FINDEL INTERIM 2011 RESULTS

29 November 2011

Agenda

Introduction	Roger Siddle
Financial Review	Tim Kowalski
Business Review	Roger Siddle
Current Trading & Summary	Roger Siddle

Introduction

- Stable financial platform established in March 2011
- Six months into three-year turnaround plan
- Priority for 2011/12 has been to repair the damage which inhibited recovery
  - Investing in systems
  - Enhancing supplier relationships
  - Improving stock management processes
- Backdrop challenging but overall good early progress
  - Some businesses improving faster than others; action being taken where necessary
  - Changes and investments are improving strength and resilience of the portfolio

Foundations laid – encouraging signs

Overview of divisional performance

- **Express Gifts**: Growth in sales and customer numbers; strong current trading
- **Kleeneze:** Increase in distributors helping to mitigate economic challenges
- **Kitbag:** Action taken to strengthen the platform to ensure profitable growth
- **Education Supplies:** Improved service supporting turnaround
- **Healthcare:** Steady progress

Improving strength and resilience

Financial Review

Tim Kowalski

Financial review - overview

- Financial position stabilised following refinancing in March 2011
  - Net assets over £100m
  - Gearing at 2.4x and cash ahead of expectations at seasonal normal high-point
  - Comfortably complied with all bank covenants with ample headroom

- Group revenue £254.6m – flat year-on-year
  - Continue to be held back by consumer confidence and public sector uncertainty
  - Halting the trend of declining sales for more than three years

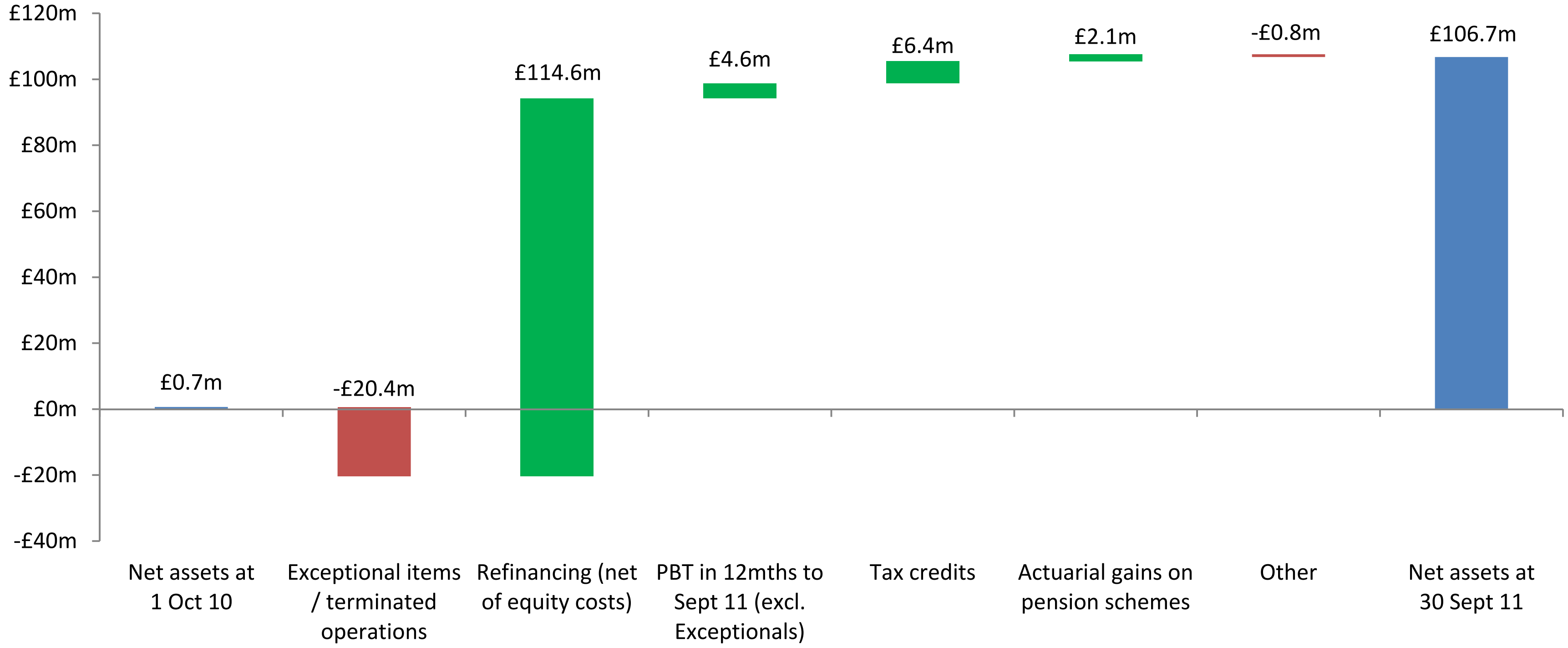
- Operating loss of £0.6m
  - First half typically smaller impact, with greater second-half profit generation
  - Weakened position of businesses going into 2011/12 and actions we are taking accentuates this effect

Stable financial platform for future profitable growth

Differences from last year

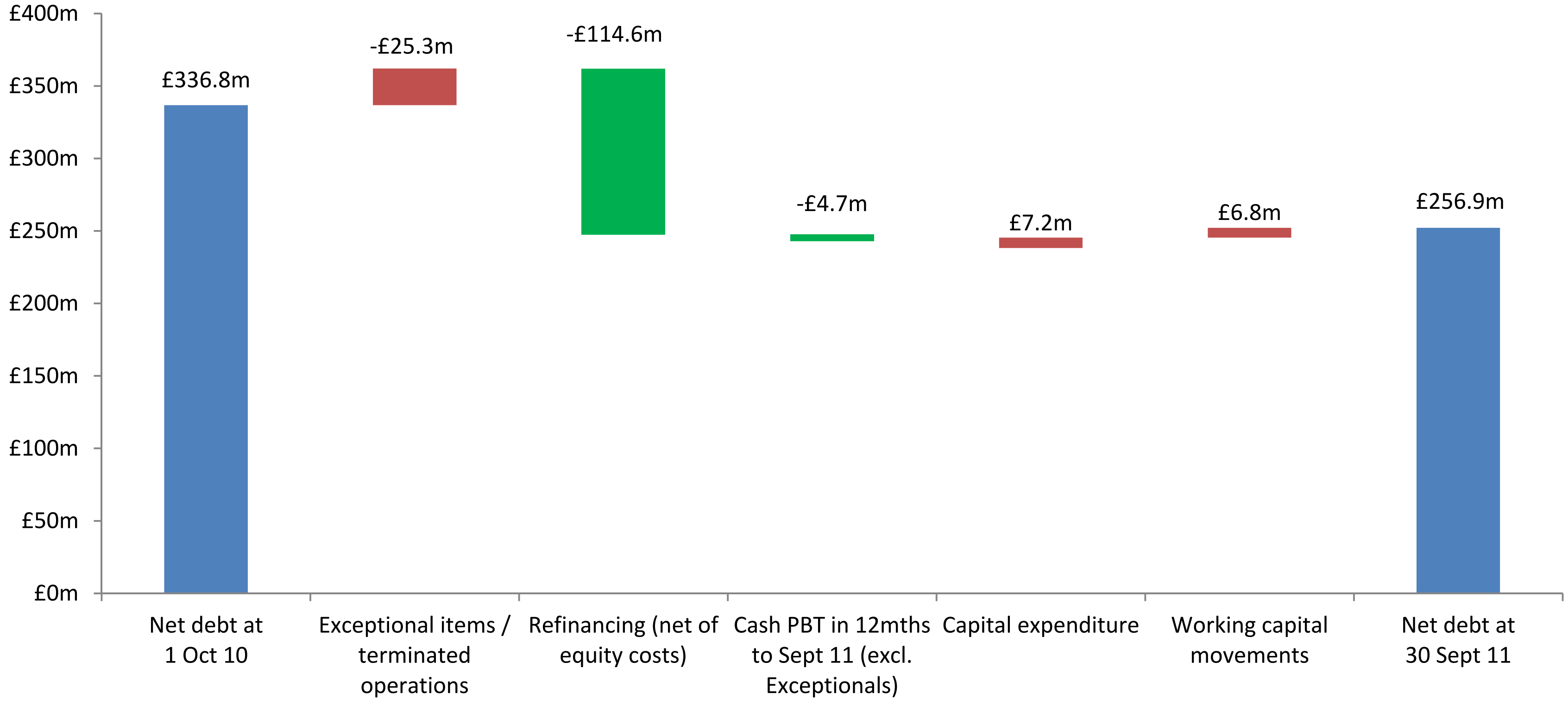
- Increased transparency
  - Separated out the three main Home Shopping segments in prior year
  - Now also separated out Overseas Sourcing (FADFE) to ensure increased transparency
- Challenges with year-on-year comparison of operating profit
  - One-off credits in first half of prior year
  - Accounting charges for the long-term incentive schemes
  - Trading performance in second half of 2010/11 left businesses coming into 2011/12 in a weakened position
- Step-changes to other income statement items
  - Favourable movement in interest charges due to lower borrowings and reduced margin
  - Exceptional costs significantly reduced in current year
  - Several legacy tax issues recently resolved leading to tax credit
- Pensions accounting policy change introduced in March 2011

Balance sheet – stable platform following refinancing



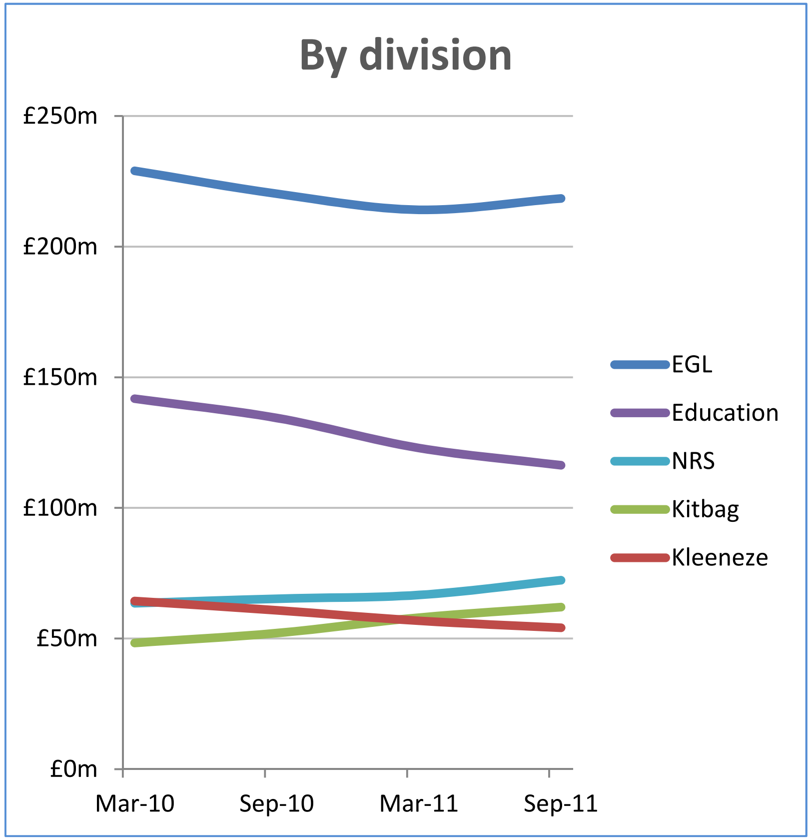
- Transformational effect of March 2011 refinancing
  - Exceptional costs largely incurred in 2nd half of last year, associated with the two refinancings, forensic accounting review and the FPR strategic review
  - Tax credits arising from legacy losses and issues

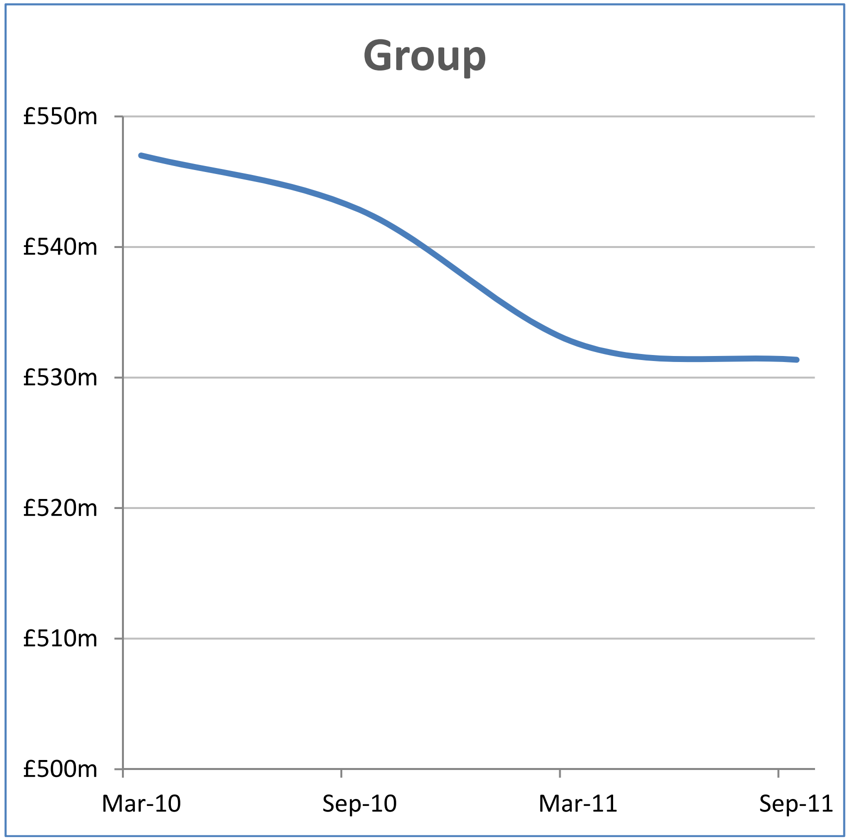
Net debt – ample headroom to implement turnaround plan



- FPR investments underway, including systems upgrade and easing supply chain
  - Unsustainable creditor stretch built up during 2nd half of last year – unwound at refinancing
- Steady restoration of creditor insurance

Annualised group sales*

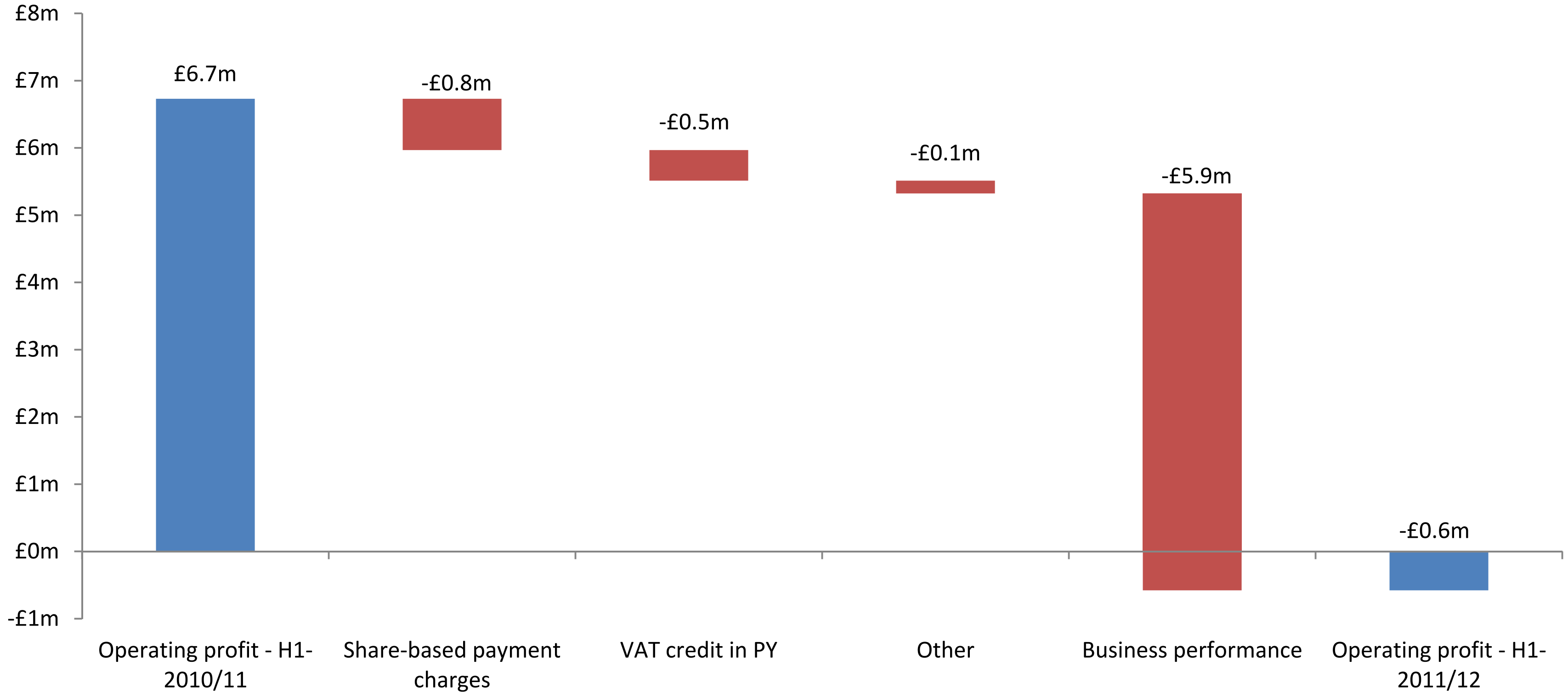




* rolling 12 months sales

Sales stable after more than three years of decline

Operating profit movements



£1.4m of non-trading items

Financial Performance

£m	Revenue*			Operating profit*			
	26 wks to 30 Sep 11	26 wks to 1 Apr 11	26 wks to 1 Oct 10	26 wks to 30 Sep 11	26 wks to 1 Apr 11	26 wks to 1 Oct 10	
Home Shopping:							
Express Gifts	93.2	125.2	88.9	(1.8)	17.6	(1.7)	Growth in sales and customer numbers
Kleeneze	26.3	27.8	29.0	1.4	2.3	1.9	Increase in distributors
Kitbag	30.1	31.9	26.1	(1.8)	0.5	1.4	Action taken to strengthen platform
	149.6	**184.9**	**144.0**	**(2.2)**	**20.4**	**1.6**	
Education Supplies	62.5	53.8	69.1	0.6	-1.5	3.1	Improved service supporting turnaround
Healthcare	38.3	34.1	32.6	0.8	0.9	1.3	Steady progress
Major divisions	250.5	272.8	245.8	(0.8)	19.8	6.0	
FADFE	4.1	4.1	10.0	0.2	0.2	0.7	Change of focus
Total Group	**254.6**	**276.9**	**255.8**	**(0.6)**	**20.0**	**6.7**	

Seasonal businesses – rebuilding in H1-2011/12

* before exceptional items and terminated operations

Income statement

£m	2011	2010	
Operating loss / profit*	(0.6)	6.7	
Finance costs*	(5.0)	(9.9)	Lower borrowings and margin
Loss before tax*	**(5.6)**	**(3.2)**	
Exceptional items & terminated operations	(1.3)	(5.7)	Lower restructuring costs in 2011/12
Loss on disposal of businesses	-	(1.3)	Findel Direct businesses sold in 2010
Exceptional finance costs	(3.7)	(2.8)	Capitalised fees from refinancing
Loss before tax	**(10.6)**	**(15.0)**	
Tax	7.1	-	Favourable resolution of legacy issues
Loss after tax	**(3.5)**	**(15.0)**	

Lower interest and exceptional costs

* before exceptional items and terminated operations

Summary

- Encouraging sales performance in first half of year
  - Particularly from Express Gifts, sustained since period end
- Operating profit lower
  - Weaker condition entering period
  - Need for rebuilding
  - Challenging environment
  - One-off non-trading items responsible for c.£1.4m of the shortfall
- Balance sheet and funding in robust shape
  - Lower interest charges will help improve PBT
  - Good progress being made with suppliers and credit insurers
  - Comfortably complied with bank covenants and ample headroom to execute on turnaround plans

Business Review

Roger Siddle

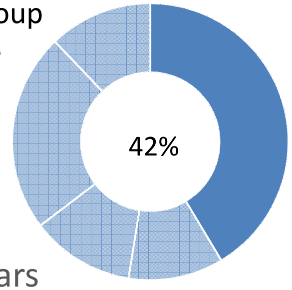
Five businesses with significant potential

Express Gifts

Rejuvenate a major player

- Upgrade and integrate core systems
- Implement behavioural credit scoring system
- Improve buying and merchandising processes

Express Gifts



- Excellent response from customers to improved value proposition
  - 3.7% year-on-year increase in customer numbers; first customer growth seen in five years
  - Improved retention rates
  - No relaxation of credit criteria for new customers
- Restructuring of Buying and Merchandising
  - New Buying Director, new MD of overseas sourcing operation
- Programme to replace systems is on track
  - Behavioural scoring system about to be implemented
- Sales up 10.9% since period end (eight weeks to 25/11/2011) versus prior year
- Expecting that margin investment will be repaid by cash margin over the year

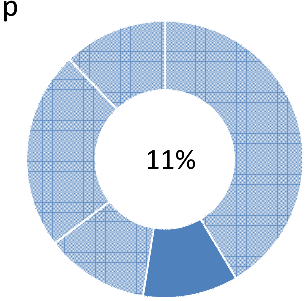
Well positioned for a strong Christmas and further growth

Five businesses with significant potential

Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring system • Improve buying and merchandising processes
Kleeneze	Look for growth	• Identify geographic areas with few distributors • Revise the recruitment offer to new distributors

Kleeneze

Percentage of FY10/11 Group revenue



- Difficult economic environment has impacted H1 sales and profits
- Recruitment initiatives to increase distributor numbers are proving effective
  - 15% year-on-year increase in active ordering distributors
- Recent actions, including new product launches, having a positive effect
  - Sales in H1 were 9.2% lower than 2010/11
  - Sales since period end only 2.5% lower (eight weeks to 25/11/2011)
- Cost initiatives in place for second half

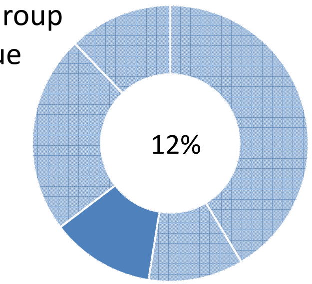
Performance recovering in challenging times

Five businesses with significant potential

Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring system • Improve buying and merchandising processes
Kleeneze	Look for growth	• Identify geographic areas with few distributors • Revise the recruitment offer to new distributors
Kitbag	Accelerate profitable growth	• Accelerate roll-out of outsourced retail management to other football clubs • Develop the pipeline of new sporting partnerships

Kitbag

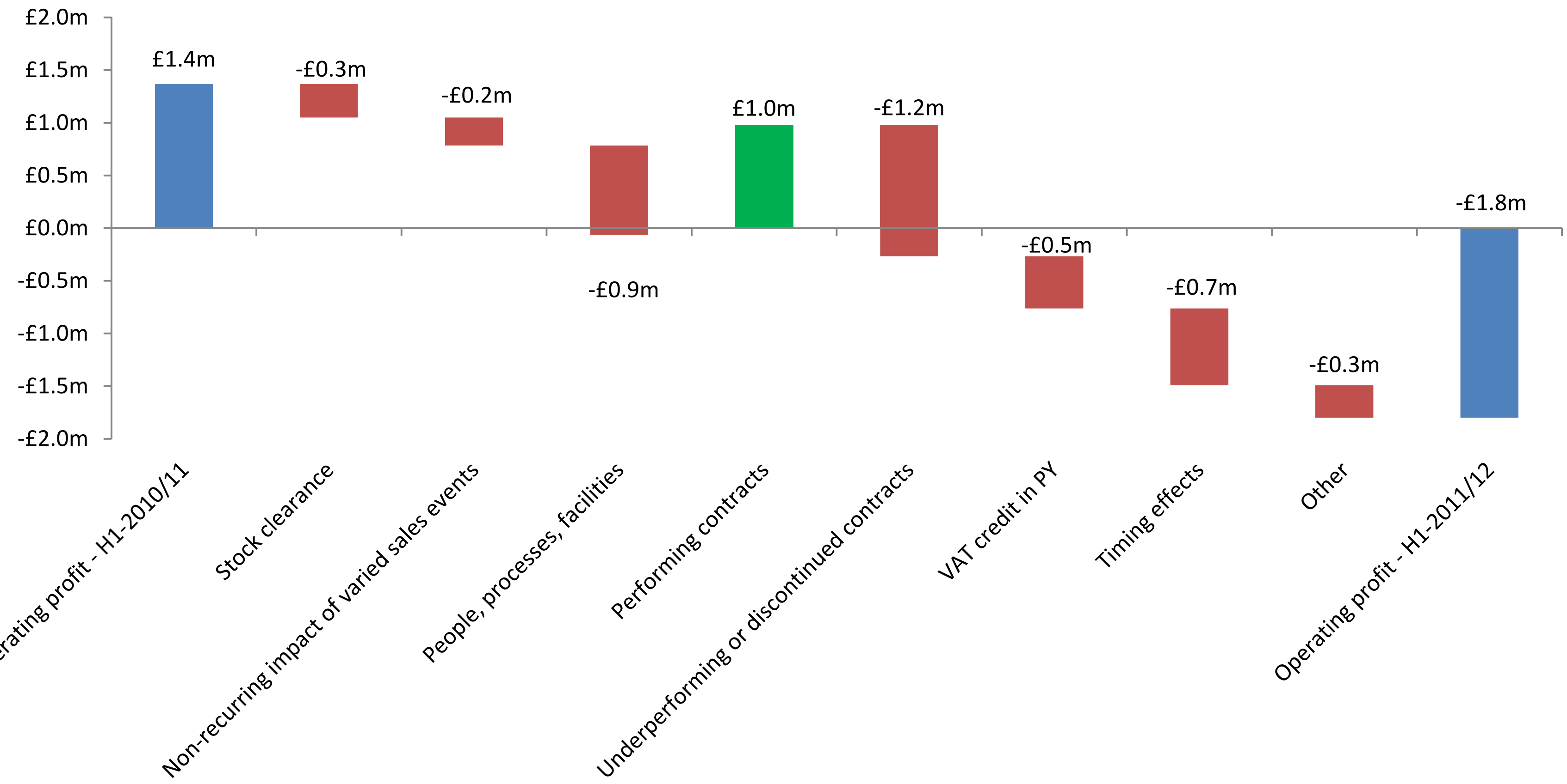
Percentage of FY10/11 Group revenue



- Appointment of new CEO Andy Anson – priority to maintain growth whilst improving commercial and operational processes
- Strong H1 sales but short-term profitability impacted by necessary changes
  - Material clearance programme; buying & merchandising has been overhauled
  - Investment in people/processes/facilities
  - In discussion with partners where arrangements have inappropriate risk / reward balance
- Encouraged by recent wins and development pipeline
- Current trading more reflective of conditions

FY 12 profitability impacted for longer-term benefit

Kitbag - operating profit performance

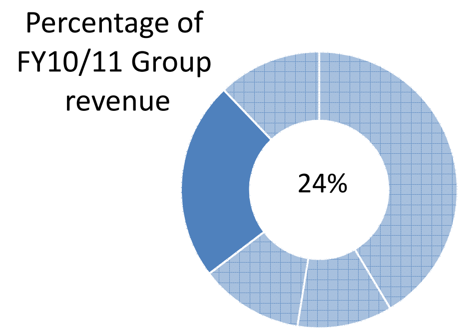


A number of items impacting profitability

Five businesses with significant potential

Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring system • Improve buying and merchandising processes
Kleeneze	Look for growth	• Identify geographic areas with few distributors • Revise the recruitment offer to new distributors
Kitbag	Accelerate profitable growth	• Accelerate roll-out of outsourced retail management to other football clubs • Develop the pipeline of new sporting partnerships
Education Supplies	Turn around a market leader	• Improving supply chain management • Enhancing customer contact processes • Improving pricing and category management

Education Supplies



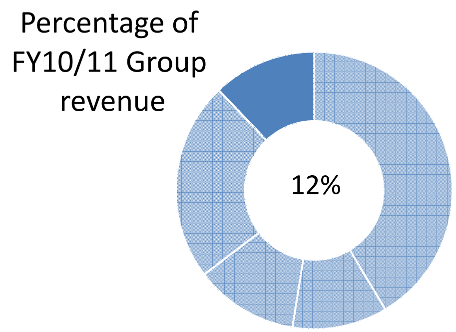
- Improved service levels combined with new catalogues and reinforced sales team has lead to a recovery in 'school focused' brands which are now trading ahead of prior year
- Strong H1 sales growth in international exports
- Longer turnaround time for 'curricular focused' brands given legacy of poor service history; encouragingly, customer numbers now starting to re-build
- Programme to improve buying and merchandising continues
- Significant review of overheads across the division leading to second half cost reduction

Signs of recovery, but more to do

Five businesses with significant potential

Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring system • Improve buying and merchandising processes
Kleeneze	Look for growth	• Identify geographic areas with few distributors • Revise the recruitment offer to new distributors
Kitbag	Accelerate profitable growth	• Accelerate roll-out of outsourced retail management to other football clubs • Develop the pipeline of new sporting partnerships
Education Supplies	Turn around a market leader	• Improving supply chain management • Enhancing customer contact processes • Improving pricing and category management
Healthcare	Maintain prominent market position	• Develop the pipeline of new ICES contracts • Capitalise on improved working capital conditions to support new contract tenders

Healthcare



- Good revenue growth; profitability lower due to contract phasing
- Extensions and renewals in H1 contributing to £45m net new business wins
- Pipeline of new opportunities is promising
- Competition remains significant, but we will look to capitalise on our improved financial strength to support new tenders

Steady progress

Three year programme to deliver Full Potential plan

	FY 11/12	FY 12/13	FY 13/14
EGL	• Implementing EGL credit systems • Implementing core systems • Early buying benefits	• Credit systems benefits emerging • Further systems implementation – benefits emerging • Increased buying benefits	• Further systems implementation – benefits emerging
Kleeneze	• Distributor growth		
Kitbag	• Contract wins	• Maturity profile	
Education	• Early sourcing benefits emerging • Other early wins (e.g. Telephony)	• Phase 2 benefits emerging	• Full sourcing benefits
Healthcare	• Contract retention / win rate		

Overall on track

Current trading

- Group sales since period end 2.9% above previous year*
  - Express Gifts trading strongly ahead during peak period
  - Kleeneze sales recovering
  - Kitbag underlying sales flat; reflecting current conditions
  - Education sales trends continuing, although international growth moderating
  - Healthcare growth easing reflecting contract mix

*eight weeks to 25/11/2011

Encouraging signs

Summary

- Backdrop is unhelpful, but firmly focused on delivering plan
- Encouraged by the strategic development of the business
  - Halfway through first year; focus on repairing damage
- Investments and changes are improving the strength and resilience of the portfolio, as well as our trading performance
  - Reversing sales decline for first time in more than three years
  - Current trading is ahead of prior year
- Confident that second half and beyond will start to show improved performance

Foundations laid for improved performance

Thank you