewing salaries for the year ended 31 March 2008 the Remuneration Committee took into consideration two distinct comparator groups comprising companies of comparable (i) turnover and (ii) market capitalisation. This data was considered in light of the general policy described above and the revised salaries were set by the Remuneration Committee mindful of (i) turnover being a more appropriate proxy for the size and complexity of the company than market capitalisation; (ii) the increased plc board experience of individual directors; (iii) the need to retain high performing directors; (iv) the rebalancing of salaries in line with the responsibilities of the executive directors; and (v) the need to reward the executive directors in light of their unique working relationships.

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 reviewed the annual bonus arrangements during the year, both in terms of quantum and structure, in light of current market practice and the overall competitiveness of the package. It was agreed to increase the maximum bonus to 100% of basic salary, in line with wider FTSE 250 market practice where 100% of salary maximum bonus potential has become standard practice.

In terms of the targets set, bonus awards are based on the achievement of budgeted profit (up to 60% of basic salary) and on the achievement of a number of appropriate key criteria. In terms of the revised targets, a more challenging range of targets was set for the year ended 31 March 2008 in light of the increase in bonus potential and will again be applied in the year ending 31 March 2009 commensurate with the increased bonus potential. In calibrating the revised targets the Remuneration Committee was mindful of recent performance delivered and the competitive pressures to retain and motivate the successful management team. Indeed, with this in mind, it was felt appropriate to apply the revised performance targets to the year ended 31 March 2007 for the Chief Executive and Chief Operating Officer together with the increased bonus potential of 100% of base salary. This decision was taken by the Remuneration Committee due to (i) the performance delivered in year ended 31 March 2007 which significantly exceeded the top end of the original range of performance targets set and (ii) the successful integration of a number of newly acquired businesses. Details of bonus payouts for the year ended 31 March 2007 are set out on page 23. The revised bonus maximum and performance conditions applied to all other Executive Directors for the first time in the year ended 31 March 2008.

(iii) Share option

Executive directors have a continuing interest in share options previously granted as detailed below, however no options have been granted during the year and it is not the Remuneration Committee's intention to make further share option awards.

(iv) Performance Share Plan (PSP)

The Remuneration Committee reviews the long term incentives offered to executive directors on an ongoing basis to ensure they remain appropriate given the current needs of the business and wider best practice investor guidelines. 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). The performance conditions were reviewed by the committee during the year in line with best practice guidelines and with advice from Hewitt New Bridge Street to ensure they reflect the company's prospects and circumstances. Factors that were considered included management's earnings forecasts, growth potential for the sector and the economy as a whole, and external broker's forecasts.

For awards made in year ending 31 March 2008, awards will vest on the third anniversary of grant, dependent upon the achievement of the following performance criteria over the three financial years 2007/08, 2008/09 and 2009/10:

EPS growth of the company over the performance period	Vesting percentage of 50% of the shares subject to an award
Less than RPI + 10%	0%
RPI + 10%	30%
RPI + 21%	100%
Between RPI + 10% and RPI + 21%	Between 30% and 100% pro rata on a straight-line basis
TSR ranking of the company compared to the comparator group over the performance period	Vesting percentage of 50% of the shares subject to an award
Below median ranking	0%
Median ranking	30%
Upper quartile ranking	100%
Between median and upper quartile ranking	Between 30% 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.

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. During the year the company has contributed 20% of Mr P E Jolly's basic salary into his SIPP. From the date of his appointment as an executive director the company provides 12% of Mr C D Hinton'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 "Fund")) 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 remained a contributory member of the Fund until his retirement on 30 September 2007. Pensionable earnings for Mr Dutton were defined as one third of the aggregate of his basic salary paid in the three years prior to retirement.

From May 2007 Dr Bolton is no longer a member of the Fund having elected to take a transfer value out of the Scheme. He accrued no pension benefits during the year.

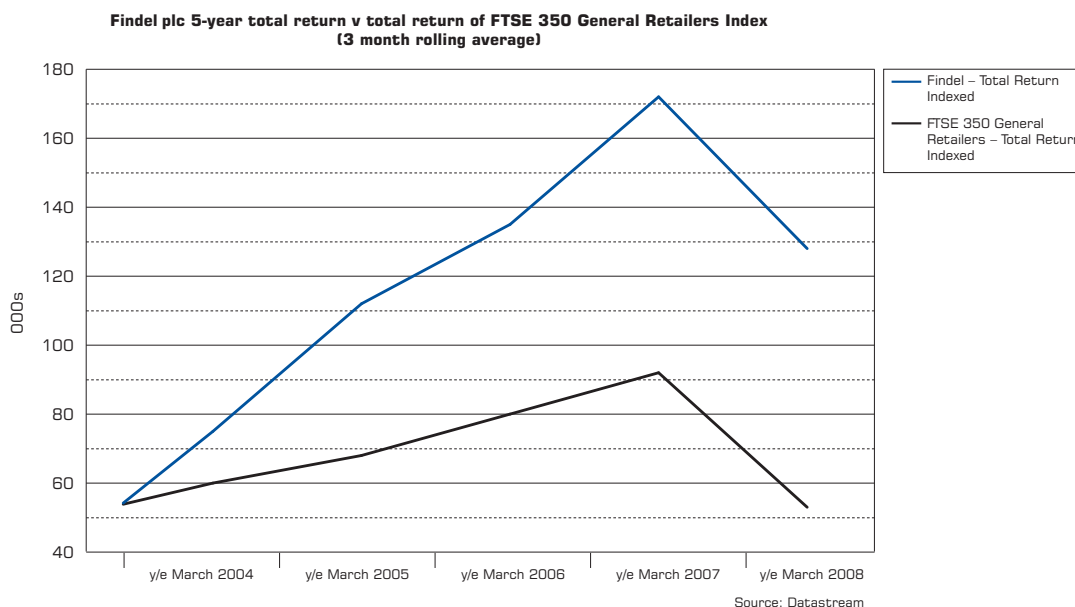
While Mr Maudsley remains a member of the Fund, he no longer accrues benefits under the pension Scheme, instead electing to receive a cash equivalent contribution into a personal pension arrangement. The value of contributions made during the year was £79,095.

Mr K Chapman is no longer a member of the Fund but receives a contribution to his personal arrangement in lieu of the value of pension benefits. The amount during the year was £64,833.

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. In determining any compensation payable on early termination, the Committee will take into account the directors duty to mitigate.

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. In determining any compensation payable on early termination, the Committee will take into account the directors duty to mitigate.

Mr Hinton's service agreement was entered into on 21 February 2007. It is terminable subject to 1 year's notice by either party; it contains no provision for compensation to be payable on early termination. In determining any compensation payable on early termination, the Committee will take into account the directors duty to mitigate.

Mr Dutton's service agreement was 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. It contained no provision for compensation to be payable on early termination. In determining any compensation payable on early termination, the Committee will take into account the directors duty to mitigate.

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. The Letter of Appointment for Mr G P Craig was dated 18 August 1997, for Mr D A Johnson 11 May 2006, for Mr M L Hawker 28 June 2006 and for Mr S S McKay 22 June 2007. Except for Mr Hawker, who was elected at the annual general meeting in 2007, they are each due to be proposed for election or re-election at the annual general meeting in 2008 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 £40,000 per annum, and of Mr Johnson, Mr Hawker and Mr McKay is £37,500 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 2008 are shown below:

	Salary/fees	Annual Bonus	Long Term Incentives/ Bonuses	Benefits in Kind	2008 Total	2007 Total
	£000	£000	£000	£000	£000	£000
Executive						
K Chapman	440	225	119	30	814	841
I J Bolton	212	150	60	28	450	519
D B Dutton*	300	120	59	10	489	330
P E Jolly	400	400	—	26	826	368
P B Maudsley	479	400	80	26	985	550
C D Hinton**	100	—	—	7	107	—
Non-executive						
G P Craig	39	—	—	—	39	37
M L Hawker	37	—	—	—	37	26
D A Johnson***	36	—	119	1	156	2,140
S S McKay	28	—	—	—	28	—
J M F Padovan	9	—	—	—	9	35
Total	2,080	1,295	437	128	3,940	4,846

* Retired 30 September 2007

** Appointed 2 October 2007

*** Executive 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. Included in the salary/fees column above for Mr Dutton is a non-pensionable payment of one year's base salary, which was agreed to be paid in relation to the end of his contract. Included in the salary/fees column above for Messrs Chapman and Maudsley are payments into their personal arrangements in lieu of company pension contributions of £64,833 and £79,095 respectively (see page 21). The long term incentive payment to Mr Dutton relates to the gain on 11,859 notional shares exercised in May 2007. Messrs Chapman, Bolton, Maudsley and Johnson 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 2007, the financial performance over the year was such that the Remuneration Committee considered that payment of bonuses of 60% under the group plan were appropriate to Messrs Chapman, Bolton and Dutton, and of 100% to Mr Jolly and Mr Maudsley in recognition of their exceptional achievements during that year.

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

(ii) Directors' pension entitlements

Mr P B Maudsley is a current member of the Findel Group Pension Fund (the "Fund") a defined benefit scheme, as was Dr I J Bolton until May 2007 and Mr D B Dutton until the date of his retirement.

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

	Increase in accrued pension excluding inflation £000	Transfer value of increase £000	Accrued pension 31 Mar 2008 £000	Accrued pension 31 Mar 2007 £000	Increase in accrued pension including inflation £000	Transfer value of accrued pension 31 Mar 2008 £000	Transfer value of accrued pension 31 Mar 2007 £000	Increase in transfer value over the period £000
I J Bolton*	2	38	199	197	2	3,310	3,345	(35)
D B Dutton**	6	49	64	58	6	489	454	35
P B Maudsley***	4	27	93	85	8	630	654	(24)

* Dr Bolton left the Fund on 10 April 2007 and his end of year accrued pension and transfer value are each at this date. He transferred out of the Fund on 9 May 2007.

** Mr Dutton retired from the board on 30 September 2007 and his end of year accrued pension and transfer value are each at this date. In addition an augmentation with a value of £30,000 was awarded.

*** There is no further accrual for Mr Maudsley, who has Enhanced Protection.

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

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

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

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

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

	31 March 2007	Granted	Exercised	31 March 2008	Exercise price	Exercise period
Interests in Share Options						
K Chapman	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
	188,842	—	—	188,842	360.75p	May 2007 – May 2011
P E Jolly	225,688	—	—	225,688	545.0p	May 2009 – May 2013

Interests in notional shares under the long term incentive plan

K Chapman	534,082	—	—	534,082	133.5p	July 2002 – July 2009
I J Bolton	262,172	—	—	262,172	133.5p	July 2002 – July 2009
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 the one to Mr P E Jolly (which has an exercise period commencing May 2009) under the share option schemes and long term incentive plan have been met.

Interests in shares under the performance share plan

	31 March 2007	Granted	Vested	31 March 2008	Award date	Vesting date
D B Dutton	42,735	—	14,245	—*	4 July 2006	5 July 2009
P B Maudsley	64,102	—	—	64,102	4 July 2006	5 July 2009
	—	83,916	—	83,916	3 July 2007	3 July 2010
P E Jolly	64,102	—	—	64,102	4 July 2006	5 July 2009
	—	83,916	—	83,916	3 July 2007	3 July 2010
C D Hinton	—	50,083	—	50,083	29 Nov 2007	29 Nov 2010

* Mr Dutton was treated as a good leaver under the rules of the plan. The unvested interest in 28,490 shares lapsed upon his retirement.

The awards granted in the year ended 31 March 2008 will vest on the third anniversary of grant, dependent upon the achievement of the performance criteria as set out in the PSP summary on page 20. The awards granted in the year ended 31 March 2008 were based on similar criteria, but with a target requiring average annual EPS growth of RPI +12% to RPI +27% over three years.

There have been no grants of share options or long term incentives nor under the performance share plan since 31 March 2008.

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
D B Dutton	5 October 2007	105,682	360.75p	647.5p	303,043

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 B Dutton	30 May 2007	11,859	263.5p	763.0p	59,235

Other than the details above, no directors exercised any share options or long term incentives during the year ended 31 March 2008, nor were any shares vested under the performance share plan. The company, in line with the rules of the long term incentive plan, chose to settle the gain on exercise to Mr Dutton 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 2008.

Details of share options exercised since 31 March 2008 are as follows:

	Date of exercise	Number of shares	Exercise price	Mid market price on date of exercise	Notional gain on exercise
K Chapman	15 May 2008	14,018	214.0p	289.0p	10,514
P B Maudsley	15 May 2008	14,018	214.0p	289.0p	10,514

Other than the details above, no directors have exercised any share options or long term incentives since 31 March 2008, nor have any shares vested under the performance share plan.

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	£119,079
D A Johnson	£119,079
I J Bolton	£59,538
P B Maudsley	£79,908

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 2008 was 493.25p and the range during the year was 454.25p up to 784.5p.

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 2008		31 March 2007	
	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	42,061	—	17,061	—
P B Maudsley	109,246	—	109,246	—
C D Hinton	—	—	—*	—*
G P Craig	40,000	—	40,000	—
M L Hawker	2,000	—	—	—
D A Johnson	10,000	—	265,115	—
S S McKay	—	—	—*	—*
J M F Padovan	10,000**	—	10,000	—

* on appointment

** on retirement

Following the exercise of share options on 15 May 2008 detailed above, the beneficial interest in the ordinary shares of the company of Mr Chapman increased to 4,902,608 and of Mr Maudsley to 123,264.

On 15 May 2008 Mr Chapman purchased 250,000 and Dr Bolton 12,075 ordinary shares of the company, following which the beneficial interest of Mr Chapman increased to 5,152,608 and of Dr Bolton to 300,000.

On 16 May 2008 Mr Johnson purchased 20,000 ordinary shares of the company, following which his beneficial interest increased to 30,000. During 16 and 19 May 2008 Mr Jolly purchased 21,516 ordinary shares of the company, following which his beneficial interest increased to 63,577.

There have been no other changes in the above interests since 31 March 2008.

On behalf of the board

M L Hawker

Chairman of the Remuneration Committee

23 May 2008

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 devotes day to day responsibility to the Group Finance Executive. 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 recent acquisitions. We are piloting a range of carbon neutral furniture to assess consumer demand as well as increasing our range of natural cleaning products;
- 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. Over recent years we have used lighter paper in the production of our catalogues leading to a significant reduction in our paper tonnage consumption.

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 both office and warehouse operations has led to a reduction in energy usage as a proportion of sales. The proportion of our electricity usage acquired from renewable sources is more than double the UK average.

A comprehensive assessment of Energy Saving opportunities has been undertaken by the Carbon Trust. The result was a number of practical energy saving opportunities which are being implemented at Operating level.

Our vehicle fleet's CO₂ emissions are calculated and measured monthly. The majority of our vehicle fleet now runs on Euro 4 compliant diesel engines.

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 2008 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 1 to 40. 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 2008.

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 2006 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 2008 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

23 May 2008

Consolidated Income Statement

year ended 31 March 2008

	Notes	2008 £000	2007 Restated (note 15) £000
Revenue			
From ongoing businesses		634,040	546,013
From terminated businesses	7	11,018	40,765
	3	645,058	586,778
Cost of sales		(300,720)	(304,067)
Gross profit		344,338	282,711
Trading costs	4	(264,812)	(216,446)
Share of result of associate	19	(1,350)	990
Amortisation of intangible assets	16	(2,252)	(1,637)
Negative goodwill arising on acquisitions in the year	36	222	6,721
Impairment of goodwill		(3,000)	—
Exceptional items	6	(15,869)	(18,775)
Loss on disposal of businesses	7	(561)	(19,496)
Share-based payment expense		(973)	(309)
Operating profit		55,743	33,759
Finance income	8	9,735	6,966
Finance costs	9	(31,514)	(24,332)
Profit before tax			
Benchmark		57,004	55,896
Losses from terminated businesses	7	(602)	(5,924)
Amortisation of intangible assets		(2,252)	(1,637)
Negative goodwill arising on acquisitions in the year		222	6,721
Impairment of goodwill		(3,000)	—
Exceptional items		(15,869)	(18,775)
Loss on disposal of businesses		(561)	(19,496)
Share-based payment expense		(973)	(309)
Derivative remeasurements		(5)	(83)
Total profit before tax		33,964	16,393
Profit before tax		33,964	16,393
Tax expense	10	(10,116)	(1,393)
Profit for the year		23,848	15,000
Attributable to:			
Equity holders of the parent		23,848	15,132
Minority interest		—	(132)
		23,848	15,000
Earnings per share			
From continuing operations:	14		
Basic		28.42p	18.06p
Diluted		27.99p	17.83p
Benchmark		48.72p	50.05p

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

Consolidated Statement of Recognised Income and Expense

year ended 31 March 2008

	2008	2007 Restated (note 15)
	£000	£000
Exchange differences on translation of foreign operations	(87)	(663)
Net expense recognised directly in equity	<u>(87)</u>	<u>(663)</u>
Profit for the year	23,848	15,000
Total recognised income and expense for the year	<u>23,761</u>	<u>14,337</u>
Attributable to:		
Equity holders of the parent	23,761	14,469
Minority interest	—	(132)
	<u>23,761</u>	<u>14,337</u>

Consolidated Balance Sheet

At 31 March 2008

	Notes	2008 £000	2007 Restated (note 15) £000
ASSETS			
Non-current assets			
Goodwill	15	64,431	65,879
Other intangible assets	16	78,773	78,207
Property, plant and equipment	17	83,248	70,451
Investments in associates	19	4,962	6,312
Loans and receivables due from associates	40	34,430	—
		<u>265,844</u>	<u>220,849</u>
Current assets			
Inventories	20	109,724	100,348
Trade and other receivables	21	277,911	247,393
Derivative financial instruments	26	457	274
Cash at bank and in hand	22	12,767	7,624
		<u>400,859</u>	<u>355,639</u>
Total assets		<u>666,703</u>	<u>576,488</u>
LIABILITIES			
Current liabilities			
Trade and other payables	23	101,791	97,659
Current tax liabilities		7,672	2,227
Obligations under finance leases	24	595	522
Bank overdrafts and loans	25	66,107	33,000
Derivative financial instruments	26	315	127
Provisions	27	—	1,681
		<u>176,480</u>	<u>135,216</u>
Non-current liabilities			
Bank loans	25	332,287	289,211
Obligations under finance leases	24	494	464
Deferred tax liabilities	28	15,755	15,009
Retirement benefit obligation	38	11,887	14,876
		<u>360,423</u>	<u>319,560</u>
Total liabilities		<u>536,903</u>	<u>454,776</u>
NET ASSETS		<u>129,800</u>	<u>121,712</u>
EQUITY			
Share capital	30	4,255	4,250
Capital redemption reserve	31	403	403
Share premium account	31	23,944	23,568
Merger reserve	31	29,518	29,518
Own shares	31	(2,974)	(3,012)
Liability for share-based payments	31	1,342	369
Translation reserve	32	(491)	(404)
Retained earnings	33	73,803	67,020
Equity attributable to equity holders of the parent		<u>129,800</u>	<u>121,712</u>
Minority interest		—	—
TOTAL EQUITY		<u>129,800</u>	<u>121,712</u>

Approved by the board and authorised for issue on 23 May 2008

P E Jolly }
C D Hinton } Directors

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

Consolidated Cash Flow Statement

year ended 31 March 2008

	2008	2007
	£000	Restated (note 15) £000
Notes		
Operating activities		
Operating profit	55,743	33,759
Adjustments for:		
Depreciation of property, plant and equipment	9,382	8,384
Amortisation of intangible assets	2,252	1,637
Negative goodwill arising on acquisitions in the year	(222)	(6,721)
Impairment of goodwill	3,000	—
Loss on disposal of businesses	561	19,496
Share-based payment expense	973	309
Gain on disposal of property, plant and equipment	(2,012)	(1,188)
Pension contributions less income statement charge	(2,865)	(2,843)
Share of result of associate	1,350	(990)
Operating cash flows before movements in working capital	<u>68,162</u>	<u>51,843</u>
Increase in inventories	(11,723)	(4,191)
Increase in receivables	(34,564)	(6,483)
Increase/(decrease) in payables	5,836	(6,229)
Cash generated from operations	<u>27,711</u>	<u>34,940</u>
Income taxes paid	(4,439)	(1,729)
Interest paid	(27,697)	(15,751)
Net cash from operating activities	<u>(4,425)</u>	<u>17,460</u>
Investing activities		
Interest received	1,079	740
Proceeds on disposal of property, plant and equipment	1,011	2,183
Purchases of property, plant and equipment	(21,454)	(14,131)
Loan advanced to associate	(34,430)	—
Acquisition of subsidiaries	(5,122)	(43,221)
Disposal of subsidiaries	8,856	—
Net cash used in investing activities	<u>(50,060)</u>	<u>(54,429)</u>
Financing activities		
Dividends paid	(17,027)	(15,425)
Repayments of obligations under finance leases	102	(518)
Proceeds on issue of shares	381	165
New bank loans raised	53,612	54,472
Movement on securitisation loan	8,076	5,039
Net cash from financing activities	<u>45,144</u>	<u>43,733</u>
Net increase in cash and cash equivalents	<u>(9,341)</u>	<u>6,764</u>
Cash and cash equivalents at the beginning of the year	(904)	(6,798)
Effect of foreign exchange rate changes	(10)	(870)
Cash and cash equivalents at the end of the year	<u>22</u> <u>(10,255)</u>	<u>(904)</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:

Amendments to IAS 1 – presentation of financial statements

IAS 23 (revised) – borrowing costs

IFRS 8 – operating segments

IFRIC 12 – service concession arrangements

IFRIC 13 – Customer loyalty programmes

IFRIC 14/IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction

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.

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 and have been applied consistently in the current and prior year other than for the adoption of IFRS 7 "Financial Instruments – Disclosures". IFRS 7 is a disclosure standard and consequently has not impacted the reported results.

Basis of consolidation

Subsidiaries

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

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

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

Associates

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

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 annually by comparing its recoverable amount to its carrying value.

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.

1 General Information and Accounting Policies – continued

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

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

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 upon delivery and the amount of revenue can be measured reliably. A provision for estimated returns is made, representing the profit on goods sold during the 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.

Notes to the Consolidated Financial Statements

1 General Information and Accounting Policies – continued

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.

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 underlying trading performance. These costs have a material impact on the absolute amount of and trend in the group operating profit and operating margins. Therefore such non-recurring costs are shown as exceptional items, 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 a pro rata basis.

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

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

Other intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill, if those assets are separable and their fair value can be measured reliably. 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.

1 General Information and Accounting Policies – continued

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.

Financial instruments

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

Financial assets

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

Effective interest method

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

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

Financial assets at FVTPL

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

A financial asset is classified as held for trading if:

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

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

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

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset. Fair value is determined in the manner described in note 39.

Loans and receivables

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

Impairment of financial assets

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

Notes to the Consolidated Financial Statements

1 General Information and Accounting Policies – continued

Objective evidence of impairment could include:

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

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

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

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

Cash and cash equivalents

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

Derecognition of financial assets

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

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

1 General Information and Accounting Policies – continued

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

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

Financial liabilities at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability. Fair value is determined in the manner described in note 39.

Other financial liabilities

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

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

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

Inventories

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

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

Impairment of assets

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

Taxation

The tax currently payable 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.

Notes to the Consolidated Financial Statements

1 General Information and Accounting Policies – continued

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.

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

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

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

2 Critical accounting judgements and key sources of estimation uncertainty

Critical judgements in applying the group's accounting policies

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

Retirement benefits (note 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 exercise of judgement in relation to potential tax exposures. Amounts accrued are based on interpretation of tax law and the likelihood of settlement. Tax benefits are not recognised unless the tax positions are probable of being sustained. Once considered to be probable, each material tax benefit is reviewed to assess whether a provision should be taken against full recognition of the benefit on the basis of the potential settlement. All such provisions are due within one year and therefore included within current 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 2008 or 2007.

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. 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.

Investment in and receivables from associate company – the group has loans and receivables of £34.4m (note 40) and trade receivables of £10.04m from an associate along with an investment in the associate of £5.0m (note 19). Potential impairment of these balances is considered, based upon discounted cash flow projections. Such an assessment requires an estimate of future cash flows and the discount factor which are inherently subjective.

Notes to the Consolidated Financial Statements

	2008 £000	2007 £000
3 Revenue		
An analysis of the group's revenue is as follows:		
Sale of goods	538,994	487,606
Rendering of services	64,800	61,102
Interest	41,264	38,070
	<u>645,058</u>	<u>586,778</u>
Other operating income	2,012	1,153
Finance income	9,735	6,966
	<u>656,805</u>	<u>594,897</u>

	2008 £000	2007 £000
4 Trading costs		
An analysis of the group's trading costs is as follows:		
Selling and distribution costs	186,251	144,636
Administrative expenses	80,573	72,963
Other operating income	(2,012)	(1,153)
	<u>264,812</u>	<u>216,446</u>

5 Business and Geographical Segments

Business Segments

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

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

Segment information about these businesses is presented below.

2008

	Home Shopping £000	Education £000	Healthcare £000	Eliminations £000	Total £000
Revenue					
Ongoing businesses	403,484	174,730	55,826	—	634,040
Terminated businesses	6,315	4,703	—	—	11,018
	<u>409,799</u>	<u>179,433</u>	<u>55,826</u>	<u>—</u>	<u>645,058</u>
External sales	409,799	179,433	55,826	—	645,058
Inter-segment sales	33,243	100	—	(33,343)	—
	<u>443,042</u>	<u>179,533</u>	<u>55,826</u>	<u>(33,343)</u>	<u>645,058</u>

Inter-segment sales are charged at prevailing market prices.

5 Business and Geographical Segments – continued

Result	Home Shopping 2008 £000	Education 2008 £000	Healthcare 2008 £000	Eliminations 2008 £000	Total 2008 £000
Benchmark result:					
Ongoing businesses	50,309	26,718	3,071	—	80,098
Terminated businesses	850	(1,422)	—	—	(572)
Total	51,159	25,296	3,071	—	79,526
Share of result of associate					
Home Shopping					(1,350)
Amortisation of intangible assets					
Home Shopping					(1,293)
Educational Supplies					(930)
Healthcare					(29)
Negative goodwill arising on acquisitions in the year					
Educational Supplies					222
Impairment of goodwill					
Healthcare					(3,000)
Exceptional items					
Home Shopping					(9,961)
Educational Supplies					(5,333)
Healthcare					(364)
Unallocated					(211)
Loss on disposal of businesses					
Home Shopping					2,481
Educational Supplies					(3,042)
Share-based payment expense					
Unallocated					(973)
Operating profit					
Home Shopping					41,036
Educational Supplies					16,213
Healthcare					(322)
Unallocated					(1,184)
					55,743
Finance income					9,735
Finance costs					(31,514)
Profit before tax					33,964
Tax					(10,116)
Profit after tax					23,848

The benchmark and operating results shown include revenue of £1,130,000 and an operating loss of £177,000 in relation to acquisitions within the Home Shopping business segment, revenue of £6,124,000 and operating profit of £732,000 in relation to acquisitions within the Educational Supplies business segment, and revenue of £3,486,000 and operating profit of £448,000 in relation to acquisitions within the Healthcare business segment.

Notes to the Consolidated Financial Statements

5 Business and Geographical Segments – continued

Other information	Home Shopping 2008 £000	Education 2008 £000	Healthcare 2008 £000	Eliminations 2008 £000	Total 2008 £000
Capital additions	9,715	9,977	1,762	—	21,454
Depreciation and amortisation	7,336	3,542	756	—	11,634
Impairment losses	—	—	3,000	—	3,000
Balance Sheet					
Assets					
Segment assets	<u>369,159</u>	<u>193,494</u>	<u>27,507</u>	<u>—</u>	590,160
Investments in associates					4,962
Unallocated corporate assets					<u>71,581</u>
Consolidated total assets					<u>666,703</u>
Liabilities					
Segment liabilities	<u>(151,137)</u>	<u>(46,864)</u>	<u>(6,884)</u>	<u>—</u>	(204,885)
Unallocated corporate liabilities					<u>(332,018)</u>
Consolidated total liabilities					<u>(536,903)</u>

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

2007

	Home Shopping £000	Education £000	Healthcare £000	Eliminations £000	Total £000
Revenue					
Ongoing businesses	330,657	166,519	48,837	—	546,013
Terminated businesses	<u>37,660</u>	<u>3,105</u>	<u>—</u>	<u>—</u>	<u>40,765</u>
External sales	368,317	169,624	48,837	—	586,778
Inter-segment sales	<u>(22,621)</u>	<u>—</u>	<u>—</u>	<u>(22,621)</u>	<u>—</u>
Total revenue	<u>345,696</u>	<u>169,624</u>	<u>48,837</u>	<u>(22,621)</u>	<u>586,778</u>

Inter-segment sales are charged at prevailing market prices.

5 Business and Geographical Segments – continued

Result	Home Shopping	Education	Healthcare	Eliminations	Total Restated (note 15)
	£000	£000	£000	£000	£000
Benchmark result:					
Ongoing businesses	47,638	23,278	1,848	—	72,764
Terminated businesses	(5,454)	(1,045)	—	—	(6,499)
Total	42,184	22,233	1,848	—	66,265
Share of result of associate					
Home Shopping					990
Amortisation of intangible assets					
Home Shopping					(707)
Educational Supplies					(930)
Negative goodwill arising on acquisitions in the year					
Home Shopping					6,721
Exceptional items					
Home Shopping					(11,051)
Educational Supplies					(4,332)
Healthcare					(861)
Unallocated					(2,531)
Loss on disposal of businesses					
Home Shopping					(18,950)
Educational Supplies					(546)
Share-based payment expense					
Unallocated					(309)
Operating profit					
Home Shopping					19,187
Educational Supplies					16,425
Healthcare					987
Unallocated					(2,840)
					33,759
Finance income					6,966
Finance costs					(24,332)
Profit before tax					16,393
Tax					(1,393)
Profit after tax					15,000

The benchmark and operating results 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.

Notes to the Consolidated Financial Statements

5 Business and Geographical Segments – continued

Other information	Home Shopping	Education	Healthcare	Eliminations	Total Restated (note 15)
	2007 £000	2007 £000	2007 £000	2007 £000	2007 £000
Capital additions	6,678	5,803	1,636	—	14,117
Depreciation and amortisation	6,084	3,431	506	—	10,021
Impairment losses	—	—	—	—	—
Balance Sheet					
Assets					
Segment assets	<u>341,385</u>	<u>177,172</u>	<u>24,978</u>	<u>—</u>	543,535
Investments in associates					6,312
Unallocated corporate assets					<u>26,641</u>
Consolidated total assets					<u>576,488</u>
Liabilities					
Segment liabilities	<u>(155,858)</u>	<u>(46,803)</u>	<u>(5,638)</u>	<u>—</u>	(208,299)
Unallocated corporate liabilities					<u>(246,477)</u>
Consolidated total liabilities					<u>(454,776)</u>

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

Geographical segments

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

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

	2008 £000	2007 £000
United Kingdom	608,091	564,314
Europe	14,379	12,052
Asia	12,666	4,681
Other	9,922	5,731
	<u>645,058</u>	<u>586,778</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	
	2008 £000	2007 £000	2008 £000	2007 £000
United Kingdom	651,511	563,491	24,238	59,213
Hong Kong	15,192	12,997	34	63
	<u>666,703</u>	<u>576,488</u>	<u>24,272</u>	<u>59,276</u>

	2008 £000	2007 £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	3,402	11,243
Restructuring costs	11,758	7,207
Profit on sale of non-operating assets	—	(1,307)
Costs in relation to businesses disposed of in prior year	709	—
	<u>15,869</u>	<u>18,775</u>

Warehouse reorganisation costs relate to the Home Shopping business segment £1,306,000 (2007: £10,382,000), the Educational Supplies business segment £2,096,000 (2007: £nil) and the Healthcare business segment £nil (2007: £861,000). Restructuring costs relate to the Home Shopping business segment £7,946,000 (2007: £1,976,000), the Educational Supplies business segment £3,237,000 (2007: £4,332,000) and the Healthcare business segment £364,000 (2007: £nil), with the remainder £211,000 (2007: £899,000) unable to be allocated to a specific business segment. Profit on sale of non-operating assets in the prior year relates to the Home Shopping business segment. Costs in relation to businesses disposed of in the prior year relates to the Home Shopping business segment.

	2008 £000	2007 £000
7 Loss on disposal of businesses		
James Galt & Co	(2,481)	—
Percussion Plus	1,355	—
Weston	419	—
Didax	1,036	—
Protus	232	—
Home Shopping retail operation	—	16,500
Home Farm Hampers	—	2,443
AzTech	—	546
Liquidation of overseas subsidiary	—	7
	<u>561</u>	<u>19,496</u>

During the year, the group incurred gains and 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 17 December 2007, the group disposed of James Galt & Co Limited, following a strategic review by the group and a decision to focus on the core activities of the business.

On 31 March 2008, the group disposed of Percussion Plus, Weston, Didax Inc and Protus, each of which was considered surplus to the core Educational Supplies business.

The gain on the sale of James Galt & Co Limited relates to the Home Shopping business segment. All other losses in the current year relate to the Educational Supplies business segment.

In the prior year, the loss on the sale of the Home Shopping retail operation, the loss on sale of Home Farm Hampers Limited, and the loss on liquidation of the overseas subsidiary related to the Home Shopping business segment. The loss on the sale of AzTech related to the Educational Supplies business segment.

Notes to the Consolidated Financial Statements

7 Loss on disposal of businesses – continued

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

	James Galt & Co £000	Percussion Plus £000	Weston £000	Didax £000	Protus £000	Total £000
Property, plant & equipment	230	24	8	306	—	568
Inventories	2,043	845	397	688	219	4,192
Trade and other receivables	5,695	472	—	759	—	6,926
Bank overdrafts	(468)	—	—	—	—	(468)
Trade and other payables	(1,301)	—	—	(731)	—	(2,032)
Current tax liabilities	(237)	—	—	—	—	(237)
	<u>5,962</u>	<u>1,341</u>	<u>405</u>	<u>1,022</u>	<u>219</u>	<u>8,949</u>
Consideration/(costs of disposal)	8,443	(14)	(14)	(14)	(13)	8,388
Gain/(loss) on disposal	<u>2,481</u>	<u>(1,355)</u>	<u>(419)</u>	<u>(1,036)</u>	<u>(232)</u>	<u>(561)</u>

Both the gains and 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”).

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	
	2008 £000	2007 £000	2008 £000	2007 £000
James Galt & Co Limited	6,315	7,706	820	701
Percussion Plus	1,564	1,662	(513)	(274)
Weston	56	43	(367)	(285)
Didax	2,772	—	(409)	—
Protus	311	—	(133)	—
Disposals completed in prior year	—	31,354	—	(6,066)
	<u>11,018</u>	<u>40,765</u>	<u>(602)</u>	<u>(5,924)</u>
			2008 £000	2007 £000
Interest on bank deposits			3,838	1,516
Expected return on pension assets (note 38)			<u>5,897</u>	<u>5,450</u>
			<u>9,735</u>	<u>6,966</u>

8 Finance income

	2008 £000	2007 £000
9 Finance costs		
On bank loans and overdrafts	26,056	19,011
On finance leases	108	93
Total borrowing costs	<u>26,164</u>	<u>19,104</u>
Amounts arising on derivatives trading not in a designated hedge accounting relationship	5	83
Interest on pension obligations (note 38)	5,345	5,145
	<u>31,514</u>	<u>24,332</u>

	2008 £000	2007 Restated (note 15) £000
10 Tax expense		
Current tax – current year	8,774	828
– adjustments in respect of prior periods	1,261	(1,102)
	<u>10,035</u>	<u>(274)</u>
Deferred tax – current year	28	1,206
– adjustments in respect of prior periods	53	461
	<u>81</u>	<u>1,667</u>
	<u>10,116</u>	<u>1,393</u>

The charge for the year can be reconciled to the profit per the income statement as follows:

Profit before taxation	33,964	16,393
Tax at the UK Corporation tax rate of 30% (2007: 30%)	10,189	4,918
Effects of:		
Tax effect of result of associate	405	(301)
Expenses not deductible/(income not taxable) for tax purposes	1,161	(1,462)
Movements on deferred tax assets not previously recognised	(1,547)	(835)
Lower tax rates on overseas earnings	(280)	(284)
Marginal relief	—	(2)
Change in the rate of UK Corporation tax – reduction in the net deferred tax liability	(1,126)	—
	<u>8,802</u>	<u>2,034</u>
Adjustments in respect of prior periods – current tax	1,261	(1,102)
Adjustments in respect of prior periods – deferred tax	53	461
	<u>10,116</u>	<u>1,393</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 tax deductions in respect of the amortisation of goodwill within certain subsidiaries.

The group will benefit from reduced rates of UK corporation tax from April 2008.

The withdrawal of the Industrial Buildings allowance, if enacted as expected in the 2008 Finance Act, will result in an additional deferred tax liability on qualifying properties of £750,000 which will be debited to the tax charge in the income statement in the year to 31 March 2009.

Notes to the Consolidated Financial Statements

	2008 £000	2007 £000
11 Profit for the year		
Stated after charging/(crediting):		
Cost of inventories recognised as expense	313,443	305,364
Net foreign exchange losses	247	105
Amounts arising on derivatives trading not in a designated hedge accounting relationship	5	83
Depreciation of property, plant and equipment		
– owned	8,899	6,364
– held under finance leases and hire purchase agreements	483	2,020
Gains on disposal of property, plant and equipment	2,012	1,188
Amortisation of intangible assets	2,252	1,637
Negative goodwill arising on acquisitions in the year	(222)	(6,721)
Decrease in provision for inventories	(1,190)	(672)
Staff costs (note 12)	69,012	70,645
Auditors' remuneration for audit services (see below)	401	415

The analysis of auditors' remuneration is as follows:

	2008 £000	2007 £000
Fees payable to the company's auditors for the audit of the company's annual accounts	79	79
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	322	336
Total audit fees	401	415
Other services pursuant to legislation		
– Corporate tax services	192	161
– VAT services	184	146
– Internal audit/risk management services	59	59
– Corporate finance services	175	635
– Other services	15	11
Total non-audit fees	625	1,012
Fees payable to the company's auditors and their associates in respect of associated pension schemes		
Audit	8	8
	1,034	1,435

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 pages 15 and 16 and includes an explanation of how auditor objectivity and independence is safeguarded when non-audit services are provided by the auditors.

	2008 No.	2007 No.
12 Staff costs		
The average monthly number of employees (including executive directors) was:		
Administration	1,602	2,191
Production	225	21
Selling/distribution	1,809	1,830
	<u>3,636</u>	<u>4,042</u>
 Their aggregate remuneration comprised:		
	2008 £000	2007 £000
Wages and salaries	58,945	59,840
Social security costs	6,484	6,683
Other pension costs	3,583	4,122
	<u>69,012</u>	<u>70,645</u>
	2008 £000	2007 £000
13 Dividends		
Amounts recognised as distributions to equity holders in the period:		
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>
Interim dividend for the year ended 31 March 2008 of 4.70p per share (2007: 4.20p per share)	3,999	3,569
Less: attributable to own shares held in Employee Benefit Trust	(53)	(48)
	<u>3,946</u>	<u>3,521</u>
	<u>17,027</u>	<u>15,425</u>
 Proposed final dividend for the year ended 31 March 2008 of 17.5p per share (2007: 15.60p per share)	14,892	13,259
Less: attributable to own shares held in Employee Benefit Trust	(197)	(178)
	<u>14,695</u>	<u>13,081</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.

Notes to the Consolidated Financial Statements

	2008	2007 Restated (note 15)
	£000	£000
14 Earnings per share		
Net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	23,848	15,132
Losses from terminated businesses (net of tax)	421	4,146
Amortisation of intangible assets (net of tax)	1,577	1,147
Negative goodwill arising on acquisitions in the year	(222)	(6,721)
Impairment of goodwill	3,000	—
Exceptional items (net of tax)	11,641	13,654
Loss on disposal of businesses (net of tax)	(360)	14,312
Share-based payment expense and derivative remeasurements (net of tax)	978	275
Net profit attributable to equity holders of the parent for the purpose of benchmark earnings per share	<u>40,883</u>	<u>41,945</u>
	No.	No.
Weighted average number of shares in issue	83,912,540	83,799,565
Dilutive share options	<u>1,305,035</u>	<u>1,059,781</u>
Adjusted weighted average number of shares	<u>85,217,575</u>	<u>84,859,346</u>
Earnings per share – basic	<u>28.42p</u>	<u>18.06p</u>
Earnings per share – benchmark basic	<u>48.72p</u>	<u>50.05p</u>
Earnings per share – diluted	<u>27.99p</u>	<u>17.83p</u>
Earnings per share – benchmark diluted	<u>47.98p</u>	<u>49.43p</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, impairment of goodwill, exceptional items (net of tax), losses on business disposals (net of tax) and share-based payment expense and derivative remeasurements (net of tax) but includes interest received from associates.

£000

15 Goodwill

Cost	
At 1 April 2006	48,427
Additions	18,444
Disposals	(2,188)
At 1 April 2007 as previously reported	<u>64,683</u>
Hindsight adjustments to provisionally determined goodwill arising on acquisitions in the prior year	1,196
At 1 April 2007 as restated	<u>65,879</u>
Additions	1,552
At 31 March 2008	<u>67,431</u>
Impairment	
Impairment loss at 1 April 2006 and 1 April 2007	—
Provision for year	3,000
At 31 March 2008	<u>3,000</u>
Carrying amount	
Net book value at 31 March 2008	<u>64,431</u>
Net book value at 31 March 2007	<u>65,879</u>

During the year, adjustments have been made to the carrying value of inventories (£2,017,000), trade and other receivables (£173,000) and trade and other payables (£72,000) acquired in the prior year, as permitted by the hindsight provisions of IFRS 3 “Business Combinations”. These adjustments have increased goodwill by £1,196,000 and reduced negative goodwill by £1,066,000 and have been reflected in the group’s results by restating the amounts reported in the Consolidated Income Statement and Consolidated Balance Sheet at 31 March 2007.

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

	2008 £000	2007 £000
Education Division		
Findel Education (several CGUs)	33,507	33,507
GLS (single CGU)	<u>11,164</u>	<u>11,164</u>
Healthcare Division		
Nottingham Rehab (single CGU)	<u>2,278</u>	<u>3,756</u>
Home Shopping Division		
Home Shopping (several CGUs)	<u>17,482</u>	<u>17,452</u>
	<u>64,431</u>	<u>65,879</u>

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 to five 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 12%.

The impairment of goodwill of £3m recorded in the year relates to the Nottingham Rehab CGU and arose due to the decision not to renew certain historic contracts.

Notes to the Consolidated Financial Statements

	Brand names £000	Customer relationships £000	Total £000
16 Other intangible assets			
Cost			
At 1 April 2006	19,006	18,606	37,612
Additions	42,225	2,934	45,159
At 1 April 2007	61,231	21,540	82,771
Additions	2,220	598	2,818
At 31 March 2008	63,451	22,138	85,589
Accumulated amortisation and impairment			
At 1 April 2006	—	2,927	2,927
Provision for year	—	1,637	1,637
At 1 April 2007	—	4,564	4,564
Provision for year	—	2,252	2,252
At 31 March 2008	—	6,816	6,816
Carrying amount			
Net book value at 31 March 2008	63,451	15,322	78,773
Net book value at 31 March 2007	61,231	16,976	78,207

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

	2008 £000	2007 £000
Education Division		
Findel Education (several CGUs)	12,941	11,845
GLS (single CGU)	7,161	7,161
Healthcare Division		
Nottingham Rehab (single CGU)	66	—
Home Shopping Division		
Home Shopping (several CGUs)	20,438	19,380
Kleeneze (single CGU)	22,845	22,845
	63,451	61,231

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.

	Land and buildings		Fixtures and equipment	Total
	Freehold £000	Leasehold £000	£000	£000
17 Property, plant and equipment				
Cost				
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 1 April 2007	<u>24,740</u>	<u>2,461</u>	<u>87,672</u>	<u>114,873</u>
Acquisition of subsidiaries	6	—	2,137	2,143
Disposal of subsidiaries	—	—	(957)	(957)
Additions	430	331	20,693	21,454
Disposals	(20)	—	(8,001)	(8,021)
Exchange differences	—	—	(2)	(2)
At 31 March 2008	<u>25,156</u>	<u>2,792</u>	<u>101,542</u>	<u>129,490</u>
Accumulated depreciation and impairment				
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 1 April 2007	<u>5,764</u>	<u>492</u>	<u>38,166</u>	<u>44,422</u>
Disposal of subsidiaries	—	—	(389)	(389)
Provision for year	542	206	8,634	9,382
Disposals	—	—	(7,174)	(7,174)
Exchange differences	—	—	1	1
At 31 March 2008	<u>6,306</u>	<u>698</u>	<u>39,238</u>	<u>46,242</u>
Carrying amount				
Net book value at 31 March 2008	<u>18,850</u>	<u>2,094</u>	<u>62,304</u>	<u>83,248</u>
Net book value at 31 March 2007	<u>18,976</u>	<u>1,969</u>	<u>49,506</u>	<u>70,451</u>

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

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

The net book value of plant, equipment and motor vehicles held under finance leases at 31 March 2008 was £2.1m (2007: £1.8m).

Notes to the Consolidated Financial Statements

18 Subsidiaries

The principal subsidiary undertakings at 31 March 2008 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
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

	2008 £000	2007 £000
Cost of equity investment in associates	5,358	5,358
Value of non-equity investments in associates	5,764	5,764
Share of post acquisition loss, net of dividend received	<u>(6,160)</u>	<u>(4,810)</u>
	<u>4,962</u>	<u>6,312</u>

Details of the group's associates at 31 March 2008 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.

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

	2008 £000	2007 £000
Total assets	16,427	15,998
Total liabilities	<u>(19,100)</u>	<u>(14,132)</u>
Net (liabilities)/assets	<u>(2,673)</u>	<u>1,866</u>
Group's share of associates' net assets	(802)	548
Value of non-equity investments in associates	<u>5,764</u>	<u>5,764</u>
	<u>4,962</u>	<u>6,312</u>
Revenue	75,502	21,163
(Loss)/profit for the period	<u>(4,500)</u>	<u>3,300</u>
Group's share of associates' (loss)/profit for the period	<u>(1,350)</u>	<u>990</u>

During the year, the group has advanced a loan of £34.4m to its associate, details of which are set out in note 40.

	2008	2007 Restated (note 15)
	£000	£000
20 Inventories		
Raw materials	40	250
Work in progress	—	—
Finished goods	109,684	100,098
	<u>109,724</u>	<u>100,348</u>

	2008	2007
	£000	£000
21 Trade and other receivables		
Amount receivable following the sale of goods	333,331	300,041
Allowance for doubtful debts	<u>(90,358)</u>	<u>(79,071)</u>
	242,973	220,970
Other debtors	7,682	3,131
Prepayments	<u>27,256</u>	<u>23,292</u>
	<u>277,911</u>	<u>247,393</u>

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 £97,287,000 (2007: £89,211,000) were funded through the securitisation facility.

Home Shopping

The average credit period taken on sales of goods is 145 days. Interest is charged at 2.6% per month on the outstanding balance. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

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

Included in the group's trade receivable balance are debtors with a carrying amount of £70,690,000 (2007: £57,414,000) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances. The average age of these receivables is 113 days (2007: 114 days).

Educational Supplies

The average credit period taken on sales of goods is 38 days. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

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

Included in the group's trade receivable balance are debtors with a carrying amount of £9,287,000 (2007: £11,898,000) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances. The average age of these receivables is 61 days (2007: 77 days).

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21 Trade and other receivables – continued

Healthcare

The average credit period taken on sales of goods is 52 days. Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

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

Included in the group's trade receivable balance are debtors with a carrying amount of £2,344,000 (2007: £3,272,000) which are past due at the reporting date for which the group has not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable. The group does not hold any collateral over these balances. The average age of these receivables is 113 days (2007: 97 days).

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

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

	Home Shopping £000	Educational Supplies £000	Healthcare £000	2007 £000
0 – 60 days	28,341	6,865	1,101	36,307
60 – 120 days	11,934	773	712	13,428
120+ days	17,130	4,260	1,459	22,849
Total	<u>57,414</u>	<u>11,898</u>	<u>3,272</u>	<u>72,584</u>

Movement in the allowance for doubtful debts

	Home Shopping £000	Educational Supplies £000	Healthcare £000	2008 £000
Balance at the beginning of the year	77,284	1,271	516	79,071
Impairment losses recognised	30,570	7	199	30,776
Amounts written off as uncollectible	(21,417)	(480)	(475)	(22,372)
Amounts recovered during the year	2,883	—	—	2,883
Balance at the end of the year	<u>89,320</u>	<u>798</u>	<u>240</u>	<u>90,358</u>

	Home Shopping £000	Educational Supplies £000	Healthcare £000	2007 £000
Balance at the beginning of the year	64,203	759	—	64,962
Impairment losses recognised	25,486	657	516	26,659
Amounts written off as uncollectible	(14,925)	(145)	—	(15,070)
Amounts recovered during the year	2,520	—	—	2,520
Balance at the end of the year	<u>77,284</u>	<u>1,271</u>	<u>516</u>	<u>79,071</u>

21 Trade and other receivables – continued

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

Included in the allowance for doubtful debts are individually impaired trade receivables with a balance of £368,000 (2007: £151,000) which have been placed under liquidation. The impairment recognised represents the difference between the carrying amount of these trade receivable and the present value of the expected liquidation proceeds. The group does not hold any collateral over these balances. The group has no trade receivables subject to renegotiation.

Details of impaired trade receivables subject to partial provision

	Home Shopping £000	Educational Supplies £000	Healthcare £000	Total £000
As at 31 March 2008	1,309	15	240	1,564
As at 31 March 2007	720	404	41	1,165

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

22 Cash at bank and in hand

	2008 £000	2007 £000
Cash at bank and in hand	12,767	7,624
Cash and cash equivalents include the following for the purposes of the cash flow statement:		
Cash at bank and in hand as above	12,767	7,624
Bank overdrafts	(23,022)	(8,528)
	(10,255)	(904)

Cash and cash equivalents 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.

Notes to the Consolidated Financial Statements

	2008	2007 Restated (note 15)
	£000	£000
23 Trade and other payables		
Trade creditors and accruals	<u>101,791</u>	<u>97,659</u>

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

The average credit period taken for trade purchases is 105 days (2007: 100 days). No interest is charged on trade payables. The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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

	Minimum lease payments		Present value of Minimum lease payments	
	2008	2007	2008	2007
	£000	£000	£000	£000
24 Obligations under finance leases				
Amounts payable under finance leases:				
Within one year	664	617	595	522
In the second to fifth years	589	548	494	464
In more than five years	—	—	—	—
	<u>1,253</u>	<u>1,165</u>	<u>1,089</u>	<u>986</u>
Less future finance charges	(164)	(179)	—	—
Present value of lease obligations	<u>1,089</u>	<u>986</u>	<u>1,089</u>	<u>986</u>
Less amounts due for settlement within 12 months			(595)	(522)
Amount due for settlement after 12 months			<u>494</u>	<u>464</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 2008, the average borrowing rate was 7.5% (2007: 7.5%).

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

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

	2008 £000	2007 £000
25 Borrowings		
Unsecured borrowing at amortised cost		
Bank overdrafts	23,022	8,528
Bank loans	375,372	313,683
	<u>398,394</u>	<u>322,211</u>
Total borrowings		
Amount due for settlement within 12 months	66,107	33,000
Amount due for settlement after 12 months	332,287	289,211

	Sterling £000	US dollars £000	HK dollars £000	Total £000
Analysis of borrowings by currency				
2008				
Bank overdrafts	22,353	498	171	23,022
Bank loans	375,372	—	—	375,372
	<u>397,725</u>	<u>498</u>	<u>171</u>	<u>398,394</u>
2007				
Bank overdrafts	8,528	—	—	8,528
Bank loans	313,683	—	—	313,683
	<u>322,211</u>	<u>—</u>	<u>—</u>	<u>322,211</u>

The average interest rates paid were as follows:

Bank overdrafts	6.56%	5.83%
Bank loans	6.72%	5.69%

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 6.56% (2007: 5.83%) in the year.

The group has two principal bank loans:

- (i) An unsecured, committed revolving credit facility of £250m dated 3 September 2007 which expires on 3 September 2012. Amounts drawn under the facility carry interest at a variable premium over LIBOR determined by reference to the group's ratio of net borrowings to earnings.
- (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.

	2008 £000	2007 £000
Borrowing facilities		
The group had undrawn committed borrowing facilities as follows:		
Expiring in one year or less	48,000	63,000
Expiring in more than one year but not more than two years	—	—
Expiring in more than two years	22,713	15,789
	<u>70,713</u>	<u>78,789</u>

Notes to the Consolidated Financial Statements

	2008		2007	
	Assets £000	Liabilities £000	Assets £000	Liabilities £000
26 Derivative financial instruments				
Forward foreign exchange contracts	457	—	—	(127)
Interest rate derivatives	—	(315)	274	—
	<u>457</u>	<u>(315)</u>	<u>274</u>	<u>(127)</u>
Analysed as:				
Current	457	(315)	274	(127)
Non-current	—	—	—	—
	<u>457</u>	<u>(315)</u>	<u>274</u>	<u>(127)</u>

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. The group also mixes the duration of its borrowings to smooth the impact of interest rate fluctuations.

Currency risk management

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

Borrowing risk

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

	2008 £000	2007 £000
27 Provisions		
Restructuring provision		
At 1 April	1,681	—
Utilised in the year	(1,681)	—
Provision in the year	—	1,681
At 31 March	<u>—</u>	<u>1,681</u>

The restructuring provision recorded in the prior year predominantly related to redundancy costs to be incurred in the reorganisation of the businesses acquired during that year.

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 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 1 April 2007	(1,823)	5,062	(4,463)	16,233	15,009
On acquisition	—	(6)	(128)	799	665
Charge to profit or loss for the year	382	202	1,263	(1,766)	81
At 31 March 2008	(1,441)	5,258	(3,328)	15,266	15,755

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:

	2008 £000	2007 £000
Deferred tax liabilities	20,979	21,744
Deferred tax assets	(5,224)	(6,735)
	<u>15,755</u>	<u>15,009</u>

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 £1,460,000 (2007: £1,289,000). 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.

From 1 April 2008, the main rate of UK Corporation tax has been reduced to 28% from 30%. As a result, the group's deferred tax assets and liabilities have been revalued at 28% being the rate at which they are expected to reverse. This has resulted in a tax credit to the income statement of £1,126,000.

Subject to provisions contained within Finance Act 2008 being enacted as anticipated, the 31 March 2009 financial statements will reflect an additional deferred tax liability of £750,000 relating to properties previously qualifying for Industrial Buildings Allowances.

Notes to the Consolidated Financial Statements

29 Share-based payments

Equity settled share option schemes

The company has a share option scheme for all employees of the group. Options are exercisable at a price equal to the average quoted market price of the company's shares on the date of grant. The vesting period is 3 years. If the options remain unexercised after a period of 7 years from the date of grant, the option expires. Options are forfeited if the employee leaves the group before the options vest.

	2008 No. of share options	2008 Weighted average exercise price (in £)	2007 No. of share options	2007 Weighted average exercise price (in £)
Outstanding at the beginning of the year	548,248	4.29	439,499	2.97
Granted during the year	—	—	225,688	5.45
Exercised during the year	(105,682)	3.61	(116,939)	1.58
Outstanding at the end of the year	<u>442,566</u>	<u>4.45</u>	<u>548,248</u>	<u>4.29</u>
Exercisable at the end of the year	<u>216,878</u>		<u>28,036</u>	

The weighted average share price at the date of exercise for share options exercised during the year was 361 pence. The options outstanding at the end of the year have a weighted average remaining contractual life of 3.96 years (2007: 4.80 years). No options were granted in the current year. On 11 May 2006, options were granted over 225,688 shares. The estimated fair value of the options at this date was £224,900.

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

Performance Share Plan (Equity settled)

The group issued to certain senior employees conditional awards of performance shares under a Performance Share Plan (PSP) that require the group to award shares to the employee on the vesting of the award subject to the achievement of certain predetermined performance conditions. The performance period is 3 years after which the awards vest.

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).

	2008 No. of shares	2007 No. of shares
Outstanding at the beginning of the year	279,013	—
Granted during the year	393,636	279,013
Vested during the year	(14,245)	—
Lapsed during the year	(28,490)	—
Outstanding at the end of the year	<u>629,914</u>	<u>279,013</u>

The estimated fair value of the awards granted during the year is £2,113,000 (2007: £1,417,000).

29 Share-based payments – continued

These fair values were calculated using a Stochastic option pricing model. The inputs into the model were as follows:

	2008	2007
Weighted average share price (pence)	640.9	629.5
Weighted average exercise price (pence)	0.0	0.0
Expected volatility	28.3	24.0
Expected life (years)	3.0	3.0
Risk free rate (%)	4.80	4.90
Expected dividend yield (%)	0.0	0.0

Expected volatility was determined by calculating the historical volatility of the group's share price over the previous 3 years.

The group recognised total expenses of £1.0m (2007: £0.3m) 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 1,128,190 ordinary shares within an Employee Benefit Trust as a hedge against the group's liabilities under the LTIP.

	2008	2007
	£000	£000
30 Share capital		
Authorised		
95 million ordinary shares of 5p each	4,750	4,750
Allotted, issued and fully paid		
At the beginning of the year	4,250	4,245
Exercise of share options	5	5
At the end of the year	4,255	4,250

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 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 1 April 2007	403	23,568	29,518	(3,012)	369	50,846
Share issues	—	376	—	—	—	376
Own shares transferred from Employee Benefit Trust	—	—	—	38	—	38
Credit to equity for share-based payments	—	—	—	—	973	973
At 31 March 2008	403	23,944	29,518	(2,974)	1,342	52,233

Own shares comprises 1,128,190 ordinary shares of 5p each of the company, representing 1.3% of the issued share capital of the company at 31 March 2008. The maximum number of such shares held during the year was 1,142,435. 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.

32 Translation reserve

	£000
Balance at 1 April 2006	259
Exchange differences arising on translation of foreign operations	(663)
Balance at 1 April 2007	(404)
Exchange differences arising on translation of foreign operations	(87)
Balance at 31 March 2008	(491)

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

33 Retained earnings

	£000
At 1 April 2006	67,313
Dividends paid	(15,425)
Profit for the year attributable to equity holders of the parent	16,198
At 1 April 2007 as previously reported	68,086
Adjustments to negative goodwill arising on acquisitions in the prior year	(1,066)
At 1 April 2007 as restated	67,020
Dividends paid	(17,027)
Profit for the year attributable to equity holders of the parent	23,848
Own shares transferred from Employee Benefit Trust	(38)
At 31 March 2008	73,803

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 2008 or 31 March 2007.

36 Acquisition of businesses

On 4 April 2007, the group acquired the entire issued share capital of Synergy Managed Equipment Services Limited ("SMES") for consideration of £1,462,000. The transaction has been accounted for by the purchase method of accounting.

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

	Book value £000	Fair value £000
Net assets acquired		
Intangible assets – customer relationships	—	589
Property, plant and equipment	124	124
Inventories	232	232
Trade and other receivables	362	362
Cash and cash equivalents	15	15
Trade and other payables	(429)	(463)
Current tax liabilities	(91)	(81)
Deferred tax liabilities	—	(164)
	<u>213</u>	<u>614</u>
Goodwill		848
Total consideration		<u>1,462</u>
Satisfied by:		
Cash		1,368
Directly attributable costs		94
		<u>1,462</u>
Net cash outflow arising on acquisition:		
Cash consideration		1,462
Cash and cash equivalents acquired		(15)
		<u>1,447</u>

The goodwill arising on the acquisition of SMES is attributable to the staff acquired with the business, the enhanced 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 SMES relate to the recognition of intangible assets and the associated deferred tax liability.

SMES contributed £3,486,000 of revenue and £458,000 to the group's profit before tax for the period between the date of the acquisition and the balance sheet date. Given the timing of the acquisition, had the acquisition been completed on the first day of the current financial period, this contribution, and consequently group revenues and group profit attributable to equity holders of the parent, would have been unchanged.

SMES is part of the Healthcare business segment.

Subsequent to the acquisition, the name of the company was changed from SMES to NRS Mobility Care Limited.

Notes to the Consolidated Financial Statements

36 Acquisition of businesses – continued

On 4 April 2007, the group acquired the entire issued share capital of Philograph Publications Limited (“Philograph”) for consideration of £1,398,000. The transaction has been accounted for by the purchase method of accounting.

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

	Book value £000	Fair value £000
Net assets acquired		
Intangible assets – brand names	—	1,096
Property, plant and equipment	2,089	1,987
Inventories	1,329	1,274
Trade and other receivables	634	634
Cash and cash equivalents	(1,416)	(1,416)
Trade and other payables	(1,802)	(1,341)
Pension deficit	—	(428)
Deferred tax liabilities	—	(186)
	<u>834</u>	<u>1,620</u>
Negative goodwill		(222)
Total consideration		<u>1,398</u>
Satisfied by:		
Cash		1,336
Directly attributable costs		62
		<u>1,398</u>
Net cash outflow arising on acquisition:		
Cash consideration		1,398
Cash and cash equivalents acquired		1,416
		<u>2,814</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 Philograph 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 to reflect net realisable value.

Philograph contributed £6,124,000 of revenue and a loss of £775,000 to the group’s profit before tax for the period between the date of acquisition and the balance sheet date. Given the timing of the acquisition, had the acquisition been completed on the first day of the current financial period, this contribution, and consequently group revenues and group profit attributable to equity holders of the parent, would have been unchanged.

Philograph is part of the Educational Supplies business segment.

36 Acquisition of businesses – continued

On 22 November 2007, the group acquired the trade and certain assets of Health & Home Shopping Limited (“HHS”) from the administrators of the business for consideration of £700,000. 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. These values will be finalised within the hindsight period set out within IFRS 3 ‘Business Combinations’ as further evidence becomes available.

	Book value £000	Fair value £000
Net assets acquired		
Intangible assets – brands	—	1,059
Property, plant and equipment	50	21
Inventories	2,020	337
Trade and other payables	—	(452)
Deferred tax liabilities	—	(295)
	<u>2,070</u>	<u>670</u>
Goodwill		<u>30</u>
Total consideration		<u>700</u>
Satisfied by:		
Cash		700
Directly attributable costs		<u>—</u>
		<u>700</u>
Net cash outflow arising on acquisition:		
Cash consideration		700
Cash and cash equivalents acquired		<u>—</u>
		<u>700</u>

The goodwill arising on the acquisition of HHS is attributable to the staff acquired with the business, the enhanced 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 HHS 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 to reflect net realisable value.

HHS contributed £1,130,000 of revenue and a loss of £177,000 to the group’s profit before tax for the period between the date of acquisition and the balance sheet date.

HHS is part of the Home Shopping business segment.

Notes to the Consolidated Financial Statements

36 Acquisition of businesses – continued

On 17 March 2008, the group acquired the trade, assets and liabilities of Moving Solutions Limited (“Moving Solutions”) for consideration of £170,000. 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. These values will be finalised within the hindsight period set out within IFRS 3 ‘Business Combinations’ as further evidence becomes available.

	Book value £000	Fair value £000
Net assets acquired		
Intangible assets – brands	—	65
Intangible assets – customer relationships	—	9
Property, plant and equipment	11	11
Inventories	26	26
Trade and other receivables	57	57
Cash and cash equivalents	9	9
Trade and other payables	(661)	(661)
Deferred tax liabilities	—	(20)
	<u>(558)</u>	<u>(504)</u>
Goodwill		674
Total consideration		<u>170</u>
Satisfied by:		
Cash		170
Directly attributable costs		—
		<u>170</u>
Net cash outflow arising on acquisition:		
Cash consideration		170
Cash and cash equivalents acquired		(9)
		<u>161</u>

The goodwill arising on the acquisition of Moving Solutions is attributable to the staff acquired with the business, the enhanced 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 Moving Solutions relate to the recognition of intangible assets and the associated deferred tax liability.

Given the timing of the acquisition, Moving Solutions contributed £nil of revenue and £nil to the group’s profit before tax for the period between the date of acquisition and the balance sheet date.

Moving Solutions is part of the Healthcare business segment.

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	Fair value £000
Net assets acquired		
Intangible assets – brands	—	2,220
Intangible assets – customer relationships	—	598
Property, plant and equipment	2,274	2,143
Inventories	3,607	1,869
Trade and other receivables	1,053	1,053
Cash and cash equivalents	(1,392)	(1,392)
Trade and other payables	(2,892)	(2,917)
Pension deficit	—	(428)
Current tax liabilities	(91)	(81)
Deferred tax liabilities	—	(665)
	<u>2,559</u>	<u>2,400</u>
Goodwill		1,552
Negative goodwill		(222)
Total consideration		<u>3,730</u>
Satisfied by:		
Cash		3,574
Directly attributable costs		156
		<u>3,730</u>
Net cash outflow arising on acquisition:		
Cash consideration		3,730
Cash and cash equivalents acquired		1,392
		<u>5,122</u>

If the acquisitions had been completed on the first day of the financial year, group revenues for the period would have been £645,425,000 and group profit attributable to equity holders of the parent would have been £23,844,000.

As a consequence of acquiring HHS from the administrators of the predecessor business, full information regarding the pre-acquisition financial performance of HHS is unavailable. Consequently, the amounts reported exclude the impact of HHS.

	2008 £000	2007 £000
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37 Operating lease arrangements

Minimum lease payments recognised as an expense in the year	<u>7,760</u>	<u>7,423</u>
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At the balance sheet date, the group had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2008 £000	2007 £000
Within one year	444	441
In the second to fifth years	5,267	5,046
After five years	6,053	4,345
	<u>11,764</u>	<u>9,832</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.

Notes to the Consolidated Financial Statements

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 £798,000 (2007: £747,000) represents contributions payable at rates specified by the rules of the plan.

Defined benefit schemes

The principal UK scheme (the "Findel Group Pension Fund") was assessed by Aon Consulting, the scheme's actuaries, at 6 April 2007 using the projected unit method. The principal actuarial assumptions adopted in that valuation were that the annual rate of return on growth investments would be 1.50% higher than the annual increase in total pensionable remuneration and the return on bond investments would be between 2.05% and 2.25% higher than the annual increase in present and future pensions in payment. The actuarial value of the assets was sufficient to cover 91% of the benefits that had accrued to members, after allowing for expected future increases in pensionable remuneration. The market value of the scheme's assets at the date of valuation was £66.8m. The next valuation is due as at April 2010.

In addition, the company sponsors the Findel Education Pension Scheme, which was assessed by Aon Consulting, the schemes' actuaries, at 6 April 2004. 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. The next valuation is due in respect of April 2007, but is not yet completed.

The most recent valuations of the plans for IAS 19 purposes were carried out at 31 March 2008 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:

	2008	2007
	%	%
Discount rate for scheme liabilities	6.70	5.40
Expected return on scheme assets	6.80	6.50
Inflation	3.50	3.00
Rate of general increase in salaries	5.25	4.75
Rate of increase to pensions in payment	3.50	3.00
Rate of increase to deferred pensions	3.50	3.00

The assumption used for post-retirement mortality is equivalent to a life expectancy for a sample male aged 65 retiring in April 2008 of 87.0 years (2007: 84.3 years) (FGPF) and 84.8 years (2007: 83.4 years) (FEPS); and for a sample male retiring in April 2028 of 88.1 years (2007: 83.7 years) (FGPF) and 86.1 years (2007: 83.4 years) (FEPS).

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	2008	2007
	£000	£000
Current service cost	1,203	1,423
Past service cost	30	372
Gains on settlements and curtailments	(170)	-
Total operating charge	1,063	1,795
(ii) included within financial costs		
Expected return on pension assets	(5,897)	(5,450)
Interest cost	5,345	5,145
Net income	(552)	(305)

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:

	2008 £000	2007 £000	2006 £000
Fair value of scheme assets	84,781	86,745	80,866
Present value of funded obligations	<u>(88,220)</u>	<u>(99,222)</u>	<u>(99,788)</u>
	(3,439)	(12,477)	(18,922)
Unrecognised actuarial (gains)/losses	<u>(8,448)</u>	<u>(2,399)</u>	<u>898</u>
Net pension liability recognised in the balance sheet	<u>(11,887)</u>	<u>(14,876)</u>	<u>(18,024)</u>

The related deferred tax asset is disclosed in Note 28.

Movements in the pension deficit were as follows:

	2008 £000	2007 £000
Opening deficit	(12,477)	(18,922)
Movement in year:		
Acquisitions in the year	(428)	—
Current service cost	(1,203)	(1,423)
Past service cost	(30)	(372)
Gains on settlements and curtailments	170	—
Interest cost	(5,345)	(5,145)
Expected return on pension assets	5,897	5,450
Actuarial gain	6,049	3,310
Contributions	3,928	4,625
Closing deficit	<u>(3,439)</u>	<u>(12,477)</u>

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

	2008 £000	2007 £000
At 1 April	(99,222)	(99,788)
Movement in year:		
Acquisitions in the year	(2,321)	—
Current service cost	(1,203)	(1,423)
Interest cost	(5,345)	(5,145)
Contributions by the members	(171)	(228)
Gains on settlements and curtailments	170	—
Actuarial gain/(loss)	13,442	4,689
Benefits paid	6,460	3,045
Past service cost	(30)	(372)
At 31 March	<u>(88,220)</u>	<u>(99,222)</u>

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

	2008 £000	2007 £000
At 1 April	86,745	80,866
Movement in year:		
Acquisitions in the year	1,893	—
Contributions	3,928	4,625
Contributions by the members	171	228
Expected return on pension assets	5,897	5,450
Actuarial loss	(7,393)	(1,379)
Benefits paid	(6,460)	(3,045)
At 31 March	<u>84,781</u>	<u>86,745</u>

Notes to the Consolidated Financial Statements

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	
	2008 %	2007 %	2008 £000	2007 £000
Equities/Property	8.00	8.00	49,369	50,924
Bonds	4.60	4.75	33,825	32,513
Other	5.25	5.25	1,587	3,308
			<u>84,781</u>	<u>86,745</u>

The history of experience adjustments is as follows:

	2008 £000	2007 £000	2006 £000	2005 £000	2004 £000
Fair value of plan assets	84,781	86,745	80,866	67,000	58,569
Fair value of defined benefit obligation	(88,220)	(99,222)	(99,788)	(91,622)	(79,320)
Deficit in the scheme	<u>(3,439)</u>	<u>(12,477)</u>	<u>(18,922)</u>	<u>(24,622)</u>	<u>(20,751)</u>
Experience adjustments on scheme liabilities					
Amount (£000)	2,394	(16)	(4,498)	(7,521)	81
Percentage of scheme liabilities (%)	3%	0%	(5%)	(9%)	0%
Experience adjustments on scheme assets					
Amount (£000)	(7,393)	(1,379)	8,408	2,892	6,959
Percentage of scheme assets (%)	9%	2%	11%	5%	12%

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 2009. The group expects to contribute approximately £4,252,000 to its defined benefit plans in the year ending 31 March 2009.

39 Financial Instruments

Capital risk management

The group manages its capital to ensure that entities in the group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of the debt and equity balance. The capital structure of the group consists of debt (£399,492,000), which includes the borrowings disclosed in note 25, cash and cash equivalents (£12,767,000) and equity attributable to equity holders of the parent, comprising issued capital (£4,255,000), reserves (£52,233,000) and retained earnings (£73,803,000) as disclosed in notes 30 to 33.

Externally imposed capital requirement

The group is not subject to externally imposed capital requirements.

Significant accounting policies

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

Categories of financial instruments

	Carrying value	
	2008 £000	2007 £000
Financial assets		
Held for trading	457	274
Loans and receivables (including cash and cash equivalents)	325,108	255,017
Financial liabilities		
Held for trading	315	127
Amortised cost	501,274	420,856

39 Financial Instruments – continued

Financial risk management objectives

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

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

Market risk

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

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

Foreign currency risk management

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

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

	Assets		Liabilities	
	2008 £000	2007 £000	2008 £000	2007 £000
Euro	3,286	1,436	(14)	(572)
Hong Kong dollar	—	396	(213)	(290)
US dollar	3,132	3,328	(3,419)	(2,730)

Foreign currency sensitivity analysis

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

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

	Euro currency impact		Hong Kong dollar currency impact		US dollar currency impact	
	2008 £000	2007 £000	2008 £000	2007 £000	2008 £000	2007 £000
Profit or loss and equity	(297)	(79)	19	(10)	(1,291)	(984)

Notes to the Consolidated Financial Statements

39 Financial Instruments – continued

Forward foreign exchange contracts

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

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

Outstanding contracts

	Average exchange rate		Foreign currency		Contract value		Fair value	
	2008 Rate	2007 Rate	2008 US\$000	2007 US\$000	2008 £000	2007 £000	2008 £000	2007 £000
Buy US dollars								
Less than 3 months	1.9974	—	5,000	—	2,503	—	22	—
3 to 6 months	2.0409	1.9025	5,000	10,000	2,450	5,256	89	(154)
6 months +	2.0265	1.9668	18,000	10,000	8,883	5,085	346	27
	<u>2.0239</u>	<u>1.9346</u>	<u>28,000</u>	<u>20,000</u>	<u>13,836</u>	<u>10,341</u>	<u>457</u>	<u>(127)</u>

Changes in the fair value of non-hedging currency derivatives amounting to £584,000 have been credited to income in the year (2007: £381,000 charge to income).

Interest rate risk management

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

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the group's profit and equity reserves for the year ended 31 March 2008 would decrease/increase by £1,992,000 (2007: decrease/increase by £1,611,000). This is mainly attributable to the group's exposure to interest rates on its variable rate borrowings.

Interest rate swap contracts

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

39 Financial Instruments – continued

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

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 2008 the fair value of the group's interest rate derivatives is a liability of £0.3m (2007: asset of £0.3m). 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 £589,000 have been charged to income in the year (2007: £298,000 credit to income).

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

Credit risk management

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

The group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The group defines counterparties as having similar characteristics if they are connected entities. Other than the loan to associate disclosed in note 40, concentration of credit did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

Liquidity risk management

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

Notes to the Consolidated Financial Statements

39 Financial Instruments – continued

Liquidity and interest risk tables

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

	Weighted average effective interest rate %	Less than 1 year £000	1 to 5 years £000	5+ years £000	Total £000
2008					
Non-interest bearing	—	101,791	—	—	101,791
Finance lease liability	7.5	664	589	—	1,253
Variable interest rate instruments	6.69	90,258	422,910	—	513,168
		<u>192,713</u>	<u>423,499</u>	<u>—</u>	<u>616,212</u>
2007					
Non-interest bearing	—	97,659	—	—	97,659
Finance lease liability	7.5	617	548	—	1,165
Variable interest rate instruments	5.74	50,340	321,077	—	371,417
		<u>148,616</u>	<u>321,625</u>	<u>—</u>	<u>470,241</u>

The group has access to financing facilities, the total unused amount of which is £70,713,000 at the balance sheet date. The group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. The group expects to broadly maintain its current debt to equity ratio.

The following table details the group's liquidity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows/(outflows) on the derivative instruments that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the interest and foreign currency rates prevailing at the reporting date.

	Less than 1 year £000	1 to 5 years £000	5+ years £000	Total £000
2008				
Net settled				
Interest rate swaps	16	28	—	44
Gross settled				
Foreign exchange forward contracts – asset	457	—	—	457
	<u>473</u>	<u>28</u>	<u>—</u>	<u>501</u>
2007				
Net settled				
Interest rate swaps	—	—	—	—
Gross settled				
Foreign exchange forward contracts – liability	(127)	—	—	(127)
	<u>(127)</u>	<u>—</u>	<u>—</u>	<u>(127)</u>

39 Financial Instruments – continued

Fair value of financial instruments

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

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

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair value.

40 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 2008 the group made purchases from its associate on normal commercial terms of £4.26m (2007: £0.01m) and in the same period the group supplied goods and services to its associate of £7.15m (2007: £7.10m). At 31 March 2008 the group had trade payables due to the associate of £0.03m (2007: £nil) and that of the associate to the group was £10.04m (2007: £6.25m).

In addition during the current period the group has advanced £34.4m to its associate company Webb group in support of its acquisition of Choices UK and the development of the enlarged group. During the current period interest income of £2.2m has been recognised on the loan and as at 31 March 2008 the receivable balance was £34.4m. This loan carries interest at 15%, is unsecured and is repayable in September 2009. The directors consider that the fair value of this receivable is not materially different to its carrying value. The receivable is not past due and has not been impaired.

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 2008 group purchases from Herbert Walker on normal commercial terms amounted to £0.51m (2007: £0.72m) and in the same period the group supplied goods and services to Herbert Walker of £0.12m (2007: £0.14m). At 31 March 2008 the group indebtedness to Herbert Walker was £0.03m (2007: £0.02m) and that of Herbert Walker to the group was £0.03m (2007: £0.03m).

Compensation of key management personnel

The remuneration of the directors including consultancy contracts and share-based payments, who are the key management of the group, is set out in the audited part of the Directors' Remuneration Report on pages 23 to 26.

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 2008 which comprise the Balance Sheet and the related notes 1 to 18. 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 2008 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 2008;
- 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

23 May 2008

Company Balance Sheet

At 31 March 2008

	Notes	2008 £000	2007 £000
Fixed assets			
Tangible assets	5	13,983	14,352
Investments	6	133,215	147,263
		<u>147,198</u>	<u>161,615</u>
Current assets			
Debtors	7	274,209	231,084
Cash at bank and in hand		56,885	44,632
		<u>331,094</u>	<u>275,716</u>
Creditors: amounts falling due within one year	8	<u>(95,475)</u>	<u>(66,336)</u>
Net current assets		<u>235,619</u>	<u>209,380</u>
Total assets less current liabilities		<u>382,817</u>	<u>370,995</u>
Creditors: amounts falling due after more than one year	9	<u>(235,004)</u>	<u>(200,046)</u>
Provisions for liabilities	10	<u>(2,387)</u>	<u>(3,385)</u>
Net assets		<u>145,426</u>	<u>167,564</u>
Capital and reserves			
Called-up share capital	13	4,255	4,250
Capital redemption reserve	14	403	403
Share premium account	14	23,944	23,568
Revaluation reserve	14	29,518	29,518
Own shares	14	(2,974)	(3,012)
Liability for share-based payments	14	1,342	369
Profit and loss account	14	88,938	112,468
Equity shareholders' funds	15	<u>145,426</u>	<u>167,564</u>

Approved by the board and authorised for issue on 23 May 2008

P E Jolly	}	Directors
C D Hinton		

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. The company has taken advantage of the allowed exemption from FRS 29 (Financial Instruments: Disclosures).

Fixed assets and depreciation

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

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 loss for the financial year ended 31 March 2008 of £6,465,000 (2007: profit of £80,369,000).

The auditors' remuneration for audit services to the company was £105,000 (2007: £79,000).

3 Staff costs

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

	2008 No.	2007 No.
Administration	20	22

Their aggregate remuneration comprised:

	2008 £000	2007 £000
Wages and salaries	4,345	4,956
Social security costs	312	764
Other pension costs	2,347	2,796
	<u>7,004</u>	<u>8,516</u>

Notes to the Company Financial Statements

	2008 £000	2007 £000
4 Dividends		
Amounts recognised as distributions to shareholders in the period:		
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>
Interim dividend for the year ended 31 March 2008 of 4.70p per share (2007: 4.20p per share)	3,999	3,569
Less: attributable to own shares held in Employee Benefit Trust	(53)	(48)
	<u>3,946</u>	<u>3,521</u>
	<u>17,027</u>	<u>15,425</u>
Proposed final dividend for the year ended 31 March 2008 of 17.50p per share (2007: 15.60p per share)	14,892	13,259
Less: attributable to own shares held in Employee Benefit Trust	(197)	(178)
	<u>14,695</u>	<u>13,081</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 2007	18,170	343	3,535	22,048
Additions	—	—	676	676
Disposals	—	—	(756)	(756)
At 31 March 2008	<u>18,170</u>	<u>343</u>	<u>3,455</u>	<u>21,968</u>
Depreciation				
At 1 April 2007	5,265	143	2,288	7,696
Charge for the year	328	14	640	982
Disposals	—	—	(693)	(693)
At 31 March 2008	<u>5,593</u>	<u>157</u>	<u>2,235</u>	<u>7,985</u>
Carrying amount				
Net book value at 31 March 2008	<u>12,577</u>	<u>186</u>	<u>1,220</u>	<u>13,983</u>
Net book value at 31 March 2007	<u>12,905</u>	<u>200</u>	<u>1,247</u>	<u>14,352</u>

The net book value of fixtures and equipment includes £nil (2007: £nil) in respect of assets held under finance leases.

Leasehold property includes short-term leases costing £0.34m (2007: £0.34m), which after depreciation have a net book value of £0.19m (2007: £0.20m).

Freehold land and buildings includes land costing £0.8m (2007: £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 2007	145,068	5,872	150,940
Additions	603	—	603
Disposals	(14,120)	—	(14,120)
At 31 March 2008	<u>131,551</u>	<u>5,872</u>	<u>137,423</u>
Provisions			
At 1 April 2007	3,677	—	3,677
Provision for year	531	—	531
At 31 March 2008	<u>4,208</u>	<u>—</u>	<u>4,208</u>
Net book value at 31 March 2008	<u>127,343</u>	<u>5,872</u>	<u>133,215</u>
Net book value at 31 March 2007	<u>141,391</u>	<u>5,872</u>	<u>147,263</u>

Investments in shares in group undertakings on a historical cost basis are £97.8m (2007: £111.9m).

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

Investments at 31 March 2008 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.

	2008 £000	2007 £000
7 Debtors		
Trade debtors	740	465
Amounts due from subsidiary undertakings	225,084	226,433
Derivative asset (note 11)	457	274
Other debtors	45,600	2,497
Prepayments and accrued income	2,328	1,415
	<u>274,209</u>	<u>231,084</u>

Included with other debtors are amounts of £34,430,000 (2007: £nil) falling due after more than one year.

	2008 £000	2007 £000
8 Creditors: amounts falling due within one year		
Bank loans and overdrafts	52,637	25,886
Obligations under finance leases	42	65
Trade creditors	358	751
Amounts due to subsidiary undertakings	36,246	33,382
Derivative liability (note 11)	315	127
Indirect tax and social security	280	315
Accruals and deferred income	5,597	5,810
	<u>95,475</u>	<u>66,336</u>

Notes to the Company Financial Statements

	2008 £000	2007 £000
9 Creditors: amounts falling due after more than one year		
Bank loans	235,000	200,000
Obligations under finance leases	4	46
	<u>235,004</u>	<u>200,046</u>

Bank loans are repayable in March 2012 and interest is charged at a variable premium over LIBOR, determined by reference to the group's ratio of net borrowings to earnings.

Finance lease obligations fall due as follows:

Within one year	42	65
In the second to fifth years	4	46
	<u>46</u>	<u>111</u>

10 Provisions for liabilities

Deferred tax:		£000
At 1 April 2007		3,385
Credit to profit and loss account		(998)
At 31 March 2008		<u>2,387</u>

The deferred tax liability is provided as follows:

	2008 £000	2007 £000
Accelerated capital allowances	2,023	2,961
Short term timing differences	364	424
	<u>2,387</u>	<u>3,385</u>

The deferred tax credit to the profit and loss account in the year of £998,000 includes a credit of £171,000 relating to the revaluation of deferred tax assets and liabilities at 28%, as a result of the reduction in the main rate of UK tax from 30% to 28%, and a credit of £633,000 relating to the reversal of the deferred tax liability on properties where Industrial Buildings Allowances have been claimed. As the balancing allowance or charge has been withdrawn a deferred tax liability is no longer appropriate under UK GAAP.

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	2008 £000	2007 £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	84,996,334	4,250	4,245
Exercise of share options	105,682	5	5
At the end of the year	85,102,016	4,255	4,250

The company has one class of ordinary shares which carry no right to fixed income. During the year, the company allotted 105,682 ordinary shares with a nominal value of £5,284 for consideration of £381,248 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 2007	403	23,568	29,518	(3,012)	369	112,468
Share issues	—	376	—	—	—	—
Own shares transferred from Employee Benefit Trust	—	—	—	38	—	(38)
Credit to equity for share-based payments	—	—	—	—	973	—
Loss for the financial year	—	—	—	—	—	(6,465)
Dividends paid	—	—	—	—	—	(17,027)
At 31 March 2008	403	23,944	29,518	(2,974)	1,342	88,938

Own shares comprises 1,128,190 ordinary shares of 5p each of the company, representing 1.3% of the issued share capital of the company at 31 March 2008. The maximum number of such shares held during the year was 1,142,435. 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.

	2008 £000	2007 £000
15 Reconciliation of movements in equity shareholders' funds		
(Loss)/profit for the financial year	(6,465)	80,369
New shares issued	381	164
Own shares sold	—	159
Credit to equity for share-based payments	973	309
Dividends paid	(17,027)	(15,425)
Net (reduction)/increase in equity shareholders' funds	(22,138)	65,576
Opening equity shareholders' funds	167,564	101,988
Closing equity shareholders' funds	145,426	167,564

Notes to the Company Financial Statements

16 Financial commitments

The company had no capital commitments at 31 March 2008 or 31 March 2007.

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

	Land and buildings		Other assets	
	2008 £000	2007 £000	2008 £000	2007 £000
Expiry date:				
Within one year	—	—	241	148
In the second to fifth years	—	—	1,323	1,166
After five years	2,751	2,266	—	—
	<u>2,751</u>	<u>2,266</u>	<u>1,564</u>	<u>1,314</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 2008 purchases from Herbert Walker on normal commercial terms amounted to £0.01m (2007: £0.01m) and in the same period the company supplied goods and services to Herbert Walker of £0.12m (2007: £0.13m). At 31 March 2008 the company's indebtedness to Herbert Walker was £nil (2007: £nil) and that of Herbert Walker to the company was £0.03m (2007: £0.02m).

During the current period the company has advanced £34.4m to its associate company Webb group in support of its acquisition of Choices UK and the development of the enlarged group. During the current period interest income of £2.2m has been recognised on the loan and as at 31 March 2008 the receivable balance was £34.4m. This loan carries interest at 15%, is unsecured and is repayable in September 2009.

Notice of Annual General Meeting

Notice is hereby given that the fifty-third annual general meeting of the company will be held at The Craiglands Hotel, Cowpasture Road, Ilkley, West Yorkshire, LS29 8RQ on Thursday 3 July 2008 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 2008 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 2008.
3. To approve a final dividend for the year ended 31 March 2008.
4. To re-elect Dr I J Bolton as a director.
5. To re-elect Mr G P Craig as a director.
6. To re-elect Mr D A Johnson as a director.
7. To elect Mr C D Hinton as a director.
8. To elect Mr S S McKay 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 £493,497 representing 11.59% of the issued ordinary share capital of the company at 23 May 2008 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 £493,497 representing the company's authorised but unissued share capital as at 23 May 2008. The company holds no treasury shares within the meaning of S.162A of the said Act as at 23 May 2008. 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 £212,825 representing 5% of the issued ordinary share capital of the company at 23 May 2008

Notice of Annual General Meeting

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 £212,825 equivalent to 5% of the company's issued share capital at 23 May 2008, 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 8,513,005 ordinary shares of 5p each with a nominal value of £425,650 representing 10% of the issued ordinary share capital of the company at 23 May 2008.
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 8,513,005 ordinary shares (representing 10% of the issued ordinary share capital of the company as at 23 May 2008) 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 23 May 2008 was 414,530 which represents approximately 0.48% 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 0.54% 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 2009.

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.

13. To consider and, if thought fit, to pass the following as a special resolution:

That, the articles of association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the articles of association of the company in substitution for, and to the exclusion of, the existing articles of association.

It is proposed in this resolution to adopt new articles of association (the "New Articles") in order to update the company's current articles of association (the "Current Articles") primarily to take account of changes in English company law brought about by the Companies Act 2006. The principal changes introduced in the New Articles are summarised below. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted below. The New Articles showing all the changes to the Current Articles are available for inspection, as detailed in the following notes.

1. **Articles which duplicate statutory provisions**
Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main amended to bring them into line with the Companies Act 2006. Certain examples of such provisions include provisions as to the notification of a refusal to register a share transfer, the form of resolutions and provisions regarding the period of notice required to convene general meetings.
2. **Variation of class rights**
The Current Articles contain provisions regarding the variation of class rights. The proceedings and specific quorum requirements for a meeting convened to vary class rights are contained in the Companies Act 2006. The relevant provisions have therefore been amended in the New Articles.
3. **Convening extraordinary and annual general meetings**
The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular a general meeting to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required. Shareholder meetings formerly called extraordinary general meetings will now be called general meetings.
4. **Votes of members**
Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. Multiple corporate representatives may be appointed. The New Articles reflect all of these new provisions.
5. **Conflicts of interest**
The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act 2006, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

Notice of Annual General Meeting

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at board meetings and availability of board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors.

6. Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles continue to allow communications to members in electronic form and to continue to website communications. However, the New Articles use revised definitions, such as communication in or by “Electronic Copy”, “Electronic Means” and “Electronic Form” as these are all terms that are defined in the Companies Act 2006.

Before the company can communicate with a member by means of website communication, the relevant member must be asked individually by the company to agree that the company may send or supply documents or information to him by means of a website, and the company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

7. Directors’ indemnities and loans to fund expenditure

The Companies Act 2006 has in some areas widened the scope of the powers of a company to indemnify directors and to fund expenditure incurred in connection with certain actions against directors. In particular, a company that is a trustee of an occupational pension scheme can now indemnify a director against liability incurred in connection with the company’s activities as trustee of the scheme. In addition, the existing exemption allowing a company to provide money for the purpose of funding a director’s defence in court proceedings now expressly covers regulatory proceedings and applies to associated companies.

By order of the board

I J Bolton
Secretary
23 May 2008

Notes

- (a) Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. A shareholder may appoint more than one proxy in relation to the annual general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. If you do not have a Form of Proxy and believe that you should have one, please contact Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL. The appointment of a proxy does not preclude a member from attending and voting in person if he or she wishes to do so.
- (b) Should you wish to appoint more than one proxy please photocopy the Form of Proxy indicating on each copy the name of the proxy you wish to appoint, the number of shares in respect of which the proxy is appointed and the way in which you wish them to vote on the resolutions that are to be proposed. You should send all pages to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL. Please also indicate by ticking the box on the Form of Proxy if you intend to appoint more than one proxy. The following principles shall apply in relation to the appointment of multiple proxies:
- (i) The company will give effect to the intentions of members and include votes wherever and to the fullest extent possible.
 - (ii) Where a proxy does not state the number of shares to which it applies (a "blank proxy") then, subject to the following principles where more than one proxy is appointed, that proxy is deemed to have been appointed in relation to the total number of shares registered in the name of the appointing member (the "member's entire holding"). In the event of a conflict between a blank proxy and a proxy which does state the number of shares to which it applies (a "specific proxy"), the specific proxy shall be counted first, regardless of the time it was sent or received (on the basis that, as far as possible, the conflicting Forms of Proxy should be judged to be in respect of different shares) and remaining shares will be apportioned to the blank proxy (pro rata if there is more than one).
 - (iii) Where there is more than one proxy appointed and the total number of shares in respect of which proxies are appointed is no greater than the member's entire holding, it is assumed that proxies are appointed in relation to different shares, rather than that conflicting appointments have been made in relation to the same shares. That is, there is only assumed to be a conflict where the aggregate number of shares in respect of which proxies have been appointed exceeds the member's entire holding.
 - (iv) When considering conflicting proxies, later proxies will prevail over earlier proxies, and which proxy is later will be determined on the basis of which proxy is last sent (or, if the company is unable to determine which is last sent, last received). Proxies in the same envelope will be treated as sent and received at the same time, to minimise the number of conflicting proxies.
 - (v) If conflicting proxies are sent or received at the same time in respect of (or deemed to be in respect of) an entire holding, none of them shall be treated as valid.
 - (vi) Where the aggregate number of shares in respect of which proxies are appointed exceeds a member's entire holding and it is not possible to determine the order in which they were sent or received (or they were all sent or received at the same time), the number of votes attributed to each proxy will be reduced pro rata.
 - (vii) Where the application of paragraph (vi) above gives rise to fractions of shares, such fractions will be rounded down.
 - (viii) If a member appoints a proxy or proxies and then decides to attend the annual general meeting in person and vote, then the vote in person will override the proxy vote(s). If the vote in person is in respect of the member's entire holding then all proxy votes will be disregarded. If, however, the member votes at the meeting in respect of less than the member's entire holding then if the member indicates that all proxies are to be disregarded, that shall be the case; but if the member does not specifically revoke proxies, then the vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding the member's entire holding.
 - (ix) In relation to paragraph (viii) above, in the event that a member does not specifically revoke proxies, it will not be possible for the company to determine the intentions of the member in this regard. However, in light of the aim to include votes wherever and to the fullest extent possible, it will be assumed that earlier proxies should continue to apply to the fullest extent possible.

Notice of Annual General Meeting

- (c) To be valid at the meeting, the enclosed Form of Proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power or authority, must be deposited at the offices of Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.
- (d) 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) In accordance with section 325 of the Companies Act 2006 (the "2006 Act"), the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the 2006 Act. Persons nominated to receive information rights under section 146 of the 2006 Act who have been sent a copy of this notice of annual general meeting are hereby informed, in accordance with section 149(2) of the 2006 Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.
- (f) 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 3 July 2008 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.

- (g) If a member is a corporation it is entitled to appoint one or more corporate representatives to exercise all or any of its rights to attend and to speak and vote on its behalf at the meeting. In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that:
- (i) if a corporate shareholder has appointed the Chairman of the meeting as its corporate representative to vote on a poll in accordance with the directions of all of the other corporate representatives for that shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and
 - (ii) if more than one corporate representative for the same corporate shareholder attends the meeting but the corporate shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative. Corporate shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives (www.icsa.org.uk) for further details of this procedure. The guidance includes a sample form of appointment letter if the Chairman is being appointed as described in (i) above.
- (h) Members should note that it is possible that, pursuant to requests made by shareholders of the company under section 527 of the 2006 Act, the company may be required to publish on a website a statement setting out any matter relating to the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting. The company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the 2006 Act. Where the company is required to place a statement on a website under section 527 of the 2006 Act, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the annual general meeting includes the statement that the company has been required under section 527 of the 2006 Act to publish on a website.
- (i) As at close of business on 23 May 2008 (being the last business day prior to publication of this notice), the company's issued share capital comprised 85,130,052 ordinary shares carrying one vote each. Therefore, the total number of voting rights in the company as at 23 May 2008 is 85,130,052.
- (j) Copies of the following documents will be available for inspection at the company's registered office during normal business hours of any weekday (public holidays excluded) until the conclusion of the annual general meeting:
- (i) the directors' service contracts;
 - (ii) the register of directors' interested in the share capital of the company;
 - (iii) the company's current articles of association, the New Articles and a marked up copy of the Current Articles;

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.

Copies of the company's current articles of association, the New Articles and a marked up copy of the Current Articles will be available for inspection at the offices of Hammonds LLP, 7 Devonshire Square London EC2M 4YH during normal business hours of any weekday (public holidays excepted) until the conclusion of the annual general meeting.

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STUDIO

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