Findel plc

ANNUAL REPORT & ACCOUNTS 2011

www.findel.co.uk

Platform for full potential

Findel plc is a group of market leading businesses in the home shopping, education supplies and healthcare markets.

Contents

Overview

1. Our Businesses
2. Financial Highlights
3. Chairman's Statement
5. Chief Executive's Statement

Business Review

7. Our Strategy
15. Finance Director's Review

Governance

19. Board of Directors
20. Directors' Report
23. Corporate Governance Report
27. Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements
28. Board Report on Directors' Remuneration
36. Corporate Social Responsibility
39. Independent Auditor's Report

Financial Statements

40. Consolidated Income Statement
42. Consolidated Statement of Comprehensive Income
43. Consolidated Balance Sheet
44. Consolidated Cash Flow Statement
45. Consolidated Statement of Changes in Equity
46. Notes to the Consolidated Financial Statements
85. Company Balance Sheet
86. Notes to the Company Financial Statements

Shareholder Information

91. Notice of Annual General Meeting

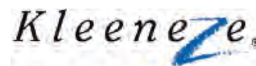
Our Businesses

Express Gifts

one of the largest direct mail order businesses in the UK

Kleeneze

a leading network marketing company in the UK and Ireland



Kitbag

a specialist sports retailer selling club branded replica kits, leisurewear and souvenirs

Education Supplies

one of the largest independent suppliers of resources and equipment to schools in the UK

Healthcare

one of the largest contract providers of Integrated Community Equipment Services in the UK

Financial Highlights

	2011	2010 (Restated)
Revenue*	£532.6m	£547.0m
Operating profit*	£26.7m	£32.6m
Profit before tax*	£7.0m	£11.7m
(Loss) before tax	(£1.4m)	(£74.8m)
Net debt	£227.8m	£309.6m
Net assets	£116.4m	£10.7m
Gearing ratio	2.0x	29.0x
Earnings/(loss) per share	1.04p	(12.43p)

* Before exceptional items and terminated operations

Chairman's Statement

David Sugden

March 2011 marked the end of a long period of financial uncertainty for Findel and the start of its turnaround. A year which started with the discovery of accounting irregularities at the Education Supplies Division followed by an emergency debt refinancing in July 2010, ended with a clear turnaround strategy being agreed with shareholders and lenders and a comprehensive balance sheet restructuring being implemented. A secure financial platform to enable the group's five businesses to achieve their full potential has now been established and the hard work to implement the turnaround and restore shareholder value is already underway.

Group Financial Results

At the end of my first full year as chairman, I can report that our businesses have delivered a commendable trading performance in the face of the group's extremely difficult financial position and an economic environment which remained challenging for retailers throughout the year.

Weak consumer confidence, uncertainty over public sector budgets and inventory shortages arising from cash constraints led to sales* being 2.6% lower at £532.6m (2010: £547.0m). Continued tightening of gross margins was caused in part by heightened pressures within the supply chain, although the impact was offset in part by tight controls over overhead costs. Importantly, all five of the group's businesses remained profitable during the year, with total operating profits* of £26.7m, down from £32.6m in 2010. After taking account of a series of non-recurrent items, pleasingly the underlying level of operating profit* in each business (other than Kleeneze) was broadly unchanged.

The group reported a profit before tax* of £7.0m (2010 restated: £11.7m). The statutory result for the year was a loss before tax of £1.4m (2010 restated: loss of £74.8m) after taking into account net exceptional costs of £4.4m (2010 restated: £21.9m) and losses from terminated operations of £4.0m (2010: £64.6m).

Full Potential Review

The findings of the Full Potential Review of the group's ongoing five businesses, which was conducted during the first half of the year, were detailed in our Interim Report.

The investment required to implement the initiatives identified and rectify several years of underinvestment in the businesses is estimated at £35m. Having obtained this funding from the recent refinancing, the group has already started work on the implementation of these initiatives. There have been some early signs of success, including improvements to the buying processes for the Education Supplies Division and the injection of around £10m of additional working capital to ease supplier pressures. The systems upgrade for Express Gifts is on track. As previously indicated, the turnaround of the group's businesses will take three years to complete. However, I am pleased to report that progress to date is fully in line with our expectations.

> ‘Our businesses have delivered a commendable trading performance in the face of the group's extremely difficult financial position… and the hard work to implement the turnaround and restore shareholder value is already underway.’

Chairman's Statement continued

Refinancing

Following the recent refinancing, which successfully raised approximately £75m after costs through a Rights Issue and Placing, together with new committed debt facilities for a five-year period on commercial terms, the group's net debt position at the year-end was £227.8m, down some £81.8m during the year. Whilst this gearing level of 2.0x on a debt/equity basis still remains relatively high, the group's funding position has been transformed, providing sufficient funding headroom to allow the new executive management team to focus fully on executing the turnaround strategy and restoring value in the businesses.

On behalf of the board, I would like to express our sincere thanks to all stakeholders and others who were involved in this complex refinancing, and particularly to our major shareholders for their support during this difficult period.

Employees

It is difficult to describe the demands that have been placed upon our employees over the last year in executing two difficult refinancings and keeping our businesses delivering the profits and cash flow required whilst the financial future of the group was very uncertain. Restoring financial stability to the group has been an enormous team effort in which all of our employees have played their part. On behalf of all the stakeholders in Findel, I would like to thank them for an achievement of which they can be justifiably proud.

Outlook

Following the successful refinancing, our focus is now firmly on executing the plans from the Full Potential Review and substantially improving business performance. The board is pleased with progress to date with all major initiatives on track. The current year has started well and the group is trading in line with expectations. Whilst the external environment remains challenging, we are confident that we are following the right path to achieve improved shareholder returns over the medium term.

David Sugden
Chairman

6 June 2011

* Before exceptional items and terminated operations

Chief Executive's Statement

Roger Siddle

Findel has five profitable businesses within the group, each of which has the potential to contribute towards significantly improved performance over the next few years. The secure funding base and capital availability created by the recent refinancing now means that work has started in earnest, with our focus on repaying shareholders' faith. It is not a quick fix, however – our expectation is that it will take up to three years to achieve our goals.

A year of turmoil

This has been a challenging year for all involved with Findel, but one that has resulted in a platform for superior performance going forwards.

As reported in our interim results, the group was forced to enter into renegotiations with its lenders at the start of the year following the discovery of accounting irregularities within the Education Supplies Division in January 2010, and entered into amended debt facilities in July. Understandably, given the group's then level of debt, the terms for these facilities were both challenging in terms of headroom and onerous in their conditions – resulting in a material level of management time needing to be dedicated to interacting with our lenders and in micro-managing liquidity across the group.

At the same time, the highly visible challenges faced by the group created difficulties in our supply chain, with a significant reduction or withdrawal of credit terms with many of our suppliers. This in turn led to a reduction in stock deliveries, which had a knock-on effect on sales and service, which then had a negative impact on cash generation. A damaging downward cycle developed. Our results for the year reflect the challenges of operating under these constraints for a very significant period – but also reflect the underlying potential of our businesses, with each business remaining profitable even under such difficult circumstances.

Looking forward, the Full Potential Review, whose findings we announced at the end of November, has given us a long-term operational plan to break this cycle and drive vastly improved returns. The restructuring of our balance sheet now gives us a strong platform to drive for results.

We have already made significant progress:

- Within Express Gifts, our systems implementation programme is underway and on track. Our buying initiatives aimed at reducing lost sales have proved successful, and we have commenced a full review of our entire buying operation. The current performance of the business suggests that our focus on an improved value proposition for customers is proving effective, with the decline in cash margin seen during recent seasons having been reversed. Bad debt levels show a modest improvement on the prior year.
- Within Kleeneze, we have trialled a new distributor recruitment approach which has shown strong early promise. Although it is too early to say whether distributors recruited via this method will be as productive as traditional routes, we now have 12,400 distributors versus 9,600 at the same point last year.

Chief Executives Statement continued

> This has been a challenging year for all involved with Findel, but one that has resulted in a platform for superior performance going forwards.

- Within Kitbag we have continued to make progress on new business wins, signing an online contract with UEFA for the Champions League and the European Championships in May 2011, and a multi-channel outsourcing contract with an established Premier League club (to start in season 2012/13 and to be announced shortly). We are also in the process of confirming a multi-channel arrangement with Leicester Tigers rugby club which is expected to complete shortly, together with an online contract for an international rugby organisation ahead of the Rugby World Cup. Current trading is strong, reflecting the success of our partner clubs (FA Cup winners, Premier League champions, Copa del Rey winners and both UEFA Champions League finalists) although margins are depressed due to the simultaneous need for end of season and other obsolete stock clearance. Work remains to be done on improving the overall profitability of the business.
- Within our Education Division, we have made significant progress on our buying initiatives, rationalising product ranges to reduce both complexity and cost prices, and renegotiating trading terms with our top suppliers. We have also restructured our selling activities and introduced telesales management with some success – those customers managed within this service moving from year-on-year sales decline to growth. Current business performance suggests that where we have been able to coincide new catalogues with our newly improved service levels, we are seeing signs of our business recovering. With older publications, however, it will be a longer battle to convince customers of our improved capabilities.
- Within Healthcare, we have been successful in winning four new Integrated Community Equipment Supplies (ICES) contracts totalling approximately £9.6m in annual value, together with other contracts providing an additional £0.6m. Although, disappointingly we also lost two ICES contracts where we were the incumbent, totalling £7.2m annual value, overall we have maintained and increased our market leading position.
- Approximately £10m of the funds raised by our rights issue, received by the company on 22 March 2011, were put to immediate use to reduce tension in our supply chain, which has had a beneficial effect across all businesses. One credit insurer has already restored cover to former levels, and is considering extending that cover even further. Discussions are underway with other credit insurers.
- Over the last 15 months, there have been major changes in the management team. There has been wholesale change in group functions and in the management of our Education Division. We have reinforced the management team in Kitbag, and are currently looking to do the same within Express Gifts and Kleeneze.
- The detailed forensic review that was undertaken by KPMG following the discovery of accounting irregularities within the Education Supplies Division concluded that there were no material issues in any of the other businesses. Nonetheless, it highlighted that the governance and control environment within the group needed to be strengthened and we have acted to do so. The size and capability, but not the cost, of the group central functions has been increased.

Although the coming year is likely to be one of consolidation, we are excited about the future. We remain very confident that we have set the right course that will add value for all our stakeholders.

Roger Siddle
Chief Executive

6 June 2011

Business Review

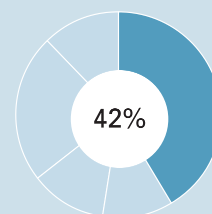
Our Strategy

We have developed clear plans for each of our businesses to improve their performance and achieve their full potential.

Division	Objective	Improvement plans
Express Gifts	Rejuvenate a major player	• Upgrade and integrate core systems • Implement behavioural credit scoring systems • 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

Express Gifts

Percentage of group revenue*



Business profile

Express Gifts, our core credit-based home shopping business, is one of the largest direct mail order businesses in the UK offering online and via catalogue a broad range of home and leisure items, clothing, toys and gifts supported by a flexible credit offer.

Using the branding of Studio and Ace, Express Gifts has 1.1m active home shopping customers with an average balance of around £240 that is typically repaid over a six or seven month period.

As well as offering a number of exclusive products, including an own-brand clothing range, its comprehensive in-house personalisation facilities distinguish Express Gifts from other UK retailers.

Market conditions

The marketplace in which Express Gifts operates has become increasingly competitive in recent years. Many of the business's customers are on moderate incomes, which continue to be under pressure from rising living costs and modest wage increases. The significant reduction in access to credit has also affected many of the business's target customers, although this has potentially increased the attraction of Express Gift's credit proposition, which enables large seasonal expenditure to be spread over a number of months. Express Gifts has responded to these factors by increasing the value proposition to the customer in its key product ranges, gifts, furniture, clothing and Christmas items.

Strategy and prospects – rejuvenate a major player

The programme to reverse the historic underinvestment by upgrading Express Gifts' core systems onto an integrated set of market applications started in February 2011 as planned and is expected to take around three years to complete. Early benefits that are expected to be seen include a new product management system and a new interactive customer service management system with web chat and social media communication, which are due to go live in January 2012. Other systems development work on the internet undertaken in the last year has seen the proportion of sales completed online increase from 40.6% to 44.1%.

In addition to these investments, pricing tests carried out as part of the Full Potential Review have demonstrated that response rates can be significantly increased by increasing the value in our offer, without detriment to overall contribution. This strategy fits the economic challenges currently facing our customers and, as such, we will roll out the increased value proposition across our product offering in the coming months. As well as the immediate benefit to sales, improved response rates will provide us with a higher base of active customers with which we can engage.

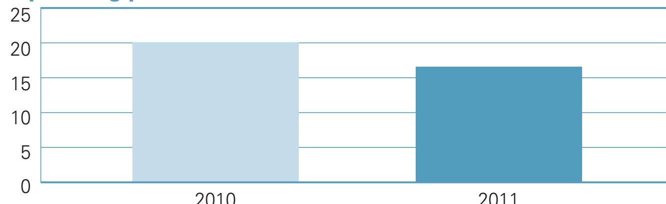
Similarly, the process to implement behavioural credit scoring to allow us to increase sales to more credit-worthy customers whilst reducing the exposure to bad debts is underway. This is expected to be completed within a year, although the benefits will not start to accrue until 2012.

The funding constraints placed upon the group during the last two years have caused particular supply chain pressures for Express Gifts, leading to inefficient procurement and regular

Summary income statement*

£'000	2011	2010	% change
Revenue	222,257	229,040	-3.0
Cost of sales	(97,927)	(96,396)	-1.6
Gross profit	124,330	132,644	-6.3
Trading costs	(107,824)	(112,413)	4.1
Operating profit	16,506	20,231	-18.4

Operating profit* (£m)



> In a challenging market, this is considered to be a solid trading performance from the group's largest business.

incidents of "stock outs". A detailed review of buying and merchandising processes is currently underway to remedy this, whilst at the same time adjusting the focus of the product range towards an increased value proposition to improve customer response rates and increase the active customer base. Early signs of improvement have been seen through a reduction in the level of lost sales.

2011 Performance review

In response to the deteriorating economic environment and to limit the impact of this on its bad debt exposures, Express Gifts introduced tighter underwriting standards for new credit customers in FY2010, which have been maintained throughout FY2011. This resulted in the business starting the year with a lower customer base than in FY2010 which in turn contributed to the number of orders received during FY2011 falling by 3.9%. However, the impact on this upon sales revenue was mitigated in part by a 3.0% increase in the average order value. Financial services income also reduced slightly, primarily from lower administration fees reflecting an improvement in the underlying quality of the credit portfolio, such that total revenue for Express Gifts in FY2011 fell by 3.0% to £222.3m.

The effects of the significant reduction in credit insurance available, together with concerns about the group's financial condition prior to the recent refinancing, made the relationship with Express Gifts' suppliers challenging during FY2011 with a corresponding rise in procurement costs. In addition, the early impact of the increased customer value proposition piloted in the Autumn/Winter catalogue contributed to a reduction in gross margin to 55.9% in FY2011.

Increased focus upon collections and existing customers resulted in the bad debt charge for FY2011 reducing by 4% compared to FY2010, with the proportion of customers paying to terms returning to its highest level for more than five years. In addition, the business has had a tight focus upon its fixed overheads, particularly its building costs, reducing total operating costs* by 4.1% during the year.

The net operating profit* for the year was £16.5m, down £3.7m on FY2010. In a challenging market, this is considered to be a solid trading performance from the group's largest business.

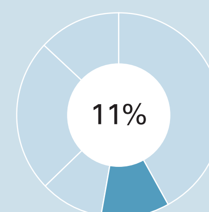
* Before exceptional items

Kleeneze

Business profile

Kleeneze is a leading network marketing company, specialising in supplying a wide range of household and health & beauty products to customers through a network of independent distributors across the UK and the Republic of Ireland.

Percentage of group revenue*



The business's direct customers are its self-employed distributors, who in turn develop their own end customer bases. Orders are generated from, and delivered to, the end customers by the distributors who also collect payment at the time of delivery. Kleeneze provides distributors with short-term credit accounts in order for them to manage the delay between dispatch of goods by the company and receipt of payment from end customers.

Market conditions

Whilst economic conditions in the UK in FY2011 recovered slightly from the severe effects of the recession, conditions in the Republic of Ireland continued to be weak with sales falling at a much faster rate than in the UK. Distributors have reported that sales from customers have declined as the general public tighten their budgets in response to the tough economic conditions and austerity measures. However, there are also signs of an increased use of a second income from sources such as being a Kleeneze distributor to offset the reductions in real household incomes.

Strategy and prospects – look for growth

Kleeneze had seen the number of its active distributors declining gradually over a number of years, and this trend continued throughout the first three quarters of FY2011. However, the most effective way of increasing sales revenues for Kleeneze is to increase distributor numbers, particularly in certain geographic areas which have been identified as being under-represented.

A variety of recruitment offers have been trialled during the last few months to grow the distributor base. The most successful of these trials, known as "Break Free", is focused upon reducing the initial set-up costs for distributors without increasing operating costs for Kleeneze. This scheme, which is gradually being rolled out, has already resulted in 4,000 new distributors. Whilst most of these have yet to reach the same level of productivity as typical recruits, total distributors at the year-end of 12,400 represents the highest level since 2008 providing a strong platform for the future.

2011 Performance review

Kleeneze had a challenging year in FY2011, with sales badly affected by the adverse weather in December and January, a rise in VAT which was largely absorbed by the company, together with sustained end customer caution in doorstep spending combined with a lower level of response to distributor advertising campaigns as a result of the economic downturn. However, there were some signs of improvement in the last two months of the year, brought about in part by the increased number of distributors, which reduced the annual rate of decline in revenue from 9% in December 2010 to 7% for the year as a whole.

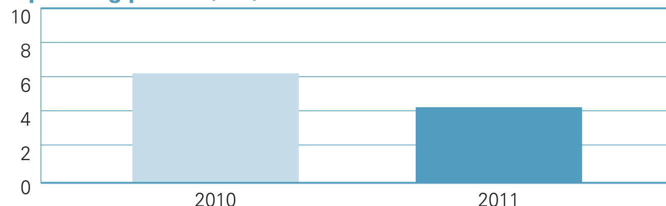
As with other businesses in the group, increased pressure from suppliers brought on by the group's financial position led to a reduction in gross margin, although lower commission payments to distributors, as a result of lower sales revenue, contributed to a £2.2m saving in operating costs*. The operating profit* of £4.4m, representing a 7.4% return on sales was still a strong performance in a difficult market and challenging corporate conditions, though naturally disappointing versus the prior year.

* Before exceptional items

Summary income statement*

£'000	2011	2010	% change
Revenue	59,872	64,356	-7.0
Cost of sales	(19,305)	(19,620)	1.6
Gross profit	40,567	44,736	-9.3
Trading costs	(36,124)	(38,278)	5.6
Operating profit	4,443	6,458	-31.2

Operating profit* (£m)

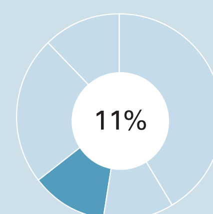


Kitbag

Business profile

Kitbag is a specialist sports retailer selling club-branded replica kits, leisurewear and souvenirs as well as sports-branded playing and training wear. It operates through its own online platforms (including kitbag.com), and also manages officially-licensed club retail outlets including online, mail order and physical stores.

Percentage of group revenue*



The operation of full multi-channel retail contracts (where Kitbag operates all official retail operations including on-line, mail order, stadium stores and in-town stores and concessions as well as managing product licensing) is becoming an increasingly important component of Kitbag's business, and this capability is a key factor in its ability to maintain and secure new contracts with leading football clubs and other sports organisations.

Market conditions

The exclusive nature of Kitbag's contracts with clubs and associations, together with the combination of brand management and operational skills required to manage its contracts, has meant that, to date, Kitbag has faced limited direct competition. However, it does face competition in much of its product range with other sports retailers. The business is also sensitive to the on-field performance of its business partners, as well as general retail market pressures.

Strategy and prospects – accelerate profitable growth

With the success of the multi-channel model achieved initially with Everton FC and subsequently with Manchester City FC and Nottingham Forest FC, Kitbag has identified a pipeline of new potential partnerships which can be pursued over the next three years. Progress has already been made with signing an online contract with UEFA for the Champions League and the European Championships in May 2011 and a multi-channel outsourcing contract with an established Premier League club (to start in season 2012/13 and to be announced shortly). We are also in the process of confirming a multi-channel arrangement with Leicester Tigers rugby club which is expected to complete shortly, together with an online contract for an international rugby organisation ahead of the Rugby World Cup. Current trading is strong, reflecting the success of our partner clubs (FA Cup winners, Premier League champions, Copa del Rey winners and both UEFA champions League finalists) although margins are depressed due to the simultaneous need for end of season and other obsolete stock clearance.

2011 Performance review

Kitbag continued to see a number of new contracts starting during FY2011, particularly its new multi-channel contracts with both Manchester City FC and Nottingham Forest FC, leading to a 20.1% increase in revenue to £58.0m.

The main benefit of the multi-channel contracts for Kitbag is an ability to achieve higher overall product margins through having greater control over the sales process – although this benefit is partially offset by the higher costs of operating the related stores, particularly in the first years of operation. This effect is clearly shown in the 2011 results, which saw a significant widening of the overall gross margin from 43.4% to 46.1%, offset in part by an increase in staff and building costs which are shown within operating costs.

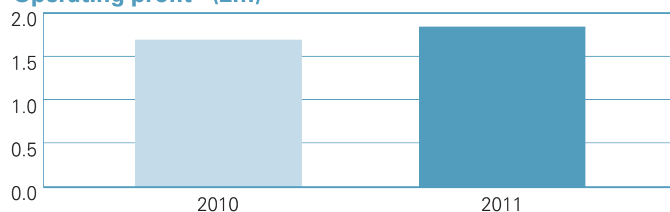
The Kitbag business has increased significantly in size over the last three years, with revenue having more than doubled since 2008. During this time, overheads have increased at a faster rate than gross margin due to the natural challenges placed by significant growth on operating practices, as well as to allow the business to gear up for further growth. Work is currently underway to revise processes and IT systems to manage a greater level of activity, whilst also adjusting the cost base within the business to improve profitability in future years.

* Before exceptional items

Summary income statement*

£'000	2011	2010	% change
Revenue	58,017	48,309	20.1
Cost of sales	(31,300)	(27,355)	-14.4
Gross profit	26,717	20,954	27.5
Trading costs	(24,850)	(19,231)	-29.2
Operating profit	1,867	1,723	8.4

Operating profit* (£m)

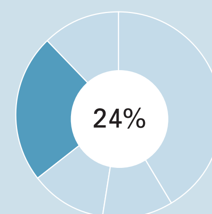


Educational Supplies

Business profile

Our Education Supplies Division is one of the largest independent suppliers of resources (excluding IT and publishing) to schools and other educational establishments in the UK. The division's international unit exports to over 150 countries worldwide.

Percentage of group revenue*



Through the division's leading brands, which operate both via printed catalogues and through a variety of e-procurement solutions, we offer an extensive product range supporting subjects across the curriculum, as well as supplying furniture, audio visual equipment and commodity products such as stationery and janitorial materials.

Our Education Division has an estimated 8% share of the UK educational supplies market.

Market conditions

Excluding IT, the majority of suppliers by value operating in the education supplies marketplace are regionally based businesses either owned, or previously owned, by local authorities. These organisations predominantly sell consumable products into schools in their locality and do not have a national presence. Many of the division's larger competitors are public bodies operating low-price-point strategies.

Changing economic conditions has meant that public sector funding in the UK has reduced and this has affected education spending specifically. Schools also now have more control over their individual budgets, in particular those that have made the transition to Academy status. They continue to focus on achieving best value when procuring goods and services for their establishments.

Schools also remain cautious because of changing education policies which ultimately help drive their resourcing priorities. Overall, the educational resources market remains soft, with the British Educational Suppliers Association (BESA) forecasting a decline in non-IT resource spending in the UK of around 2% for 2011/12, with demand for larger capital items such as furniture predicted to fall by nearer 4-6%. There is increased emphasis on key curriculum areas such as literacy and mathematics, and high-quality resources that support these key areas continue to be in demand alongside key commodity ranges, both of which are core parts of our offering. With IT not being part of our overall offering, the division is not exposed to the very sharp cuts (BESA: 7%) being experienced in that part of the educational supplies market.

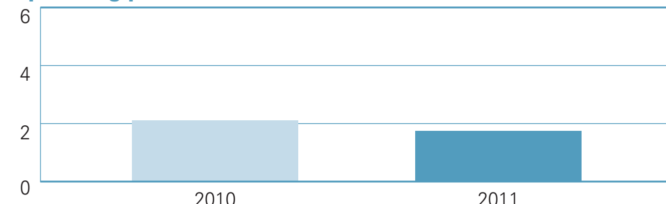
Strategy and prospects – turn around a market leader

The division has been losing market share for several years due to a general failure to meet customer needs on a consistent basis, in terms of price, range and service. This was compounded by the effects of accounting irregularities discovered in January 2010 which had masked a material shortfall in underlying performance over a number of years. Following a series of changes to the divisional management team, work has already started to implement a number of improvements to increase the level of return on sales into line with other players in the sector.

Summary income statement*

£'000	2011	2010	% change
Revenue	125,778	141,800	-11.3
Cost of sales	(83,403)	(92,272)	9.6
Gross profit	42,375	49,528	-14.4
Trading costs	(40,629)	(47,432)	14.3
Operating profit	1,746	2,096	-16.7

Operating profit* (£m)



> ‘Improvements have also been made to the division’s buying processes; this has resulted in a restructure into Category Management teams and the introduction of a new Range Planning calendar and the introduction of new buying processes.’

Having completed a significant reorganisation of warehousing requirements during FY2010, attention was turned to a restructuring of the customer contact processes. Telesales management processes have been introduced to cover customers with less frequent orders, in order to provide improved levels of service at lower cost. This has produced immediate results, with those customers managed in this way moving from a year-on-year sales decline to growth.

Improvements have also been made to the division’s buying processes; this has resulted in a reorganisation into Category Management teams and the introduction of a new Range Planning calendar and the introduction of new buying processes. Product ranges across the various catalogues and brands will be rationalised to reduce both complexity and cost prices through greater purchasing volumes on key items. This will be rolled out across all ranges over the coming months. In addition, trading terms are being renegotiated with suppliers to ensure that prices remain competitive. The top 95 suppliers representing 65% of annual spend have already been involved in negotiations and have been hugely cooperative in supporting the company with its requirements in terms of both provision of excellent delivery, reliability, improved prices and terms for 2011/12. Further supplier negotiations and consolidation are planned for the coming months.

2011 Performance review

The severe problems in the supply base caused by the group’s financial position led to an inability to source efficiently, particularly during the last six months. A number of key suppliers suspended further trading with the business, with others reducing their credit exposure. When combined with a number of other inefficient business processes, the level of customer service was significantly affected.

Coupled with the changing economic conditions of the public sector in the UK and the absence of large one-off International Project sales achieved in FY2010 not repeated in FY2011, revenues fell £16.0m (11.3%) versus FY2010.

To compensate partially, an ongoing focus on overhead improvements continued in FY2011 resulting in £6.8m of year-on-year savings, with approximately half of the savings realised being full year impact of FY2010 initiatives. Overall, while FY2011 results were disappointing, the changes we are making to the business are having a positive effect. Following the cash injection from the rights issue, supplier relationships have improved significantly and the supply chain is now functioning more efficiently.

Whilst public sector funding in the UK is expected to reduce, this is likely to encourage the achievement of best value for money in procurement. Also, non-IT resource spending, which is the core focus of the Education Supplies Division, is only expected to reduce by around 2% in 2011/12.

Although the challenging market conditions mean that the turnaround will be a multi-year effort, we are confident in the future.

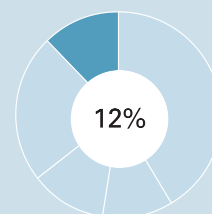
* Before exceptional items

Healthcare

Business profile

The Healthcare Division is a leading operator of outsourced Integrated Community Equipment Services (ICES) contracts for NHS trusts and local authorities, and also supplies a wide range of rehabilitation and care equipment to the public and private sectors via catalogues and the internet.

Percentage of group revenue*



Market conditions

The Healthcare Division currently has 13 ICES contracts in place with expiry dates through to 2016 giving it an estimated 44% of the market by value in private hands. This is a growing market with both an increasing demand for the equipment and a gradual transfer of contract provision from the public to the private sector. The market for rehabilitation and care equipment is, by contrast, highly fragmented.

The recent government Comprehensive Spending Review is expected to increase pressure on public bodies to save money, which in turn is likely to accelerate the move to outsourcing, from which the Healthcare Division is well placed to benefit.

Strategy and prospects – maintain prominent market position

The pipeline of new ICES contracts expected to come to market has expanded significantly over the last 12 months, with £43.9m aggregate annual contract value identified over the next two years, compared to £22.5m at the same time last year. The recent refinancing of the group has created sufficient funding headroom to provide the Healthcare Division with the additional working capital and capital expenditure required when taking on new contracts.

The division won four new ICES contracts during FY2011, of which Hull, East Riding of Yorkshire, and Leicestershire & Rutland start on 1 April 2011, and Shropshire started on 1 January 2011. The division was also awarded the Mobility Care contract for South East London, which started on 1 December 2010.

Disappointingly, the division lost the ICES contracts in Derby and Nottingham where we were the incumbent provider. These contracts completed or will complete in March and June 2011 respectively. Given the start up costs associated with new contracts, we anticipate that the new contracts are unlikely in their first year to replace profits from lost contracts fully. However the division enters FY2012 in a strong position, with market share increased and customer confidence improved.

2011 Performance review

The performance of the Healthcare Division is significantly impacted by the mix of its contracts. During 2011, the Healthcare Division successfully renewed its Bournemouth & Poole ICES contract and its North London Mobility contract. The Dorset ICES contract was lost at the time of rebid, coming to an end on 31 March 2010 and therefore adversely impacting the division's financial performance in FY2011 as compared to FY2010, although this was partially offset by the new ICES contract for Shropshire, which commenced on 1 January 2011. Underlying growth in the continuing contracts was strong, contributing to the overall increase in revenues.

Gross margin was depressed by changes in the contract mix and the impact of the government's austerity measures, which impacted the public sector purse.

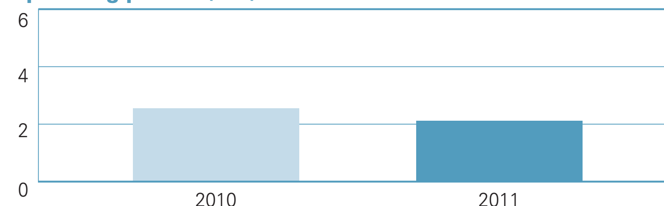
Operating costs* decreased slightly due to continued focus on cost leadership and operating efficiencies. This resulted in an operating profit* of £2.1m in FY2011 as compared to £2.6m in the prior year. The operating result of the Healthcare Division is relatively stable due to the nature of the sector and the fact that contracts are awarded for a period of several years, which secures revenues and profits over the medium term.

* Before exceptional items

Summary income statement*

£'000	2011	2010	% change
Revenue	66,664	63,508	5.0
Cost of sales	(52,992)	(49,052)	-8.0
Gross profit	13,672	14,456	-5.4
Trading costs	(11,525)	(11,897)	3.1
Operating profit	2,147	2,559	-16.1

Operating profit* (£m)



Finance Director's Review

Tim Kowalski

Group operating profit before exceptional items and terminated operations
Group profit before tax* was £7.0m in 2011, down £4.7m on 2010, as summarised below.

	2011 £000	2010 £000	Change £000
Operating profit*:			
Express Gifts	16,506	20,231	(3,725)
Kleeneze	4,443	6,458	(2,015)
Kitbag	1,867	1,723	144
Education Supplies	1,746	2,096	(350)
Healthcare	2,147	2,559	(412)
Share of associate loss	—	(434)	434
	26,709	32,633	(5,924)
Net finance costs*	(19,698)	(20,971)	1,273
Profit before tax*	7,011	11,662	(4,651)

* Before exceptional items and terminated operations

We have improved the level of transparency of the businesses' performance for our external stakeholders. The results for the three businesses in the Home Shopping Division, Express Gifts, Kleeneze and Kitbag, are now shown separately. The historic practice of showing a "benchmark" operating profit, which excluded certain relevant items, has been discontinued in favour of a more conventional GAAP-compliant measure of performance.

After taking account of a number of non-recurrent items, the underlying operating performance of each business in 2011 was broadly in line with the previous year, save for Kleeneze where a fall in distributor numbers for much of the year led to a 7% reduction in revenue.

Exceptional items

Exceptional operating costs (excluding items in terminated operations) of £20.6m (2010 restated: £16.3m) were incurred as set out in note 6 to the financial statements. In 2010 (restated) there was also a one-off credit of £6.6m relating to the curtailment of the group's defined benefit pension schemes. As part of the equity and debt refinancing described below, the group recognised an exceptional gain of £32.9m in relation to the release of debt and issuance of new convertible shares.

Exceptional finance costs of £16.6m and £12.2m were incurred in 2011 and 2010 respectively in respect of refinancing.

Terminated operations

The businesses of Confetti, IWOOT and the Webb Group, which had either been sold or were in the process of being sold at the time of the 2010 accounts, were sold during the current year. The results attributable to these businesses in this period total a loss of £2.5m. In addition, the total loss incurred upon the disposal of these businesses was £1.5m.

Pensions

As set out in note 1 to the financial statements, the group has moved away from the corridor approach for recognising actuarial gains and losses in respect of the group's defined benefit schemes in the current financial period ahead of the IASB's proposed amendment to remove the corridor option. As a result of this change, the results for 2010 have been restated to reduce trading costs by £0.1m and increase the exceptional pension curtailment gain by £1.2m.

The group has continued to make additional voluntary contributions to the schemes totalling £3.2m in the current financial period (2010: £3.2m) to improve the funding levels. The net deficit at the end of 2011 measured in accordance with IAS19 eased to £4.7m (2010 restated: £23.3m) as a result of actuarial gains in the year.

Taxation

The group obtained relief in respect of taxation totalling £9.9m (2010: £0.6m). This principally related to movements in the deferred taxation position, as set out in note 26 to the financial statements. It is likely that losses incurred in prior periods will be utilised against taxable profits in the short term. However, in later periods it is anticipated that the group's effective tax rate will return to broadly the main rate of UK corporation tax, which is expected to reduce from 26% to 24% by April 2014.

Equity and debt refinancing

As a result of the accounting irregularities in the group's Education Supplies division in early 2010, certain representations and warranties made in the connection with the bank facilities entered into in July 2009 were found to be untrue. Consequently, as a result of this breach of covenants, all of the bank debt owed by the group was reclassified as falling due within one year in the consolidated balance sheet at 2 April 2010. The group subsequently entered into amended credit facilities in July 2010, which had a scheduled maturity date of January 2012.

Finance Director's Review continued

On 11 February 2011, the group announced a 5 for 2 rights issue of 1,224m ordinary shares at 6.54p per share and the placing of 5.8m ordinary shares at 8.53p per share. This was approved at the company's Extraordinary General Meeting held on 28 February 2011, and the shares were issued on 16 March 2011. Total proceeds raised were £80.5m, less £1.1m relating to shares transferred to the Employee Benefit Trust, and associated costs of the equity raising of £4.8m.

£40m of the proceeds was used to repay outstanding debt under the group's bank facilities immediately. In addition to this, on 22 March 2011, the group issued 166,878,704 new unlisted convertible shares to the group's lenders in consideration for the release of a further £40m of outstanding debt.

The group also entered into agreements for the provision of amended credit facilities on 11 February 2011, which replaced its previous credit facilities, and which comprised:

- revolving credit facilities totalling £196.8m; and
- securitisation facilities for Express Gifts totalling £105.0m.

These facilities became effective on 22 March 2011 and have a five-year term. Amounts drawn under the revolving credit facilities carry interest at a margin of 3% over LIBOR.

Summary balance sheet

	2011 £000	2010 £000	Change £000
Fixed assets	151,474	162,351	(10,877)
Net working capital	199,325	196,013	3,312
Net debt	(227,804)	(309,598)	81,794
Other net liabilities	(6,546)	(38,093)	31,547
Net assets	116,449	10,673	105,776

Consolidated net assets amounted to £116.4m at the period end (2010 restated: £10.7m), reflecting a combination of the equity raising mentioned above and the level of other items charged to the income statement during the period. These net assets are equivalent to 6.8p per share.

Cash flow and borrowings

The group's net cash from operating activities (before exceptional items) was an inflow of £6.3m, compared with an inflow of £20.4m in the previous year. This reflects the non-recurrence of an £8.9m tax recovery from 2010, lower operating profit and the impact of tighter credit terms from suppliers and limited availability of credit insurance to our suppliers.

After taking into account £20.6m of exceptional operating costs and £16.6m of exceptional refinancing costs paid during the year, net cash from operating activities was an outflow of £30.9m (2010: inflow of £8.2m).

The group's net debt at the year-end was £227.8m, down some £81.8m from the previous year-end. This reflects the £110m reduction of net debt arising from the recent refinancing, offset by the exceptional costs of the July 2010 refinancing and the release of some £10m of additional working capital into the supply chain at the end of the year. The effect of the refinancing was to bring balance sheet gearing down to 2.0x, compared to 29.0x at the end of 2010.

Shareholder return and dividends

Basic earnings per share were 1.04p compared to a loss per share of 12.43p (restated) last year. The terms of the new credit facilities prohibit the payment of dividends for so long as those facilities are in place. This is consistent with the board's belief that the group should improve its liquidity and to invest in its operations rather than paying dividends for the time being.

Liquidity and funding

The maturity and currency profile of the group's borrowings are shown in note 23 to the financial statements and further background is provided in the equity and debt refinancing section above.

We have improved the level of transparency of the businesses' performance for our external stakeholders. The results for the three businesses in the Home Shopping Division, Express Gifts, Kleeneze and Kitbag, are now shown separately. The historic practice of showing a "benchmark" operating profit, which excluded certain relevant items, has been discontinued in favour of a more conventional GAAP-compliant measure of performance.

Group finance functions

As part of the improved levels of governance introduced by the new management team over the last year, the roles of the group's central treasury and finance functions have been broadened to provide greater support, discipline and challenge to the businesses. New regular management routines have been established to improve the level of control and interaction between the Executive Directors and the businesses.

In addition, the internal audit function has been significantly enhanced together with the development of a more thorough and rigorous programme of reviews across the businesses.

Treasury and risk management

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

Interest rate risk management

The group's interest rate exposure is managed by the use of derivative arrangements as appropriate, details of which are set out in note 35 to the financial statements. Three interest rate caps covering the three years to February 2014 were purchased during the year.

Net interest costs* for the year were £19.7m, down slightly from £21.0m in 2010, largely reflecting the full-year impact of lower LIBOR rates and the non-recurrence of a derivative movement of £3.2m in 2010. This charge was covered 1.4 times by operating profit* (2010: 1.6 times).

In addition to this, the group incurred £16.6m of exceptional charges relating to the two debt refinancings undertaken during the year.

Currency risk management

A proportion of the products sold principally through the group's Express Gifts Division are procured through the group's Far East buying office. The currency of purchase for these goods is principally the US dollar, with a proportion being denominated in Hong Kong dollars. The group has a policy of hedging these foreign currency denominated transactions by entering into forward exchange purchase contracts within the current financial period. At the balance sheet date, the group had no outstanding contracts in place.

Borrowing risk

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

Principal risks and uncertainties

There are a number of risks and uncertainties that could impact the performance of the group over and above the treasury risks considered above. Group and divisional management, through the budgeting, forecasting and monthly review of actual results, review business risks and seek to mitigate these risks as far as possible, as described in the Corporate Governance Report on pages 23 to 26. The risks relate to three key areas of review by the group being those specific to the group's divisions, economic and regulatory risks, and operational risks.

Risks specific to the group's divisions

The business of the Express Gifts Division is seasonal, and is more heavily weighted towards the second half of the financial year. In addition the division is reliant on credit scoring techniques in the recruitment of new customers.

In the Education Supplies Division, the September and March "Back-to-School" periods account for much of the market's annual sales and profits. The group is focused on delivering a high quality of service and being well prepared for managing peak demand in all of its businesses.

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

Economic and regulatory risks

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

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

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

Express Gifts is regulated by the FSA as an insurance intermediary and, as such, is permitted to sell general insurance products, including Payment Protection Insurance (''PPI''). It ceased selling this product in August 2008 and, to date, has received a low number of complaints as a proportion of its total PPI sales. With the publication of its final policy statement in August 2010, the FSA has imposed significant changes with respect to the handling of PPI mis-selling complaints, following which, the group reviewed its claims handling processes. Notwithstanding the low number of complaints received and upheld to date, it is possible that Express Gifts may receive a greater number of new claims from customers in the future.

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

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

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

Finance Director's Review continued

Operational risk

The group is dependent on its senior management. The group has entered into employment contracts and taken other steps to encourage the retention of these individuals, and to identify and retain additional personnel. The group's business may be affected by the default of third parties in respect of monies owing by them to the group. However the majority of amounts owed to the group comprise small balances spread across a large number of accounts and active consideration of credit risk is carried out throughout the group.

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

The group may fail to keep up with advances in internet technology. Furthermore information technology systems failure or disruption could impact the group's day-to-day operations. The group relies heavily on its information technology systems to record and process transactions and manage its operations as well as to enable its customers to purchase products on-line and over the phone. The group has seen significant growth in the proportion of its home shopping sales which are derived from the internet, and these now represent over 40% of the total sales of the Home Shopping Division. The group is focused on investing appropriately in its information technology systems and maintaining its e-commerce capabilities.

The group is dependent on third parties for outsourcing functions. The group carries out extensive reviews of any potential outsourcing partner. Loss of, or disruption to, the group's distribution centres and administrative sites would have a material adverse effect on the group's business. The group has established disaster recovery procedures designed to minimise the impact of any such disruption.

Financial risk

The group is reliant on the continued provision of credit facilities, and the ability to refinance them as they fall due, to support its operations as it seeks to reduce its net borrowings to a more appropriate level. The new facility agreements which mature in March 2016 include various financial covenants which, if not complied with, would enable the lenders to seek immediate repayment of amounts outstanding under the outstanding credit facilities.

Accounting policies and standards

The principal accounting policies applied by the group are shown on pages 46 to 52.

The group previously adopted the "corridor method" of accounting for its defined retirement benefit obligations. In advance of the IASB proposing to remove this choice of accounting, the group has adopted a change in policy and now recognises actuarial gains and losses immediately in the Consolidated Statement of Comprehensive Income as permitted under IAS 19. The impact of this change is set out in note 1 to the financial statements.

In addition, the income statement presentation has been amended in the current period to remove the reference to "benchmark profit" in favour of considering operating profit before exceptional items and terminated operations.

With the exception of new standards adopted, the accounting policies have been applied consistently throughout the current and preceding periods.

Going concern basis

In determining whether the group's financial statements for the period ended 1 April 2011 can be prepared on a going concern basis, the directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities in the current challenging economic climate. The financial position of the group, its cash flows, liquidity position and borrowing facilities and the key risks and uncertainties are set out in further detail above.

The directors have reviewed the trading and cash flow forecasts as part of their going concern assessment, including reasonable downside sensitivities which take into account the uncertainties in the current operating environment including amongst other matters demand for the group's products, its available financing facilities, and movements in interest rates. These show that the group should be able to operate within its recently amended banking facilities and comply with its new banking covenants.

Taking into account the above uncertainties and circumstances, the directors formed a judgement that there is a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the group's annual consolidated financial statements.

Tim Kowalski
Group Finance Director

6 June 2011

Secretary and Registered Office
M Ashcroft
2 Gregory Street
Hyde
Cheshire
SK14 4TH

Company Number:
549034

Auditors
KPMG Audit Plc
St James' Square
Manchester
M2 6DS

Registrars
Equiniti Limited
Aspect House
Spencer Road
Lancing
West Sussex
BN99 6DA

* Member of the Nomination Committee

** Member of the Audit, Remuneration and Nomination Committees

Board of Directors

Mr D A Sugden, 59*
Chairman

David Sugden was appointed as a director of the company in 2009 and became chairman in April 2010. Prior to this, he was chairman of BPP Holdings plc until its sale to Apollo Global Inc. Before that, he was chairman of MSB International plc, group chief executive of Geest plc, group finance director of Spear & Jackson International plc and a non-executive director of Applied Distribution Limited. He is currently a non-executive director of Greencore Group plc and Mouchel plc.

Mr R W J Siddle, 50
Chief Executive

Roger Siddle was appointed chief executive on 15 September 2010. Prior to this, he was chief executive of BPP Holdings plc. He is a former managing partner of the UK business of Bain & Company.

Mr T J Kowalski, 52
Finance Director

Tim Kowalski was appointed to the board as finance director on 2 August 2010. He is a chartered accountant with over 26 years experience with mainly consumer and retail companies. Prior to joining Findel he was chief finance officer of Homeform Group Limited and group finance director of Homestyle Group plc and of N Brown Group plc.

Mr P B Maudsley, 50
Managing Director, Home Shopping

Philip Maudsley joined the group in 1987 as general manager of a manufacturing subsidiary. He became managing director of the Home Shopping division in 1994 and was appointed to the board on 6 April 2004. He was subsequently appointed group managing director in December 2004, chief operating officer in May 2006 and then chief executive in November 2009. Phil was appointed managing director of the Home Shopping division in September 2010.

Mr E F Tracey, 62**
Senior non-executive director

Eric Tracey was appointed to the board on 28 August 2009. He is a non-executive director of The NEC Group and Burton Foods Ltd and a member of a number of Advisory Boards. Prior to this Eric was senior independent director and chairman of the audit committee at Chloride Group plc and group finance director of Amey plc and Wembley plc, having previously been a partner in Deloitte & Touche.

Mr M L Hawker, 61**
Non-executive director

Mike Hawker joined the board in July 2006, with over 25 years experience in home shopping, 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.

Mrs L C Powers-Freeling, 54**
Non-executive director

Laurel Powers-Freeling was appointed to the board as a non-executive director on 1 October 2010. She has previously been a group executive director of Marks & Spencer Group Plc; CEO of Marks & Spencer Financial Services Plc and most recently the UK country manager and chairman of the European Insurance Business at American Express Services Europe Ltd. Laurel's previous roles have included managing director of the Wealth Management Division at Lloyds TSB Group plc, finance and strategy director of their UK Retail Banking Division, and a senior adviser to the Bank of England. She currently holds non-executive director positions at BBA-LIBOR Ltd and the Bank of Ireland (UK) plc and C. Hoare & Co.

Mr S S McKay, 64**
Non-executive director

Stuart McKay joined the board in July 2007. He has over 35 years experience in stationery supplies and retailing, including directorships in Simon Elvin Limited, Paper Rose Limited, Clinton Cards plc and Carlton Cards Limited.

Directors' Report

The directors present their annual report and accounts on the affairs of the group, together with the financial statements and auditors' report for the period ended 1 April 2011. The Corporate Governance Report set out on pages 23 to 26 forms part of this report.

Activities

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

Business Review

The Business Review can be found within the Chairman's Statement, the Chief Executive's Review, the Business Review and the Finance Director's Review on pages 3 to 18. This includes a review of the group's activities; the principal risks and uncertainties facing the group; the main trends and factors likely to affect the future development, performance or position of the group's business; and the key performance indicators identified by management. The Business Review also comprises the management report for the purposes of the FSA Disclosure and Transparency Rules (DTR 4.1. 8R).

Dividends

The directors have determined that no interim dividend will be paid (2010: nil) and are not recommending the payment of a final dividend (2010: nil).

Capital Structure

Details of the issued share capital, together with details of the movements in the company's issued share capital during the year are shown in note 28.

The company has two classes of share, neither of which carry rights to fixed income. The ordinary shares carry the right to one vote at general meetings of the company. The holders of convertible shares have a right to attend meetings but no voting rights (save in respect of any resolution relating to the rights of the convertible shares). The following rights and restrictions attach to the convertible shares:

- rights attaching to the convertible shares may only be varied by resolution passed by the holders of 85% or more of the nominal value of the convertible shares then in issue;
- consent of 85% of the holders of convertible shares is required before the company declares any dividend or distribution in excess of 50% of the group's net income in respect of any accounting reference period, and the convertible shares have the right to participate in any dividend to the extent that it exceeds 50% of the group's net income in respect of any accounting reference period;
- the right to elect to participate in any return of capital on a voluntary winding-up of the company as if the convertible shares had been converted into ordinary shares;
- the right to convert the convertible shares into ordinary shares between 28 February 2013 and 28 February 2021 (Conversion Period) if the volume weighted average ordinary share price is greater than 23.97p;
- the convertible shares will automatically be converted into ordinary shares in the event of a takeover offer;
- on conversion into new ordinary shares the convertible shares will rank pari passu with existing ordinary shares;
- until expiry of the Conversion Period, or earlier conversion, the company is subject to certain restrictions including that it shall not, without the consent of 85% of the holders of convertible shares:
  - vary the rights attached to the ordinary shares;
  - create a new class of shares ranking ahead of the ordinary shares;
  - convert the company from a public company to a private company;
  - issue loan stock or debt instruments or enter into any borrowing save on arm's length terms.
- if the convertible shares have not converted into ordinary shares within the Conversion Period they automatically convert into non-voting deferred shares with no voting or profit or capital participation rights.

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 27. Shares held by the Findel plc Employee Benefit Trust abstain from voting.

Other than the holders of convertible shares (see above) no person has any special rights of control over the company's share capital and all issued shares are fully paid.

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. Any such situation would be carefully managed to ensure that any effect on the business was minimised. Furthermore, the directors are not aware of any agreements between the company and its directors or employees that provide for compensation for loss of office or employment that occurs as a consequence of a takeover bid, other than as disclosed in the Board Report on Directors' Remuneration.

Supplier Payment Policy

The policy of the company is to agree in advance the terms of payment with suppliers, ensure suppliers are made aware of these terms and to abide by such terms. The company's trade payables at 1 April 2011 represented 40 creditor days (2010: 53 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 19. Information concerning their interests in the share capital of the company is included in the Board Report on Directors' Remuneration on page 35. All the directors served throughout the year except Mr T J Kowalski, Mr R W J Siddle and Mrs L C Powers-Freeling who were appointed on 2 August 2010, 15 September 2010 and 1 October 2010 respectively and Mr C D Hinton and Mr G P Craig who were each directors of the company at the beginning of the year and retired on 2 August 2010 and 19 August 2010 respectively. Mr M L Hawker and Mr E F Tracey will retire by rotation and, being eligible, will offer themselves for re-election at the annual general meeting. Each of Mr T J Kowalski, Mrs L C Powers-Freeling and Mr R J W Siddle, having been appointed during the year, will retire in accordance with the Articles of Association and, being eligible, offers himself or herself for election at the annual general meeting.

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 Report on pages 23 to 26.

Directors' and officers' insurance

The group maintains insurance for directors and officers of the group, indemnifying them against certain liabilities incurred by them when acting on behalf of the group.

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 £16,000 (2010: £151,000). There were no donations for political purposes (2010: £nil).

Substantial Shareholdings

As at 3 June 2011 the company has been notified of the following material interests of 3% or more in its share capital:

	Number of Shares	Proportion of Share Capital	Number of voting rights	Proportion of voting rights
Toscafund Asset Management LLP	499,633,131	29.07%	448,108,854	26.42%
Schroders plc	496,147,473	28.87%	427,888,391	25.28%
Henderson Global Investors Limited	84,975,491	4.94%	84,975,491	4.94%
Legal & General Group PLC	72,713,424	4.23%	72,713,424	4.23%
Standard Life Investments Limited	69,015,357	4.02%	69,015,357	4.02%

Auditors

During the year, KPMG Audit Plc were appointed as auditors following a tender process. They have notified their willingness to continue as auditors of the company and their re-appointment will be proposed at the annual general meeting.

Directors' Report

Relevant Audit Information

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

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

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

Annual General Meeting

Notice of the annual general meeting to be held on 4 August 2011 is set out on pages 91 to 94.

By order of the board

M Ashcroft
Secretary

6 June 2011

Corporate Governance Report

The board has confirmed its commitment to business integrity and professionalism in all its activities and maintaining the highest standards in corporate governance.

Compliance

The board considers that throughout the year under review the company has complied with the Code provisions set out in Section 1 of the 2008 FRC Combined Code on corporate governance (the Combined Code), and with the rules of the UK Listing Authority.

Application of the principles of the Combined Code

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

The Board

At 1 April 2011, the board was made up of eight members comprising the chairman, Mr D A Sugden; the chief executive, Mr R W J Siddle; the finance director, Mr T J Kowalski; a further executive director, Mr P B Maudsley and four non-executive directors. The non-executive directors are considered by the board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Biographical details of each of the directors, which illustrate their range of experience, are set out on page 19.

The senior independent director is Mr E F Tracey and he is the director whom shareholders may contact if they feel their concerns are not being addressed through the normal channels. The chairman and non-executive directors met during the 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. Following the annual performance evaluation by the chairman, the board confirms that the performance of the non-executive directors subject to election, Mr M L Hawker, Mrs L C Powers-Freeling and Mr E F Tracey, has been effective throughout the period (since appointment in the case of Mrs Powers-Freeling), and that they have continued to demonstrate commitment to their roles.

Every year the board assesses whether each non-executive director is independent against the criteria set out in the Combined Code. Mr M L Hawker joined the board in July 2006 and retires by rotation. Mr E F Tracey joined the board in August 2009 and also retires by rotation. Mrs L C Powers-Freeling joined the board in October 2010 and retires pursuant to regulation 104 of the Company's Articles of Association. The Nomination Committee and the board have reviewed each of their performances and concluded that they each make an effective and valuable contribution as non-executive directors and in their roles on the Audit, Remuneration and Nominations Committees. The Nominations Committee therefore endorses Mr M L Hawker's and Mr E F Tracey's re-election as directors and Mrs L C Powers-Freeling's reappointment, each of which are proposed at the forthcoming annual general meeting.

During the period Mr C D Hinton and Mr G P Craig retired as group finance director and as a non-executive director respectively.

Board Procedures

The board met formally on twenty-three occasions during the period and individual attendance at those and the Board Committee meetings is set out in the table below. The board receives adequate and timely information to enable the directors to discharge their duties. In addition to matters statutorily reserved for a board, there is an agreed schedule of matters reserved for the board for collective decision including:

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

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

The terms of reference for each of the Board Committees are available on request from the company secretary or on the company's website (www.findel.co.uk).

Corporate Governance Report

Attendance at Board and Committee Meetings

The following table shows the attendance of directors at meetings of the board and of the Audit, Remuneration and Nomination Committees of the board during the period to 1 April 2011:

	Board	Audit Committee	Remuneration Committee	Nomination Committee
D A Sugden (23)	23	*	*	3
R W J Siddle (12)	12	*	*	*
T J Kowalski (14)	13	*	*	*
P B Maudsley (23)	22	*	*	*
C D Hinton (8)	8	*	*	*
E F Tracey (23)	21	7	8	3
M L Hawker (23)	18	7	8	3
S S McKay (23)	18	7	7	3
G P Craig (8)	3	2	3	1
L C Powers-Freeling (10)	10	3	3	–
Number of meetings in the year	23	7	8	3

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

The numbers in parenthesis after each director's name indicates the number of board meetings held during the director's tenure during the period.

Board Effectiveness

The performance of the board as a whole was assessed during the year by a process involving the completion of a questionnaire by each director, a one to one discussion between each director and the chairman and a discussion by the board as a whole. The effectiveness of the board was judged to have improved significantly during the year and additional actions were agreed to further improve performance.

The performance of each director has been assessed by the chairman and by peer review and has been discussed in a one to one meeting between the chairman and the individual director.

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

Relations with Shareholders

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

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

The Remuneration Committee

The Remuneration Committee operates under written terms of reference which were reviewed during the period and are available on the company's website (www.findel.co.uk). It is comprised of only independent non-executive directors. The chairman is Mr M L Hawker. The committee's report is set out on pages 28 to 35.

Nomination Committee

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

Audit Committee

The Audit Committee operates under written terms of reference, which were reviewed during the period and are available on the company's website (www.findel.co.uk). It meets at least three times a year and is comprised of only independent non-executive directors. Mr E F Tracey, chairs the committee. The committee, taken as a whole, is considered to have significant recent and relevant financial experience. The expertise and experience of the members of the committee are summarised on page 19. The group finance director, the group chief executive and the chairman attend meetings by invitation as do the internal and external auditors, divisional finance directors and other divisional executives, and the committee also meets with the internal and external auditors without management present and with management without the auditors present.

The external auditors attended six of the seven meetings held during the year and have direct access to the committee chairman. The chairman of the committee attends the annual general meeting to respond to any shareholder questions that might be raised on the committee's activities.

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

The committee's agenda is linked to events in the company's financial calendar. The agenda is mostly cyclical and 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.

Following the discovery of accounting irregularities in the Education division, the board appointed KPMG in April 2010 to carry out an extensive forensic review to establish the extent of the inaccuracies and whether there was any evidence of similar irregularities elsewhere in the group. KPMG reported to the chairman of the audit committee and delivered their reports in July and September 2010. As noted in the chief executive's report, KPMG concluded that there were no material similar issues in any of the other businesses. The need for improvements in the governance and control environment was self evident and the audit committee recommended a number of improvements which were adopted by the board. These included strengthening the group finance, treasury and internal audit functions, adopting a wholly new approach to whistleblowing using an outsourced provider, clarifying responsibilities and reporting lines and supporting the chairman and chief executive in building a more open culture throughout the group.

The Audit Committee is also assisting the chief executive in improving the quality of risk management with targeted reviews of specific risks and how they are being mitigated.

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

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

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

The policy defines the types of services falling under each category and sets out the criteria to be met and the internal approvals required prior to the commencement of any assignment, including the approval of the chairman of the Audit Committee where appropriate. 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.

The disclosure of the fees payable to Deloitte LLP, former auditor, and KPMG Audit Plc, the incoming auditor, for both audit and non-audit services performed during the year is set out in note 12 to the consolidated financial statements. A breakdown of the non-audit fees is included in the same note. The Audit Committee is satisfied with the level of fees, independence, objectivity and effectiveness of KPMG Audit Plc. Accordingly a resolution for the appointment of KPMG Audit Plc as auditors of the company will be proposed at the forthcoming annual general meeting.

Corporate Governance Report

Risk Management and Internal Control

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

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.

By order of the board

M Ashcroft
Secretary

6 June 2011

Statement of Directors' Responsibilities in Respect of the Annual Report and the Financial Statements

The directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare group and parent company financial statements for each financial year. Under that law they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. In preparing each of the group and parent company financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent company financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a Directors' Report, Directors' Remuneration Report and Corporate Governance Statement that complies with that law and those regulations.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Statement of Directors' Responsibilities Pursuant to Disclosure and Transparency Rules 4.1.12

The directors confirm that, to the best of their knowledge:

(i) the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and

(ii) the business review includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

The names and functions of the directors of the company are:

Mr D A Sugden	Chairman
Mr R W J Siddle	Chief Executive
Mr T J Kowalski	Group Finance Director
Mr P B Maudsley	Managing Director, Home Shopping
Mr E F Tracey	Senior Independent Director
Mr M L Hawker	Non-Executive Director
Mr S S McKay	Non-Executive Director
Mrs L C Powers-Freeling	Non-Executive Director

Board Report on Directors' Remuneration

Introduction

This report has been prepared in accordance with provisions of the Companies Act 2006 and Schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. 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. It represents the company's policy on executive remuneration for the year under review and, subject to ongoing review by the Remuneration Committee, subsequent years. 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 and chairman (who operated in an executive capacity from 2 April 2010 until 1 April 2011), is determined by the Remuneration Committee. The members of the Remuneration Committee are the independent non-executive directors, who were M L Hawker (chairman), E F Tracey and S S McKay throughout the period and L C Powers-Freeling since her appointment to the board in October 2010. No member of the Remuneration Committee has any personal financial interest, other than as a shareholder, in the matters to be decided, nor any potential conflict of interest arising from cross-directorships, nor any day-to-day involvement in running the business throughout the period.

The chairman of the company normally attends meetings of the Remuneration Committee by invitation except when matters concerning his own remuneration are discussed. The Remuneration Committee is assisted when required by Hewitt New Bridge Street (a trading name of AON Hewitt Limited) who are appointed by the Remuneration Committee. Apart from providing advice in respect of the design, establishment and operation of remuneration arrangements, Hewitt New Bridge Street provides no other services to the company. The Group Head of HR also provided advice to the Committee during the year.

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

- determining the specific remuneration of each of the executive directors, the chairman and the terms of their service agreements (including 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 the overview of 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, the recommendations set out in UK Corporate Governance Code and any other published guidelines or recommendations regarding the remuneration of directors of listed companies which the Remuneration Committee considers relevant or appropriate;
- considering and making recommendations to the board concerning disclosure of details of remuneration packages and structures in addition to those required by law or by the UK Listing Authority or the London Stock Exchange; and
- considering such other matters as may be requested by the board.

Policy on Remuneration of Executive Directors

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

In line with the Association of British Insurers' (ABI) Guidelines on Responsible Investment Disclosure, the Remuneration Committee ensures that the incentive structure for executive directors and senior executive management will not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour. More generally, with regard to the overall remuneration structure, there is no restriction on the Committee which prevents it from taking into account corporate governance on ESG matters.

Remuneration policy is reviewed regularly and the Remuneration Committee is satisfied that the current policy does not encourage undue risk taking (e.g. due to the range of performance metrics used in incentive plans and the substantial weighting towards long-term performance) and that it is not in conflict with the company's policies on internal controls that are used to manage risk more generally.

The Remuneration Committee takes due account of remuneration structures elsewhere in the group when setting pay for the executive directors (for example, consideration is given to the overall salary increase budget and the incentive structures that operate across the group).

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

(i) Basic salary and benefits

The level of basic salary and benefits is determined by the Remuneration Committee upon initial appointment of an executive director, taking into account information regarding market rates from independent sources. Similar information, together with the performance of the individual and the salary budget for the group as a whole, is taken into account in the review of executive director salaries, which normally takes place annually to maintain appropriate relativities within the executive director population. The general policy is that base salary levels are set after taking due account of market median salary levels in relation to similar sized UK listed businesses and after taking into consideration other elements of the package.

The current salary levels of the executive directors (effective from 1 April 2011) are as follows:

- Chief executive: £400,000
- Finance director: £250,000
- Executive director (P B Maudsley): £350,000

The current salary levels, with the exception of Mr P B Maudsley, remain unchanged from those in operation during the period under review. With regard to Mr P B Maudsley, he agreed a salary reduction for the current year of 16.67% (to £350,000 from £420,000) in light of his revised role within the group (executive director from chief executive).

As detailed in last year's Directors' Remuneration Report, Mr D A Sugden was appointed as executive chairman on 2 April 2010. It was anticipated at the time of appointment that his tenure as executive chairman would be for a limited period of time during which he was to undertake a strategic review of the company's businesses, strengthen executive management particularly at board level, secure a stable financial structure for the group and set in place the foundations from which a successful turnaround of the group could be delivered. In light of the specific skills and experience of the individual and the anticipated time commitment and responsibilities associated with his role, he was paid an annual base salary of £300,000. Since these extended responsibilities were anticipated to be for a limited period of time, no long-term incentives were granted. However, it was considered appropriate for Mr Sugden to participate in the annual bonus plan to ensure he was incentivised to achieve the objectives set in relation to his role. At the end of the financial year the role reverted to that of a more traditional non-executive chairman and his remuneration package has been restructured accordingly. He now receives a fee of £150,000 per annum which has been set in light of the anticipated time commitment of the role and he is no longer eligible to participate in the group's incentive arrangements.

Benefits of the executive directors normally include the provision of a car, fuel, private medical insurance, permanent health insurance and home telephone costs. Mr Sugden did not receive any benefits in kind during the year.

(ii) Performance related bonus

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

The annual bonus policy that operated during the period under review was consistent with the group's policy described above. Bonus targets were a blend of group profit performance and individually tailored strategic objectives. As a result of the strategic challenges facing the group at the time of the appointments to the board of Mr R W J Siddle and Mr T J Kowalski, it was considered appropriate to place a greater weighting on the achievement of strategic objectives than was the case with Mr P B Maudsley. The strategic targets included the delivery of a number of milestone events (such as achieving a successful refinancing and stabilising the business) along with the achievement of a threshold level of profit performance. Actual bonuses earned for the period under review were at 78% of the maximum level for both Mr R W J Siddle and Mr T J Kowalski and 18% of the maximum for Mr P B Maudsley. The bonuses earned largely reflected performance against strategic objectives with the profit element of the bonus reflecting the achievement of a threshold level of profitability.

Mr Sugden earned a full bonus of 100% of salary as a result of progress made in meeting the objectives set out above.

For the current financial year the bonus targets have been tailored to the key objectives of the business including annual profit targets which are consistent with achievement of levels of performance identified in the Full Potential Review. No bonuses will be earned unless minimum levels of threshold performance are delivered. Maximum payment can only be earned as a result of performance well above budgeted levels. Bonus is earned on an incremental basis between the threshold and maximum performance levels. The value of bonus earned by reference to the profit targets will be subject to reduction in the event that other key objectives are not achieved

Board Report on Directors' Remuneration

(iii) 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 after taking due account of best practice investor guidelines.

The PSP was approved by shareholders at the 2006 annual general meeting and is the sole long-term incentive arrangement offered to executive directors (with the exception of the Special Award granted to the chief executive during the year under review which is described below).

The key features of the PSP are described below:

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

During the period under review Mr R W J Siddle received an award equivalent to 200% of salary under the "exceptional circumstances" provisions of the PSP. This award was agreed in principle at the time of his appointment to facilitate his recruitment.

Both Mr T J Kowalski and Mr P B Maudsley each received awards totalling 150% of their respective salaries during the period under review. These award levels took into account the challenging nature of the targets set and the criticality of the delivery of those targets in the period to 31 March 2014. The metrics and range of targets were aligned with a successful turnaround of the business as identified during the work undertaken during the Full Potential Review.

Performance conditions
For awards granted in the period under review (including the award granted to Mr R W J Siddle) a combination of performance measures were adopted that included (i) a challenging sliding scale of share price targets and (ii) a robust financial underpin that must be satisfied for any vesting to take place based on achievement against the share price targets. Both the performance metrics chosen and range of targets set reflect the board's view of stretching targets that can be achieved following the Full Potential Review. This view had the full support of the company's major shareholders and financial advisers and took due account of an appropriate return on investment to investors in the rights issue.

Given the Remuneration Committee's desire for a clear and transparent measure of the company's execution of a successful turnaround of the business to 31 March 2014, the use of challenging share price targets operated in tandem with a robust financial underpin was considered the most appropriate approach to target setting for the awards granted during the period under review. Use of relative total shareholder return, for example, was not considered appropriate given the company is working towards a turnaround and a relative measure of performance would invariably have resulted in the company's performance being compared against others facing different medium to long-term challenges.

The actual targets set were as follows:

Absolute Share Price Targets

Findel's Share Price (three month average to 31 March 2014)	Prospective return on investment on rights issue price of 6.54p per share	Percentage vesting
Below 13.5p	Up to 106%	0%
13.5p	106%	30%
18p	175%	65%
22p	236%	100%
Straight-line vesting between performance points		

The Remuneration Committee considers the specific share price targets to be very demanding given the share price at the time of the majority of the awards was around 6.6p per share.

Financial Underpin
Vesting based on performance against the above share price targets will only take place to the extent that the Remuneration Committee is satisfied that the share price performance reflects the underlying performance of the group and that adjusted earnings per share for the financial year ending 31 March 2014 is at least 0.87pence (calculated on a consistent basis to take account of the refinancing).

Awards in prior years
In previous years the performance targets, with the exception of the awards granted in November 2008, have been a challenging sliding scale of normalised earnings per share (EPS) targets and relative total shareholder return targets (TSR). For the awards made in November 2008, the Remuneration Committee revised the targets to better reflect the primary objective of debt reduction with the targets being set to reflect the discussions undertaken with the company's banks during the period prior to the 2010 refinancing exercise. Full details of the conditions applying for past awards are set out below the table included on page 34.

Awards in 2011
Following the PSP award and Special Award (described below) to Mr R W J Siddle, no further long-term incentive awards will be granted to him until 2013 (at the earliest).

With regard to Mr T J Kowalski and Mr P B Maudsley, the Remuneration Committee will review the appropriateness of granting PSP awards during 2012 and, should awards be granted, the Remuneration Committee will take into consideration the size of awards granted during the period under review and investors' views in relation to appropriate measures of long-term performance.

(vi) Special Award to Mr R W J Siddle
To further align Mr R W J Siddle with a successful delivery of the turnaround strategy identified during the Full Potential Review, a Special Award was also made to him during the period under review.

The Special Award was the subject of a pre-consultation with the company's major shareholders (along with the performance targets applying to the PSP awards described above), with shareholder approval sought and received for the Special Award at the company's general meeting held on 28 February 2011.

The performance conditions were similar to those set for the PSP awards granted during the period under review but required more challenging levels of performance to be achieved for full vesting in light of the quantum of the Special Award. In addition, to provide a clear immediate alignment with the company's shareholders, the award was also contingent on Mr R W Siddle purchasing shares as part of the Rights Issue and Placing during the period under review to the value of £400,000.

The key features of the Special Award are set out below:

Personal Investment Requirement & Quantum
The Special Award was conditional on Mr R W J Siddle making an investment in the company's shares to the value of £400,000. Accordingly, Mr R W J Siddle made an investment in 4,689,332 shares ("Investment Shares") at a value of £400,000 as part of the company's successful Rights Issue and Placing undertaken during the period under review.

In recognition of the personal investment made by Mr R W J Siddle, an award was granted over a total of 22,767,610 ordinary shares. The entire award is subject to the targets described below, the retention of Investment Shares (otherwise the shares awarded lapse pro rata) and continued employment to 31 March 2014. However, in normal circumstances only half of the number of shares awarded may vest on 31 March 2014 with the balance vesting on 31 March 2015. This extended vesting period for half of the total award was considered appropriate by the Remuneration Committee to provide a longer-term focus than 31 March 2014 given the quantum of the award.

Performance conditions
The performance targets were set with the same measures as the PSP so that, as described above, the performance metrics were aligned with a successful turnaround of the business. However, in light of the higher potential quantum available to Mr R W J Siddle, more demanding performance requirements were set for a full vesting of his Special Award. The targets applying to his award are described below:

Absolute Share Price Targets

Findel's Share Price (three month average to 31 March 2014)	Prospective return on investment on rights issue price of 6.54p per share	Percentage vesting
Below 13.5p	Up to 106%	0%
13.5p	106%	30%
18p	175%	50%
22p	236%	75%
24.1p	268%	100%
Straight-line vesting between performance points		

Financial Underpin
The same financial underpin applies to the Special Award as described for the PSP above.

Dilution
At the same time as seeking shareholder approval for the Special Award described above, the company also sought and received shareholder approval for flexibility to operate within a single aggregate 10% in ten years dilution limit within the PSP. Removal of the 5% in ten years executive dilution limit enabled share awards to be granted more widely within the group than would otherwise have been the case and this flexibility is considered a key part of incentivising employees to deliver a turnaround in the business. The Remuneration Committee will review the appropriateness of operating without a 5% in 10 years dilution limit on an ongoing basis.

(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.

Board Report on Directors' Remuneration

(vi) Pension rights

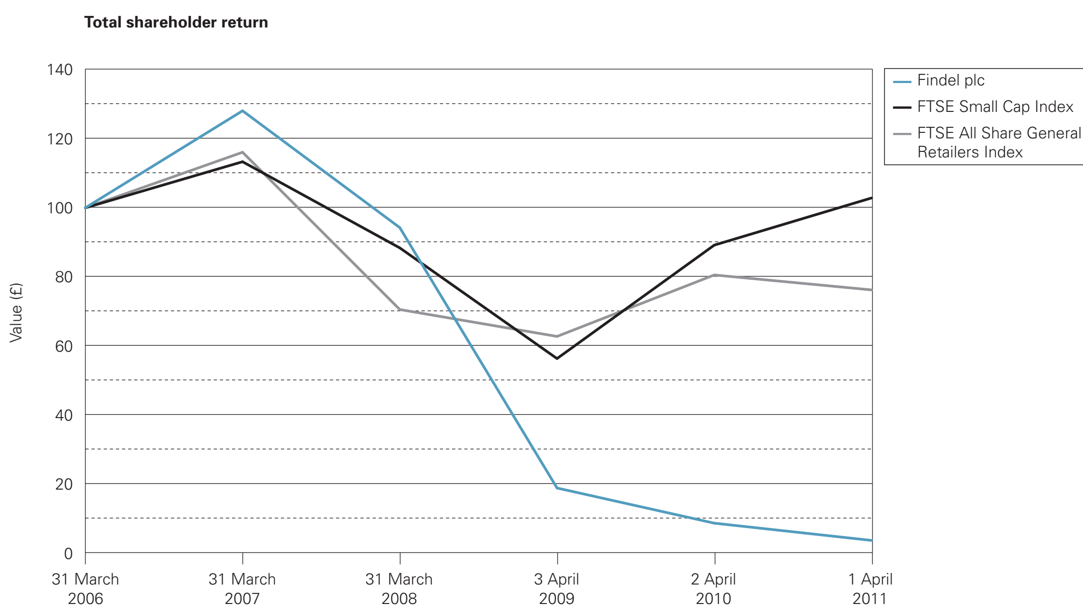
Generally, the policy for executive directors' pension arrangements is to offer a contribution towards the executive's pension arrangement. During the period the company has contributed 20% of Mr R W J Siddle's basic salary into his personal pension arrangements;12% of Mr C D Hinton's basic salary into his personal pension arrangement (Mr C D Hinton left the board on 2 August 2010) and 10% of Mr T J Kowalski's basic salary into his personal pension arrangement.

Mr P B Maudsley remains a member of the Findel Group Pension Fund but no longer accrues benefits under the scheme, instead he receives a cash equivalent contribution into a personal arrangement. The amount during the period under review was £82,991.

Mr Sugden did not receive pension contributions from the company during the year.

Performance Graph

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



This graph looks at the value, by 1 April 2011, of £100 invested in Findel plc on 31 March 2006 compared with that of £100 invested in the FTSE Small Cap Index and £100 invested in the FTSE All Share General Retailers Index on the same date. The other points plotted are the values at intervening financial year-ends.

Source: Thomson Reuters

Service Agreements

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

The terms of the executive directors' service contracts are fully consistent with the policy set out above.

The executive directors' contracts (Mr Maudsley dated 6 October 1997; Mr Kowalski dated 2 October 2010; and Mr Siddle dated 25 January 2011) are subject to one year's rolling notice by either party, contain no provision for compensation to be payable on early termination and, in determining any compensation payable on early termination, the Remuneration Committee would seek to ensure that full account was taken of the director's duty of mitigation. Mr Hinton's contract dated 21 February 2007 was on the same basis and he left the board during the period under review.

Mr Sugden's initial contract as chairman was dated 18 May 2010. It was subject to one year's notice from either party. From 1 April 2011 he reverted to a non-executive status and a new contract to reflect this change is being negotiated.

The appointment of non-executive directors is for an initial period of three years, subject to review and re-election at General Meeting. They do not have service agreements. The Letter of Appointment for Mr M L Hawker was dated 28 June 2006; for Mr S S McKay was dated 22 June 2007; for Mr E F Tracey was dated 11 November 2009; and for Mrs Powers-Freeling was dated

23 September 2010. Mr G P Craig, who left the board during the year, was also appointed on the same terms with his letter of appointment dated 18 August 2007.

The remuneration of the non-executive directors takes the form solely of fees, which are set by the board after taking due account of the anticipated time commitment of each role and having taken advice on appropriate levels. Following a review during the year, the fees payable to the current non-executive directors have been set as follows: Mr Tracey, £57,500 per annum (reduced from £75,000 as a result of reduced responsibilities in the role of senior independent director following the company reverting to operating with a non-executive chairman); Mr Hawker, £47,500 per annum; and Mr McKay and Mrs Powers-Freeling, £37,500 per annum in each case. These fees are inclusive of fees payable for membership of and chairing relevant board committees.

Mr Tracey's letter of appointment entitles him to 3 months' notice of termination. The letters of appointment of the other non-executive directors are terminable at will. Save for any payment of fees in lieu of notice to Mr Tracey there is no entitlement to compensation for loss of office in connection with the termination of the services of the non-executive directors.

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

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

(i) Emoluments of the directors
The emoluments of the directors in the period ended 1 April 2011 are shown below:

	Salary/fees £000	Annual bonus £000	Benefits in kind/cash allowances £000	Termination payments £000	2011 Total £000	2010 Total £000
Current directors						
Executive						
D A Sugden (2010 as non-executive)	300	300	—	—	600	23
R W J Siddle	262	170	8	—	440	—
T J Kowalski	192	130	19	—	341	—
P B Maudsley	503	75	29	—	607	531
Non-executive						
E F Tracey	71	—	—	—	71	44
M L Hawker	50	—	—	—	50	38
S S McKay	38	—	—	—	38	38
L C Powers-Freeling	19	—	—	—	19	—
Sub Total					2,166	674
Previous directors						
Executive						
C D Hinton	140	—	11	387	538	360
Non-executive						
G P Craig	17	—	—	—	17	40
Sub Total					555	400
Total					2,721	1,074

The figures above represent emoluments paid to directors during their tenure in the relevant financial period. With the exception of annual bonus payments, such emoluments are paid in the same financial period in which they are earned. Included in the salary/fees column above for Messrs Siddle, Kowalski and Maudsley are payments into their personal arrangements in lieu of company pension contributions of £43,692, £25,000 and £82,991 respectively.

Benefits in kind comprise the private use of a motor car (or a cash allowance in its place), private health insurance and home telephone costs.

In addition to the above, during the financial year and prior to becoming a director of the company, Mr Siddle was paid, through Roger Siddle Ltd, £140,000 for consultancy services provided to the group. Following his appointment, Mr Siddle was paid a further £20,000 for the consultancy services provided by him to the group prior to his appointment.

The termination payment to Mr C D Hinton of £386,538 represents the value of his contractual entitlements on termination. The payment includes £300,000 in respect of one year's salary and £86,538 in respect of one year's pension and benefits. As disclosed in last year's Directors' Remuneration Report, Mr K Chapman received a payment in the last financial year of £440,769 as a result of the termination of his employment. This payment comprised £400,000 in respect of one year's salary, £30,000 in respect of one year's benefits and £10,769 in lieu of holiday. In the period under review a further payment of £155,000 was made as a final settlement of all claims following legal advice regarding the termination of his employment.

Board Report on Directors' Remuneration

(ii) Directors' pension entitlements
Mr P B Maudsley is a deferred member of the Findel Group Pension Fund, a defined benefit scheme. He is the only director who has accrued entitlements under the Fund as follows:

	Increase in accrued pension excluding inflation £000	Transfer value of increase £000	Accrued pension 1 April 2011 £000	Accrued pension 2 April 2010 £000	Increase in accrued pension including inflation £000	Transfer value of accrued pension 1 April 2011 £000	Transfer value of accrued pension 2 April 2010 £000	Increase in transfer value over the period £000
P B Maudsley	—	—	120	116	4	1,262	1,188	74

Contributions are no longer made into Mr Maudsley's defined benefit pension under which he 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 and the Special Award granted to Roger Siddle.

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

	2 April 2010	Granted	Exercised	Lapsed	1 April 2011	Exercise price	Exercise period
Interests in Share Options							
P B Maudsley	188,842	—	—	—	188,842	360.75p	May 2007 – May 2011
Interests in notional shares under the long-term incentive plan							
P B Maudsley	11,859	—	—	11,859	—	263.50p	May 2003 – May 2010

The above outstanding share options and interests in notional shares of Mr P B Maudsley lapsed in May 2011 and May 2010 respectively.

Interests in shares under the performance share plan

	2 April 2010	Granted	Exercised	Lapsed	Adjustment*	1 April 2011	Award date	Vesting date
R W J Siddle†	—	35,236,437	—	—	—	35,236,437	22 Mar 2011	31 Mar 2014/ 31 Mar 2015
T J Kowalski	—	3,125,000	—	—	1,391,381	4,516,381	3 Aug 2010	31 Mar 2014
	—	1,948,254	—	—	—	1,948,254	22 Mar 2011	31 Mar 2014
P B Maudsley	482,462	—	—	482,462	—	—	3 July 2007	3 July 2010
	2,953,791	—	—	2,953,791	—	—	27 Nov 2008	27 Nov 2011
	451,612	—	—	—	201,076	652,688	3 Sep 2009	3 Sep 2012
	599,512	—	—	—	266,927	866,439	8 Jan 2010	8 Jan 2013
	626,865	—	—	—	279,106	905,971	29 Jan 2010	29 Jan 2013
	—	9,819,201	—	—	—	9,819,201	22 Mar 2011	31 Mar 2014

* The adjustments to the number of conditional shares/share options granted and the share option exercise price result from the increase in the issued share capital of the company arising from the rights issue during the period under review. The adjustment equates to 0.445242 shares for each share conditionally granted and the reduction of the exercise price by the same proportion. Adjusting awards as a result of a rights issue is standard practice with the approach taken consistent with the methodology accepted by HMRC in respect of approved share awards. The approach ensures a consistent treatment of outstanding awards in value terms between award holders and shareholders.

† Mr Siddle's interests in shares include the Special Award outside the performance share plan, as described on page 31.

Awards granted during the year under review were subject to the Share Price and financial targets set out on page 30.

With regard to the other outstanding awards as at 1 April 2011, the awards granted in the periods ended 31 March 2008 and 2 April 2010 were subject to 50% benchmark earnings per share (EPS) growth targets and 50% relative total shareholder return (TSR) performance targets measured against the constituents of the FTSE Small Cap. Under the EPS element, EPS growth of RPI+10% was required for 30% of this part of an award to vest, rising to full vesting for EPS growth of RPI+21%. Under the TSR element, median performance was required for 30% of this part of an award to vest, rising to full vesting for upper quartile.

The awards granted on 27 November 2008 were subject to the achievement of a target repayment of a minimum of £100m of debt over the course of the three financial years ending 31 March 2011. To ensure the target was balanced and did not encourage inappropriate behaviour there was a supplementary requirement that return on capital employed must be at least 17% in the financial year ending 31 March 2011. The conditions attached to these 2008 awards have not been achieved and therefore the awards have lapsed.

The Remuneration Committee's policy in relation to determining vesting of long-term incentive plan awards, is to retain independent consultants to test TSR and share price targets and to consider the company's audited results in respect of financial targets (with appropriate liaison between the Audit and Remuneration Committees).

No directors have exercised any share options since 1 April 2011, nor have any shares vested under the performance share plan.

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

The market price of the ordinary shares at 1 April 2011, being the last day of stock market trading before the period end, was 6.37p and the range during the period was 3.87p up to 17.99p.

Directors' interests

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

	1 April 2011		2 April 2010	
	Beneficial	Non-beneficial	Beneficial	Non-beneficial
R W J Siddle	4,689,332	—	—	—
T J Kowalski	—	—	—	—
P B Maudsley	4,265,250	—	1,218,643	—
D A Sugden	586,166	—	—	—
E F Tracey	409,467	—	50,000	—
M L Hawker	396,172	—	113,192	—
S S McKay	238,000	—	68,000	—
L C Powers-Freeling	293,083	—	—	—
	10,877,470	—	1,448,835	—

There have been no changes in the above interests since 1 April 2011.

On behalf of the board

M L Hawker
Chairman of the Remuneration Committee

6 June 2011

Corporate Social Responsibility

The success of the group is firmly linked to its actions in respect of its Corporate Social Responsibilities. As well as remaining fully compliant with all relevant legislation, the group is determined to continually evaluate and enhance its performance in this area. We aim to be responsible in all our interaction with customers, suppliers, our employees and the wider community.

Our People

The group recognises the critical importance of its employees to its success. A new position of Director of Group Human Resources has been created to work with the divisional Human Resources Heads in developing policies and procedures tailored to meet the needs of each division. The training and development needs of individuals in conjunction with those individuals are assessed through appraisals held at least annually from which a development plan is agreed. In certain areas a departmental skills matrix is maintained and used to assist in identifying training needs. Job vacancies are advertised internally allowing individuals to progress within the organisation. We are committed to promotion on merit and filling job opportunities in-house wherever possible. Exit interviews are conducted where appropriate.

Our Home Shopping business has responded to the difficult trading conditions by working with its staff to avoid redundancies and to maintain key skills within its workforce. Over the last 12 months some employees have taken reduced hours or taken unpaid leave.

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

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

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

The group believes by investing in our people this has a direct result in improved Customer Service. Over the last five years the group has seen a 58% fall in Pricing Credit Notes issued and a 15% fall in credits issued for Short Deliveries.

Health and Safety

The group maintains a comprehensive structure to assess, monitor and mitigate health and safety risks in the business, which are largely related to manual handling and computer operation. All health and safety policies and procedures are available to the group's employees via the divisional intranets. Total annual reported incidents have fallen by 46% over the last five years, and the annual number of RIDDOR incidents has reduced by 20% over the same period.

Our Products

The group sells a range of over 90,000 stock lines across a broad range of categories and end customers. Our suppliers stretch from high profile multi national companies to individual factories. Product safety and quality are at the forefront when considering items for our ranges; appropriate safety certification is obtained where relevant backed up by independent testing by recognised third party product testing houses and in-house quality control checks. Our Hong Kong office has been sourcing product for group companies and third parties for over 28 years.

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

Our Healthcare business works closely with the Medicines and Healthcare products Regulatory Agency (MHRA) to ensure products meet their high standards of safety and care and provide ongoing tracking and tracing to make sure that whilst in use these standards are maintained.

Kleeneze is now utilising social media channels such as Facebook to obtain feedback on product quality from its distribution network.

Findel Education has seen a 51% reduction in Returns over the last 12 months, mainly due to the proactive activities of the Returns Team and their Suppliers. This has been recognised externally when Findel Education was a finalist at the European Supply Chain Excellence Awards in November 2010.

The Environment

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

We have calculated our carbon footprint in accordance with the Greenhouse Gas Protocol Corporate Standard issued by the World Business Council for Sustainable Development. Through consolidation of warehousing and energy management initiatives we have, over the last five years, reduced our overall Scope 1 and 2 emissions from 16,900 to 10,100 tonnes. This has resulted in a reduction of 49% in Kg of CO_2 per £1,000 of sales.

The high number of relatively low value despatches in our Home Shopping and Educational Supplies businesses makes it economically and environmentally efficient to use third party carriers to transport product to our customers. Prior to appointment and on a regular basis we ask our third party carriers to demonstrate their environmental credentials.

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

We continue to seek innovative ways of reducing our costs and emissions. Kleeneze has further developed its video streaming of conferences and has introduced the use of webinars to further improve communication with its distributors without the need for travel.

Nottingham Rehab have completed communication campaigns with approximately 8,000 healthcare professionals linked to the National Care contracts to maximise the use of online ordering as opposed to paper based ordering.

Energy

Our major use of energy is in heating, lighting and powered conveying equipment, and in our vehicle fleet. Consolidation of both office and warehouse operations combined with energy management initiatives have reduced total energy consumption at our buildings by 18% over the last five years.

A switch to an energy provider with majority non-carbon sourced electricity combined with our more efficient use of space, has reduced our Buildings Emissions by 46% over the last five years to 7,900 tons of CO_2 per annum.

Energy efficiency is a key priority when upgrading or replacing equipment and services.

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

Our major Home Shopping sites operate centralised heating control systems to maximise heating efficiency and minimise energy consumption. Existing heat, ventilation and air conditioning systems are regularly assessed to ensure they are operating at maximum efficiency. Lighting is increasingly replaced with high energy light fittings. The procurement process for Compressors and ancillary equipment used in the conveying process is focused on obtaining high efficiency units.

Our new Company Car Policy focuses on vehicles with low CO_2 emissions for each class of vehicle.

We are currently replacing our Healthcare delivery van fleet with more fuel efficient vehicles with a 6% reduction in grams per km of CO_2.

Paper

The tonnage of Paper used in our catalogues and brochures has fallen from 14,850 tons to 12,700 tons over the last 12 months. This is consistent with our growing internet presence and more focused marketing activities.

The weight of paper in grams per square metre used in our catalogues and brochures fell 2% in the last year.

We seek to source paper from suppliers who have ISO 14001 (Environmental Management Standard) accreditation and are FSC (Forestry Stewardship Council) approved.

Packaging

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

The cartons used in despatch packaging by Findel Education are now fully recyclable. Over the last year the business has worked with their sole supplier to re-engineer the despatch cartons to allow the use of three ply material, rather than five ply, thereby substantially reducing manufacturing and energy costs.

As well as being environmentally sound this has also helped us to reduce costs, with the tonnage of outgoing packaging per £1,000 of sales falling by 33% over the last five years.

Corporate Social Responsibility

Waste

All of our major warehouses focus on waste management and recycling, with clearly defined recycling centres for paper, wood, cardboard, plastics and scrap metal. Waste reduction and recycling initiatives have been rolled out across the group with increasing success.

We continue to reduce the number of warehouse facilities within our Home Shopping and Education businesses. By operating fewer warehouses we can focus our attention on recycling opportunities at our remaining warehouses.

Through our focus on stock disposal through sales channels we have virtually eliminated our external storage requirements. Over the next 12 months we plan to have removed all stock from external storage sites. This in turn minimises our need for waste disposal of obsolete stock.

We have developed reporting procedures at each site to disclose the amount of waste which goes to landfill compared to waste which is recycled. In our second year of reporting, 75% of our transit waste is recycled, up from 73% last year.

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.

Kleeneze Distributors are encouraging their customers to support their local communities and shop locally. This has helped to build ties with local communities at a time when many local services are struggling. This "Shop local" initiative has brought together many local businesses and helped them refer each other's businesses to their own customers and vice versa.

Independent Auditor's Report to the Members of Findel plc

We have audited the financial statements of Findel plc for the period ended 1 April 2011 set out on pages 40 to 90. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 27, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 1 April 2011 and of the group's profit for the period then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006; and, as regards the group financial statements, Article 4 of the IAS Regulation.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion:

- the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006; and
- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Report set out on pages 23 to 26 with respect to internal control and risk management systems in relation to financial reporting processes and in the Directors' Report about share capital structures is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following:

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

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

Under the Listing Rules we are required to review:

- the directors' statement, set out on pages 46 and 47, in relation to going concern;
- the part of the Corporate Governance Report on page 23 relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review; and
- certain elements of the report to shareholders by the Board on directors' remuneration.

John Costello (Senior Statutory Auditor)
for and on behalf of KPMG Audit Plc,
Statutory Auditor
Chartered Accountants
St James' Square
Manchester

6 June 2011

Consolidated Income Statement

52 week period ended 1 April 2011

	Notes	Before exceptional items and terminated operations £000	Exceptional items (excluding items in terminated operations) £000	Terminated operations £000	Total £000
Revenue	5	532,588	—	8,161	540,749
Cost of sales		(284,927)	—	(4,973)	(289,900)
Gross profit		247,661	—	3,188	250,849
Trading costs	4,6	(220,952)	(20,617)	(5,703)	(247,272)
Analysis of operating profit/(loss):					
– **EBITDA**		37,383	(20,617)	(2,038)	14,728
– Depreciation and amortisation		(9,886)	—	(477)	(10,363)
– Impairment		(1,301)	—	—	(1,301)
– Profit on disposal of land and buildings		513	—	—	513
Operating profit/(loss)	5	26,709	(20,617)	(2,515)	3,577
Loss on disposal of businesses		—	—	(1,482)	(1,482)
Gain on release of debt in consideration of allotment of convertible ordinary shares		—	32,874	—	32,874
Analysis of finance costs:					
– Movement on fair value of derivatives		—	(377)	—	(377)
– Other		(25,562)	(16,272)	—	(41,834)
Finance costs	10	(25,562)	(16,649)	—	(42,211)
Analysis of finance income:					
– Movement on fair value of derivatives		6	—	—	6
– Other		5,858	—	—	5,858
Finance income	9	5,864	—	—	5,864
Profit/(loss) before tax		7,011	(4,392)	(3,997)	(1,378)
Income tax (expense)/income	11	(2,168)	12,070	—	9,902
Profit/(loss) for the period	12	4,843	7,678	(3,997)	8,524
Earnings per ordinary share					
Basic	14				1.04p
Diluted	14				1.04p

All results are from continuing operations.

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

Consolidated Income Statement

52 week period ended 2 April 2010

	Notes	Before exceptional items and terminated operations £000 (Restated)	Exceptional items (excluding items in terminated operations) £000 (Restated)	Terminated operations £000 (Restated)	Total £000 (Restated)
Revenue	5	547,013	—	53,162	600,175
Cost of sales		(284,695)	—	(32,192)	(316,887)
Gross profit		262,318	—	20,970	283,288
Trading costs	4,6	(229,251)	(9,695)	(85,606)	(324,552)
Share of result of associate	8	(434)	—	—	(434)
Analysis of operating profit/(loss):					
– **EBITDA**		45,811	(9,695)	(2,005)	34,111
– Depreciation and amortisation		(11,018)	—	(2,445)	(13,463)
– Impairment		(2,160)	—	(60,186)	(62,346)
– Profit on disposal of land and buildings		—	—	—	—
Operating profit/(loss)	5	32,633	(9,695)	(64,636)	(41,698)
Finance costs	10	(31,266)	(12,157)	—	(43,423)
Analysis of finance income:					
– Movement on fair value of derivatives		3,213	—	—	3,213
– Other		7,082	—	—	7,082
Finance income	9	10,295	—	—	10,295
Profit/(loss) before tax		11,662	(21,852)	(64,636)	(74,826)
Income tax (expense)/income	11	(3,242)	3,803	—	561
Profit/(loss) for the period	12	8,420	(18,049)	(64,636)	(74,265)
Loss per ordinary share					
Basic	14				(12.43)p
Diluted	14				(12.43)p

All results are from continuing operations.

The income statement presentation has been restated, see note 1. The income statement has also been restated to reflect the accounting policy change in respect of defined benefits pension schemes, see note 1.

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

Consolidated Statement of Comprehensive Income

52 week period ended 1 April 2011

	2011 £000	2010 £000 (Restated)
Loss for the period (as previously stated)		(75,563)
Prior year adjustment (note 1)		1,298
Profit/(loss) for the period (restated)	8,524	(74,265)
Actuarial gains/(losses) on defined benefit pension schemes (note 34)	15,822	(16,443)
Cash flow hedges	(86)	—
Currency translation loss arising on consolidation	(146)	(590)
Tax relating to components of comprehensive income (note 26)	1,234	—
Total comprehensive income for period	25,348	(91,298)

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

Consolidated Balance Sheet

at 1 April 2011

	Notes	2011 £000	2010 £000 (Restated)	2009 £000 (Restated)
Non-current assets				
Goodwill	15	47,299	47,299	54,073
Other intangible assets	16	66,528	70,757	78,175
Property, plant and equipment	17	37,647	44,295	52,784
Investments in associates		—	—	622
Deferred tax assets	26	4,252	—	—
Derivative financial instruments	24	1,052	—	—
Loans and receivables from associates		—	—	33,654
		156,778	162,351	219,308
Current assets				
Inventories	18	70,682	73,607	74,024
Trade and other receivables	19	194,953	210,355	229,580
Current tax receivable		—	—	1,954
Derivative financial instruments	24	155	—	—
Cash and cash equivalents	20	25,582	44,331	9,924
		291,372	328,293	315,482
Total assets		448,150	490,644	534,790
Current liabilities				
Trade and other payables	21	61,099	81,269	98,290
Current tax liabilities		7,258	7,393	—
Obligations under finance leases	22	5	1,006	1,393
Bank overdrafts and loans	23	—	352,918	42,204
Derivative financial instruments	24	—	6	3,219
Provisions	25	1,884	1,661	—
		70,246	444,253	145,106
Non-current liabilities				
Bank loans	23	253,381	—	341,558
Obligations under finance leases	22	—	5	854
Provisions	25	3,327	5,019	—
Deferred tax liabilities	26	—	7,345	6,752
Retirement benefit obligation	34	4,747	23,349	15,967
		261,455	35,718	365,131
Total liabilities		331,701	479,971	510,237
Net assets		116,449	10,673	24,553
Equity				
Share capital	28	125,942	24,472	4,257
Capital redemption reserve	29	403	403	403
Share premium account	29	93,454	79,240	24,003
Translation reserve	30	556	702	1,292
Accumulated losses	31	(103,906)	(94,144)	(5,402)
Total equity		116,449	10,673	24,553

The 2010 and 2009 balance sheets have been restated solely to reflect the accounting policy charge in respect of defined benefit pension schemes, see note 1.

Approved by the board and authorised for issue on 6 June 2011

R W J Siddle }
T J Kowalski } Directors

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

Consolidated Cash Flow Statement

52 week period ended 1 April 2011

	Notes	2011 £000	2010 £000 (Restated)
Profit/(loss) for the period		8,524	(74,265)
Income tax income		(9,902)	(561)
Finance income		(5,864)	(10,295)
Finance costs		42,211	43,423
Gain on release of debt in consideration of allotment of convertible ordinary shares		(32,874)	—
Loss on disposal of businesses		1,482	—
Operating profit/(loss)		3,577	(41,698)
Adjustments for:			
Depreciation of property, plant and equipment		7,535	8,338
Impairment of property, plant and equipment and software and IT development costs		1,301	7,422
Amortisation of intangible assets		2,828	5,125
Impairment of goodwill and associated intangible assets		—	52,829
Share-based payment (credit)/expense		(1,321)	2,186
Profit on disposal of property, plant and equipment		(575)	(63)
Non-cash pension curtailment gain		—	(6,624)
Pension contributions less income statement charge		(3,210)	(3,241)
Share of result of associate		—	434
Operating cash flows before movements in working capital		10,135	24,708
(Increase)/decrease in inventories		(632)	5,040
Decrease in receivables		13,732	16,403
Decrease in payables		(12,946)	(21,280)
(Decrease)/increase in provisions		(1,469)	6,680
Cash generated from operations		8,820	31,551
Income taxes (paid)/received		(597)	8,872
Interest paid		(22,446)	(20,034)
Exceptional financing costs paid		(16,649)	(12,157)
Net cash from operating activities		(30,872)	8,232
Investing activities			
Interest received		9	2,072
Proceeds on disposal of property, plant and equipment		5,463	474
Purchases of property, plant and equipment and software and IT development costs		(6,845)	(8,934)
Loan advanced to associate		—	(8,030)
Acquisition of subsidiaries		—	643
Sale of subsidiaries	37	(2,030)	—
Net cash used in investing activities		(3,403)	(13,775)
Financing activities			
Repayments of obligations under finance leases		(1,006)	(1,251)
Net proceeds on issue of shares		74,623	74,381
Bank loans repaid		(50,517)	(10,494)
Securitisation loan (repaid)/drawn		(7,470)	2,348
Net cash from financing activities		15,630	64,984
Net (decrease)/increase in cash and cash equivalents		(18,645)	59,441
Cash and cash equivalents at the beginning of the period		44,331	(15,046)
Effect of foreign exchange rate changes		(104)	(64)
Cash and cash equivalents at the end of the period	20	25,582	44,331

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

Consolidated Statement of Changes in Equity

52 week period ended 1 April 2011

	Share capital £000	Capital redemption reserve £000	Share premium account £000	Translation reserve £000	Retained earnings/ (accumulated losses) £000	Total equity £000
At 3 April 2009 (as previously reported)	4,257	403	24,003	1,292	2,353	32,308
Prior year adjustment (note 1)	—	—	—	—	(7,755)	(7,755)
At 3 April 2009 (restated)	4,257	403	24,003	1,292	(5,402)	24,553
Total comprehensive income for the period (restated)	—	—	—	(590)	(90,708)	(91,298)
Share issues	20,215	—	55,237	—	(1,071)	74,381
Share warrants issue	—	—	—	—	851	851
Share-based payments	—	—	—	—	2,186	2,186
At 2 April 2010 (restated)	24,472	403	79,240	702	(94,144)	10,673
Total comprehensive income for the period	—	—	—	(146)	25,494	25,348
Share issues	68,596	—	14,214	—	(1,061)	81,749
Share-based payments	—	—	—	—	(1,321)	(1,321)
Transfer to share capital to record convertible ordinary shares at their nominal value (note 28)	32,874	—	—	—	(32,874)	—
At 1 April 2011	125,942	403	93,454	556	(103,906)	116,449

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

In the 2010 annual report and accounts, the merger reserve, own shares and liability for share-based payments were disclosed separately. These have now been aggregated within accumulated losses.

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 2006. The address of the registered office is given on page 19. The nature of the group's operations and its principal activities are set out in the Directors' Report, and in the Chairman's Statement, the Chief Executive's Review, the Business Review and the Finance Director's Review on pages 3 to 18.

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.

Adoption of new accounting standards

The following amendments to existing standards and IFRICs have been adopted. The changes have had no material impact on the financial statements.

- IFRS 3, "Business Combinations (2008)" requires some significant changes to the way business combinations are accounted for. All costs associated with business combinations are expensed directly to the Income Statement. Additionally any changes to contingent consideration classified as debt must now be dealt with through the Income Statement subsequent to acquisition.
- FRS 2, "Group Cash-settled Share-based Payment Transactions". The amendments clarify the scope of IFRS 2, as well as the accounting for group cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another group entity or shareholder has the obligation to settle the award.
- Improvements to IFRSs: in April 2009 the International Accounting Standards Board issued its second omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. The adoption of these amendments, which are effective for accounting periods beginning on or after 1 January 2010, did not have any impact on the reporting of the financial position or performance of the group.

As referred to below, during the year, IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments", which became effective for annual periods beginning on or after 1 July 2010 was adopted early. This did not have any impact on the prior years but was applied with respect to convertible shares issued during the year.

Accounting standards not yet effective

A number of new standards, amendments to standards and interpretations are not yet effective for the year ended 31 March 2011, and have not been applied in preparing these consolidated financial statements. None of these will have an effect on the consolidated financial statements of the group. The key changes are as follows:

- IAS 24 (revised in 2009), "Related Party Disclosures". Effective for annual periods beginning on or after 1 January 2011.
- Improvements to IFRSs (issued May 2010). Effective for annual periods beginning on or after 1 July 2010 or 1 January 2011.
- Amendments to IFRS 7, "Financial Instruments: Disclosures". Effective for annual periods commencing on or after 1 July 2011.
- IFRS 9, "Financial Instruments". Effective for annual periods commencing on or after 1 January 2013.

Income statement presentation

Benchmark profit

The income statement presentation has been amended in the current period to remove the reference to "benchmark profit" in favour of considering operating profit and profit before tax before exceptional items and terminated operations, which are defined below.

Exceptional items

Exceptional items are items which the directors consider to be significant both individually and in aggregate, and are non-recurring in nature. These are described in note 6.

Terminated operations

Terminated operations relate to businesses which have been sold or are in the process of being sold or exited at the period end and have been separated to enhance the comparability of the ongoing business. They do not meet the size criteria to be accounted for as a discontinued operation as defined in IFRS 5, "Non-current assets held for sale and discontinued operations".

Basis of accounting

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

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

Going concern basis

In determining whether the group's financial statements for the period ended 1 April 2011 can be prepared on a going concern basis, the directors considered all factors likely to affect its future development, performance and its financial position, including cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities in the current challenging economic climate. The financial position of the group, its cash flows, liquidity position and borrowing facilities and the key risks and uncertainties are set out in further detail above in the Finance Director's Review on pages 15 to 18.

1 General information and accounting policies – continued

The directors have reviewed the trading and cash flow forecasts as part of their going concern assessment, including reasonable downside sensitivities which take into account the uncertainties in the current operating environment including amongst other matters demand for the group's products, its available financing facilities, and movements in interest rates. These show that the group should be able to operate within its recently amended banking facilities and comply with its new banking covenants.

Taking into account the above uncertainties and circumstances, the directors formed a judgement that there is a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future.

Accordingly, they continue to adopt the going concern basis in preparing the group's annual consolidated financial statements.

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

Segment reporting

IFRS 8 requires operating segments to be identified on the internal financial information reported to the Chief Operating Decision Maker (CODM) who is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. The CODM is the board of the company.

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

The group is currently organised into five operating segments:

- Express Gifts;
- Kleeneze;
- Kitbag;
- Education Supplies; and
- Healthcare.

The Express Gifts operating segment, the Kleeneze operating segment and the Kitbag operating segment are together classed as Home Shopping.

Currently, the group has five operating segments, although previously there were further segments which have now been terminated. These terminated operations have been separated to enhance the comparability of the ongoing business. In both the current and prior years, terminated operations fell within Home Shopping.

Revenue recognition

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

Sale of goods

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

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

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

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

The group has applied the requirements of IFRS 2 "Share-based payments".

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

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

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

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

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

Software and IT development costs
Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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

- an asset is created that can be identified (such as software and new processes);

1 General information and accounting policies – continued

- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

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

Goodwill

There have been no acquisitions in the current year which would be accounted for under IFRS 3 Revised. For acquisitions between 1 April 2004 and 2 April 2010, 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 recoverable 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.

Other intangible assets

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

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

Brand names

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

Customer relationships

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

Financial instruments

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

Financial assets

The group's financial assets are classified as either derivatives 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 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 loans and receivables.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments 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

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

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

OVERVIEW 1—6
BUSINESS REVIEW 7—18
GOVERNANCE 19—39
FINANCIAL STATEMENTS 40—90
SHAREHOLDER INFORMATION 91—94

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

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

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

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

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

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.

The group has early adopted the requirements of IFRIC 19 ("Extinguishing Financial Liabilities with Equity Instruments") in relation to the issue of convertible ordinary shares in consideration for the release of £40m of indebtedness. IFRIC 19 requires the difference between the carrying value of the debt extinguished and the fair value of the convertible ordinary shares issued to be recorded in the profit and loss account.

Financial liabilities
The group's financial liabilities are classified as either derivatives or "other financial liabilities".

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

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

Derivative financial instruments
On initial designation of the derivative as the hedging instrument, the group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

1 General information and accounting policies – continued

Cash flow hedges
When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss. When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

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 caps and swaps and foreign currency options. Further details of derivative financial instruments are disclosed in note 24 to the financial statements.

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

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

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

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

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

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

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

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

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

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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

OVERVIEW 1—6
BUSINESS REVIEW 7—18
GOVERNANCE 19—39
FINANCIAL STATEMENTS 40—90
SHAREHOLDER INFORMATION 91—94

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

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

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.

Previously, actuarial gains and losses that exceeded 10% of the greater of the present value of the group's defined benefit obligation and the fair value of the plan assets were amortised over the expected average remaining lives of the participating employees. The IASB is proposing to remove the choice of accounting on this corridor approach basis. Therefore, in advance of the proposal becoming endorsed, the group has adopted a change in policy and now recognises actuarial gains and losses immediately in the Consolidated Statement of Comprehensive Income as permitted under IAS 19.

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 past service costs.

As a result of this change in policy, the amounts disclosed in the accounts have been changed, and the comparatives restated, as follows:

	Pension liability £000	Retained earnings/ (accumulated losses) £000
Balance reported at 3 April 2009	(8,212)	2,353
Effect of full provision accounting	(7,755)	(7,755)
Restated balance at 3 April 2009	(15,967)	(5,402)
Balance reported at 2 April 2010	(449)	(71,244)
Effect of full provision accounting	(22,900)	(22,900)
Restated balance at 2 April 2010	(23,349)	(94,144)

As a result of the change in policy, the impact on the results for 2010 was to reduce trading costs in the year by £83,000 and increase the exceptional pension curtailment gain by £1,215,000. Therefore the total increase in profit before tax in the year was £1,298,000; the reduction in loss per share was 0.22p. In addition, actuarial losses of £16,443,000 have now been recognised in the consolidated statement of comprehensive income. The deferred tax asset on net retirement benefit obligations was not recognised, see note 26.

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).

Revenue recognition – judgement is applied in determining when the risks and rewards of ownership of goods have passed and therefore when the revenue should be recognised.

Treatment of leases – judgement is applied to assess whether the risks and rewards of ownership of the asset have transferred to determine whether a lease is accounted for as a finance lease or an operating lease.

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

Key sources of estimation uncertainty

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

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

Inventories (note 18) – inventories are recognised on the balance sheet at the lower of cost and net realisable value. Net realisable value is based on the estimated selling price. Estimated selling prices are based on historical and current trends and are inherently subjective.

Trade receivables (note 19) – 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.

Provisions (note 25) – the group makes provisions in respect of onerous leasehold property contracts and leasehold dilapidation commitments where it is probable that a transfer of economic benefit will be required to settle a present obligation. Such estimates are inherently subjective and are made using third party advice and the best information available at the balance sheet date.

Convertible ordinary shares (notes 28 and 31) – the fair value of the convertible ordinary shares at their issue date is an area of estimate as there is no trading market for the shares. The group has obtained a valuation from JP Morgan Cazenove. The key assumptions in the valuation are:

- the value of an ordinary share on the day of issue of the convertible of 6.37p;
- the risk free interest rate of 3.95%;
- volatility of 40%–50%.

Retirement benefits (note 34) – 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.

3 Subsidiaries

The principal subsidiary undertakings at 1 April 2011 were as follows:

Registered in England and Wales

Express Gifts Limited	Home Shopping
Kleeneze Limited	Home Shopping
Kitbag Limited	Home Shopping
Findel Education Limited	Education Supplies
Nottingham Rehab Limited	Healthcare

Registered and incorporated in Hong Kong

Fine Art Developments (Far East) Limited	Procurement Services

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

A full list of subsidiaries can be found in the company's Annual Return.

4 Trading costs

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

	2011 £000	2010 £000 (Restated)
Selling and distribution costs	153,492	184,939
Administrative expenses	93,780	139,613
	247,272	324,552

OVERVIEW 1—6
BUSINESS REVIEW 7—18
GOVERNANCE 19—39
FINANCIAL STATEMENTS 40—90
SHAREHOLDER INFORMATION 91—94

Notes to the Consolidated Financial Statements

5 Segmental analysis

Operating segments

The board has been considering the information that is presented to them on each of the trading divisions. In view of this, information on reporting segments has been amended accordingly. For management purposes, the group is currently organised into five operating segments:

- Express Gifts – direct mail order businesses in the UK, offering online and via catalogue a broad range of home and leisure items, clothing, toys and gifts supported by a flexible credit offer;
- Kleeneze – marketing company, specialising in supplying household and health & beauty products to customers through a network of independent distributors across the UK and the Republic of Ireland;
- Kitbag – retailer of sports leisurewear and official football kits both through its own online operation, kitbag.com, as well as a number of partnership relationships with football clubs and other sports organisations whereby Kitbag manages a range of retail, online and/or mail order channels;
- Education Supplies – supplier of resources and equipment (excluding information technology and publishing) to schools and educational establishments in the UK;
- Healthcare – operator of outsourced Integrated Community Equipment Services ("ICES") contracts for NHS trusts and local authorities, and supplier of rehabilitation and care equipment to the public and private sectors via catalogue and the internet.

Previously there were additional segments which have now been terminated. These have been grouped under terminated operations.

Segment information about these operating segments is presented below.

2011
Revenue

	Home Shopping						
	Express Gifts £000	Kleeneze £000	Kitbag £000	Education Supplies £000	Healthcare £000	Terminated £000	Total £000
Sale of goods	149,926	59,872	58,017	125,778	46,933	8,161	448,687
Rendering of services	28,626	—	—	—	19,731	—	48,357
Interest	43,705	—	—	—	—	—	43,705
Total revenue	222,257	59,872	58,017	125,778	66,664	8,161	540,749

Profit after tax

	Home Shopping							
	Express Gifts £000	Kleeneze £000	Kitbag £000	Education Supplies £000	Healthcare £000	Terminated £000	Unallocated £000	Total £000
Continuing operating profit before exceptional items and terminated operations	16,506	4,443	1,867	1,746	2,147	—	—	26,709
Terminated operations	—	—	—	—	—	(2,264)	—	(2,264)
Other exceptional items (note 6)	(4,628)	(237)	(340)	(1,744)	(471)	(251)	(13,197)	(20,868)
Reportable segment result	11,878	4,206	1,527	2	1,676	(2,515)	(13,197)	3,577
Loss on disposal of businesses								(1,482)
Gain on release of debt in consideration of allotment of convertible ordinary shares (note 28)								32,874
Finance income								5,864
Finance costs								(42,211)
Loss before tax								(1,378)
Tax								9,902
Profit after tax								8,524

5 Segmental analysis – continued

Other information

	Home Shopping						
	Express Gifts £000	Kleeneze £000	Kitbag £000	Education Supplies £000	Healthcare £000	Terminated £000	Total £000
Capital additions	1,934	—	2,799	465	1,343	304	6,845
Depreciation and amortisation	3,899	289	763	3,300	1,566	546	10,363
Impairment losses	747	—	—	554	—	—	1,301
Balance Sheet							
Assets							
Segment assets	210,511	31,558	24,841	116,027	24,905	—	407,842
Unallocated corporate assets							40,308
Consolidated total assets							448,150
Liabilities							
Segment liabilities	(116,070)	(4,125)	(4,611)	(18,791)	(4,747)	—	(148,344)
Unallocated corporate liabilities							(183,357)
Consolidated total liabilities							(331,701)

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

2010
Revenue

	Home Shopping						
	Express Gifts £000	Kleeneze £000	Kitbag £000	Education Supplies £000	Healthcare £000	Terminated £000	Total £000
Sale of goods	151,471	64,356	48,309	141,800	46,133	53,162	505,231
Rendering of services	34,430	—	—	—	17,375	—	51,805
Interest	43,139	—	—	—	—	—	43,139
Total revenue	229,040	64,356	48,309	141,800	63,508	53,162	600,175

Loss after tax

	Home Shopping							
	Express Gifts £000 (Restated)	Kleeneze £000 (Restated)	Kitbag £000 (Restated)	Education Supplies £000 (Restated)	Healthcare £000 (Restated)	Terminated £000 (Restated)	Unallocated £000 (Restated)	Total £000 (Restated)
Continuing operating profit before exceptional items and terminated operations	20,231	6,458	1,723	2,096	2,559	—	—	33,067
Terminated operations	—	—	—	—	—	(64,260)	—	(64,260)
Other exceptional items (note 6)	(3,325)	—	—	(10,093)	(470)	(376)	(2,431)	(16,695)
Pension curtailment gain (note 34)	—	—	—	—	—	—	6,624	6,624
Share of result of associate (note 8)	—	—	—	—	—	—	(434)	(434)
Reportable segment result	16,906	6,458	1,723	(7,997)	2,089	(64,636)	3,759	(41,698)
Finance income								10,295
Finance costs								(43,423)
Loss before tax								(74,826)
Tax								561
Loss after tax								(74,265)

Notes to the Consolidated Financial Statements

5 Segmental analysis – continued

Other information

	Home Shopping						
	Express Gifts £000	Kleeneze £000	Kitbag £000	Education Supplies £000	Healthcare £000	Terminated £000	Total £000 (Restated)
Capital additions	1,314	—	1,322	3,336	1,355	1,604	8,931
Depreciation and amortisation	4,988	487	550	3,677	1,316	2,445	13,463
Impairment losses	432	—	—	1,511	217	60,186	62,346
Balance Sheet							
Assets							
Segment assets	212,903	32,478	17,797	133,297	23,769	10,088	430,332
Unallocated corporate assets							60,312
Consolidated total assets							490,644
Liabilities							
Segment liabilities	(117,151)	(6,394)	(6,630)	(35,994)	(8,324)	(9,159)	(183,652)
Unallocated corporate liabilities							(296,319)
Consolidated total liabilities							(479,971)

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 from continuing operations by geographical market, irrespective of the origin of the goods/services.

	2011 £000	2010 £000
United Kingdom	508,370	570,040
Europe	16,531	17,384
Asia	7,472	6,419
Other	8,376	6,332
	540,749	600,175

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

	2011 £000	2010 £000
United Kingdom	156,769	162,316
Hong Kong	9	35
	156,778	162,351

Major customers

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

6 Exceptional items (excluding terminated operations)

The following is an analysis of the exceptional items arising within the group's continuing operations during the period, all of which have been included in the "exceptional items (excluding terminated operations)" column in the Consolidated Income Statement.

	2011 £000	2010 £000 (Restated)
Exceptional operating costs		
Pension curtailment gain (note 34)	—	(6,624)
Other exceptional items		
– Restructuring costs	16,206	5,451
– Warehouse reorganisation costs	1,924	4,188
– Onerous lease provisions	205	6,680
– Forensic accounting review fees	1,558	—
– Abortive disposal costs	724	—
Exceptional other items		
Gain on release of debt in consideration of allotment of convertible ordinary shares (note 23)	(32,874)	—
Exceptional financing costs		
Debt refinancing costs	16,649	12,157
	4,392	21,852

Restructuring costs in the 52 weeks ended 1 April 2011 relate to the Express Gifts operating segment £2,389,000 (2010: £1,557,000), the Kleeneze operating segment £98,000 (2010: £nil), the Kitbag operating segment £205,000 (2010: £nil), the Education Supplies Division operating segment £1,452,000 (2010: £1,989,000) and the Healthcare Division operating segment £316,000 (2010: £43,000), with £11,746,000 (2010: £1,862,000) not allocated to a specific operating segment.

In the 52 weeks ended 1 April 2011 warehouse reorganisation costs relate to the Express Gifts operating segment £1,722,000 (2010: £1,768,000), the Education Supplies Division operating segment £nil (2010: £1,701,000) and the Healthcare Division operating segment £nil (2010: £427,000), with the remainder £202,000 (2010: £292,000) not allocated to a specific operating segment.

The onerous lease provisions for the 52 weeks ended 1 April 2011 relate to the Education Supplies Division operating segment £nil (2010: £6,403,000), with the remainder £205,000 (2010: £277,000) not allocated to a specific operating segment.

Forensic accounting review costs relate to the Express Gifts operating segment £517,000, the Kleeneze operating segment £139,000, the Kitbag operating segment £135,000, the Education Supplies Division operating segment £292,000 and the Healthcare Division operating segment £155,000, with the remainder £320,000 not allocated to a specific operating segment.

The abortive disposal costs of £724,000 are not allocated to a specific operating segment.

The gain on release of debt in consideration of allotment of convertible ordinary shares is discussed in note 23.

Exceptional financing costs are discussed in note 23.

7 Terminated operations

In the current year, the operations of Webb, Confetti and I Want One of Those.com ("IWOOT") were sold and as such are disclosed separately as terminated operations. Together with the terminated operations in prior periods, The Cotswold Company and Letterbox, these businesses have been separately disclosed within the "terminated operations" column on the face of the income statement. All of the terminated operations related to operating segments which previously operated within the Home Shopping operating segment.

	Revenue		Loss before tax and exceptional items		Exceptional items	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Terminated operations	8,161	53,162	(2,264)	(64,260)	(251)	(376)

8 Share of result of associate

Summarised financial information in respect of the group's associate, the Webb Group Limited, is set out below:

	2011 £000	2010 £000
Revenue	—	12,230
Loss for the period	—	(1,447)
Group's share of associates' loss for the period	—	(434)

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

Notes to the Consolidated Financial Statements

9 Finance income

	2011 £000	2010 £000
Interest on loans to, and other guarantees for, associates	—	853
Interest on bank deposits	3	1,215
Amounts arising on derivatives not in a designated hedge accounting relationship	6	3,213
Expected return on pension assets (note 34)	5,855	5,014
	5,864	10,295

10 Finance costs

	2011 £000	2010 £000
Interest on bank loans	17,580	23,398
Interest on finance leases	42	279
Exceptional debt refinancing costs	16,649	12,157
Interest on pension obligations (note 34)	6,274	5,818
Amortisation of banking fees	1,666	1,771
	42,211	43,423

11 Tax expense/(income)

		2011 £000	2010 £000 (Restated)
Current tax	– current period (UK tax)	—	—
	– current period (overseas tax)	418	412
	– adjustments in respect of prior periods (UK tax)	—	57
	– adjustments in respect of prior periods (overseas tax)	43	—
		461	469
Deferred tax	– current period	(9,839)	(686)
	– adjustments in respect of prior periods	—	(344)
	– effect of tax rate change on opening balance	(524)	—
		(10,363)	(1,030)
		(9,902)	(561)

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

	2011	2010
Loss before taxation	(1,378)	(74,826)
Tax at the UK Corporation tax rate of 28% (2010: 28%)	(386)	(20,951)
Effects of:		
Tax effect of result of associate	—	122
(Income not taxable)/expenses not deductible for tax purposes	(8,319)	11,196
Movements on deferred tax assets	(1,346)	9,649
Lower tax rates on overseas earnings	(267)	(290)
Impact of change in rate of corporation tax	373	—
	(9,945)	(274)
Adjustments in respect of prior periods – current tax	43	57
Adjustments in respect of prior periods – deferred tax	—	(344)
	(9,902)	(561)

12 Profit/(loss) for the period

	2011 £000	2010 £000
Stated after charging/(crediting):		
Cost of inventories recognised as expense	282,312	309,555
Impairment charge for inventories (note 18)	7,588	7,332
Amounts arising on derivatives trading not in a designated hedge accounting relationship (note 35)	371	(3,213)
Depreciation of property, plant and equipment		
– owned	6,779	7,501
– held under finance leases and hire purchase agreements	756	837
Amortisation of intangible assets	2,828	5,125
Impairment of goodwill	—	40,178
Impairment of intangible assets	554	11,754
Impairment of property, plant and equipment	747	6,736
Profit on disposal of property, plant and equipment	(575)	(63)
Impairment charge for receivables (note 19)	30,400	31,564
Staff costs (note 13)	60,940	68,228
Auditors' remuneration (see below)	3,152	1,628

The analysis of auditors' remuneration is as follows:

	2011 £000	2010 £000
Fees payable to the company's auditors for the audit of the company's annual accounts		
KPMG Audit Plc	90	—
Deloitte LLP	—	111
Fees payable to the company's auditors and their associates for other services to the group:		
– The audit of the company's subsidiaries pursuant to legislation		
KPMG Audit Plc	263	—
Deloitte LLP	—	384
Total audit fees	353	495
Other services pursuant to legislation		
– Reporting accountant (charged to share premium account)		
KPMG Audit Plc	287	—
Deloitte LLP	—	600
Interim review		
KPMG Audit Plc	60	—
Deloitte LLP	—	60
Corporate tax services		
KPMG Audit Plc	70	—
Deloitte LLP	—	241
Internal control review		
Deloitte LLP	—	9
Corporate finance services		
KPMG Audit Plc	315	—
Deloitte LLP	685	745
Forensic accounting review		
KPMG Audit Plc	1,558	—
Other services		
KPMG Audit Plc	111	—
Deloitte LLP	—	70
Total non-audit fees	3,086	1,725
Fees payable to the company's auditors and their associates in respect of associated pension schemes:		
Audit		
Deloitte LLP	—	8
	3,439	2,228
Charged to income statement	3,152	1,628
Charged to share premium account	287	600
	3,439	2,228

Of the non-audit fees paid to KPMG Audit Plc, £1,873,000 related to the period prior to their appointment.

Notes to the Consolidated Financial Statements

13 Staff costs

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

	2011 No.	2010 No.
Administration	1,305	1,402
Production	149	278
Selling and distribution	1,293	1,480
	2,747	3,160

Their aggregate remuneration comprised:

	2011 £000	2010 £000
Wages and salaries	55,225	61,845
Social security costs	4,593	5,175
Other pension costs	1,122	1,208
	60,940	68,228

14 Earnings/(loss) per share

	2011 £000	2010 £000 (Restated)
Net profit/(loss) attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	8,524	(74,265)
Losses from terminated operations	3,997	64,636
Other exceptional items (net of tax)	13,939	14,029
Gain on release of debt in consideration of allotment of convertible ordinary shares	(32,874)	—
Exceptional pension curtailment gain (net of tax)	—	(5,109)
Exceptional finance costs (net of tax)	11,257	9,129
Net profit attributable to equity holders of the parent for the purpose of continuing earnings per share*	4,843	8,420

	2011 No.	2010 No.
Weighted average number of shares (as previously reported)	821,824,653	377,402,818
Equity issue adjustment	—	219,993,263
Weighted average number of shares (revised)	821,824,653	597,396,081

	2011	2010
Earnings/(loss) per share – basic	1.04p	(12.43)p
Earnings per share – continuing* basic	0.59p	1.41p
Earnings/(loss) per share – diluted	1.04p	(12.43)p
Earnings per share – continuing* diluted	0.59p	1.41p

* continuing operations before exceptional items and terminated operations

Following the Rights Issue and Placing of 1,229,408,488 ordinary shares announced on 11 February 2011 and approved at the company's extraordinary general meeting on 28 February 2011, in accordance with paragraph 26 of IAS 33, ''Earnings per share'', the group has treated the discount element to the open offer part of the increase in share capital as if it were a bonus issue, using the theoretical ex-rights price of 8.53p. The effect of this is to increase the weighted average number of shares reported in the prior period, with a resulting reduction in the reported basic and diluted earnings per share for the period ended 2 April 2010.

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

15 Goodwill

	£000
Cost	
At 3 April 2009	67,751
Acquisition of subsidiaries	33,404
At 2 April 2010	101,155
Sale of subsidiaries	(53,856)
At 1 April 2011	47,299
Impairment	
At 3 April 2009	13,678
Provision for period	40,178
At 2 April 2010	53,856
Sale of subsidiaries	(53,856)
At 1 April 2011	—
Carrying amount	
Net book value at 1 April 2011	47,299
Net book value at 2 April 2010	47,299
Net book value at 3 April 2009	54,073

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

	2011 £000	2010 £000
Express Gifts	320	320
Education Supplies	44,671	44,671
Healthcare	2,308	2,308
	47,299	47,299

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

The recoverable amounts of the CGUs are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and management's detailed budgets including expected changes to revenues and direct costs during the period. The key assumptions are based on past experience adjusted for expected changes in future conditions. Given the current economic climate, a sensitivity analysis has been performed in assessing the recoverable amounts of goodwill.

The group prepares cash flow forecasts for the next three to five years derived from the most recent budget information. Cash flows are extrapolated beyond five years based on an estimated growth rate of 2.5% (2010: 3%). This rate does not exceed the average long-term growth rate for the relevant markets. The group has conducted a sensitivity analysis on the impairment test of each CGU's carrying value. The pre-tax rates used to discount the forecast cash flows are between 13.5% and 14.9% (2010: 12.5%). These discount rates are derived from the group's weighted average cost of capital as adjusted for the specific risks related to each CGU.

As a result of the impairment review, no impairment charges were required.

For each of the Express Gifts, Kleeneze, Kitbag and Healthcare CGUs, for intangible and tangible assets to be impaired there would need to be significant changes in either the discount rate or operating profits used in the sensitivity analysis.

In the case of the Education CGU, it is reasonably possible that a change in key assumptions would cause the total of intangible and tangible assets to exceed its value in use. With headroom of £8.5m (2010: £11.1m) and assuming a 14.9% pre-tax discount rate (2010: 12.5%), a 1.1% (2010: 3.1%) increase in the discount rate would cause the total of intangible and tangible assets to exceed its value in use. Similarly, a 10% (2010: 16%) reduction in the forecast operating profits generated by the Education division would cause the total of tangible and intangible assets to exceed its value in use.

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

Notes to the Consolidated Financial Statements

16 Other intangible assets

	Software and IT development costs £000	Brand names £000	Customer relationships £000	Total £000
Cost				
At 3 April 2009	11,570	63,451	22,138	97,159
Acquisition of subsidiaries	529	1,989	3,808	6,326
Additions	3,135	—	—	3,135
At 2 April 2010	15,234	65,440	25,946	106,620
Additions	471	—	—	471
Transfer from accruals	(190)	—	—	(190)
Sale of subsidiaries	(1,968)	(15,199)	(4,867)	(22,034)
At 1 April 2011	13,547	50,241	21,079	84,867
Accumulated amortisation and impairment				
At 3 April 2009	3,725	6,668	8,591	18,984
Provision for period	2,765	—	2,360	5,125
Impairment	686	8,531	2,537	11,754
At 2 April 2010	7,176	15,199	13,488	35,863
Provision for period	1,868	—	960	2,828
Impairment	554	—	—	554
Transfer from tangible assets	1,128	—	—	1,128
Sale of subsidiaries	(1,968)	(15,199)	(4,867)	(22,034)
At 1 April 2011	8,758	—	9,581	18,339
Carrying amount				
Net book value at 1 April 2011	4,789	50,241	11,498	66,528
Net book value at 2 April 2010	8,058	50,241	12,458	70,757
Net book value at 3 April 2009	7,845	56,783	13,547	78,175

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

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

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

	2011 £000	2010 £000
Express Gifts	1,058	1,058
Kleeneze	22,845	22,845
Kitbag	6,170	6,170
Education Supplies	20,102	20,102
Healthcare	66	66
	50,241	50,241

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 conjunction with the testing on goodwill as described in note 15.

17 Property, plant and equipment

	Land and buildings Freehold £000	Land and buildings Leasehold £000	Plant and equipment £000	Total £000
Cost				
At 3 April 2009	26,349	2,805	50,099	79,253
Acquisition of subsidiaries	—	19	1,179	1,198
Additions	—	—	5,796	5,796
Disposals	(936)	—	(260)	(1,196)
Exchange differences	—	—	2	2
At 2 April 2010	25,413	2,824	56,816	85,053
Additions	200	149	6,025	6,374
Disposals	(5,215)	—	(685)	(5,900)
Transfer from accruals	—	(49)	(931)	(980)
Sale of subsidiaries	—	—	(6,283)	(6,283)
Exchange differences	—	—	(11)	(11)
At 1 April 2011	20,398	2,924	54,931	78,253
Accumulated depreciation and impairment				
At 3 April 2009	6,695	746	19,028	26,469
Provision for period	835	261	7,242	8,338
Disposals	(637)	—	(148)	(785)
Impairment	—	501	6,235	6,736
At 2 April 2010	6,893	1,508	32,357	40,758
Provision for period	387	134	7,014	7,535
Disposals	(367)	—	(645)	(1,012)
Impairment	—	—	747	747
Transfer to intangible assets	—	—	(1,128)	(1,128)
Sale of subsidiaries	—	—	(6,283)	(6,283)
Exchange differences	—	—	(11)	(11)
At 1 April 2011	6,913	1,642	32,051	40,606
Carrying amount				
Net book value at 1 April 2011	13,485	1,282	22,880	37,647
Net book value at 2 April 2010	18,520	1,316	24,459	44,295
Net book value at 3 April 2009	19,654	2,059	31,071	52,784

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

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

The net book value of plant and equipment held under finance leases at 1 April 2011 was £1,151,000 (2010: £2,900,000).

Notes to the Consolidated Financial Statements

18 Inventories

	2011 £000	2010 £000
Inventories at cost	76,412	85,155
Provision for impairment	(5,730)	(11,548)
	70,682	73,607

	2011 £000	2010 £000
Movement in the provision for impairment:		
Balance at beginning of period	11,548	19,713
Acquisition of subsidiaries	—	1,255
Sale of subsidiaries	(1,450)	—
Provision made in the period	7,588	7,332
Provision utilised in the period	(11,956)	(16,752)
Balance at the end of the period	5,730	11,548

19 Trade and other receivables

	2011 £000	2010 £000
Amount receivable following the sale of goods	294,779	308,119
Allowance for doubtful debts	(119,123)	(124,483)
Trade receivables	175,656	183,636
Other debtors	889	4,883
Prepayments	18,408	21,836
	194,953	210,355

Certain of the group's trade receivables are funded through a securitisation facility arranged by HSBC Investment Bank plc and funded through a vehicle owned by GRE Trust Company (Ireland) Limited. The facility is secured against those receivables and is without recourse to any of the group's other assets. The finance provider will seek repayment of the finance, as to both principal and interest, only to the extent that collections from the receivables financed allows and the benefit of additional collections remains with the group. At the period end, receivables of £131,523,000 (2010: £132,620,000) were funded through the securitisation facility, and the facilities utilised were £93,381,000 (2010: £94,160,000).

Due to the different nature of debtors within the Express Gifts operating segment compared to that in the rest of the group, the following analysis on trade receivables has been split between Express Gifts and the rest of the group.

Express Gifts

The average credit period taken on sales of goods is 379 days (2010: 373 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 £43,428,000 (2010: £45,655,000) 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 72 days (2010: 74 days).

19 Trade and other receivables – continued

Rest of group

The average credit period taken on sales of goods is 30 days (2010: 34 days). Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Given the nature of the public sector customer base within the Education Supplies and Healthcare business segments, 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 £7,039,000 (2010: £7,077,000) 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 56 days (2010: 52 days).

Movement in the allowance for doubtful debts:

	Express Gifts £000	Rest of group £000	2011 £000
Balance at the beginning of the period	116,311	8,172	124,483
Sale of subsidiaries	—	(3,752)	(3,752)
Impairment losses recognised	29,955	445	30,400
Amounts written off as uncollectible	(29,422)	(2,586)	(32,008)
Balance at the end of the period	116,844	2,279	119,123

	Express Gifts £000	Rest of group £000	2010 £000
Balance at the beginning of the period	113,077	3,776	116,853
Acquisition of subsidiaries	—	3,768	3,768
Impairment losses recognised	28,823	2,741	31,564
Amounts written off as uncollectible	(25,589)	(2,113)	(27,702)
Balance at the end of the period	116,311	8,172	124,483

Notes to the Consolidated Financial Statements

19 Trade and other receivables – continued

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

	Express Gifts £000	Rest of group £000	2011 £000
0 – 60 days	24,690	4,812	29,502
60 – 120 days	6,876	1,153	8,029
120+ days	11,862	1,074	12,936
Total	43,428	7,039	50,467

	Express Gifts £000	Rest of group £000	2010 £000
0 – 60 days	25,430	5,447	30,877
60 – 120 days	7,319	652	7,971
120+ days	12,906	978	13,884
Total	45,655	7,077	52,732

Ageing of impaired receivables – aged from due date:

	Express Gifts £000	Rest of group £000	2011 £000
0 – 60 days	3,416	—	3,416
60 – 120 days	4,720	—	4,720
120+ days	108,708	2,279	110,987
Total	116,844	2,279	119,123

	Express Gifts £000	Rest of group £000	2010 £000
0 – 60 days	3,767	—	3,767
60 – 120 days	5,201	—	5,201
120+ days	107,343	8,172	115,515
Total	116,311	8,172	124,483

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

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

20 Cash and cash equivalents

	2011 £000	2010 £000
Cash at bank and in hand	25,582	44,331

Cash and cash equivalents comprises 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.

21 Trade and other payables

	2011 £000	2010 £000
Trade payables	37,985	53,033
Other payables	4,600	5,971
Accruals	18,514	22,265
	61,099	81,269

The average credit period taken for trade purchases is 40 days (2010: 53 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.

22 Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2011 £000	2010 £000	2011 £000	2010 £000
Amounts payable under finance leases:				
Within one year	5	1,052	5	1,006
In the second to fifth years	—	7	—	5
	5	1,059	5	1,011
Less future finance charges	—	(48)	—	—
Present value of lease obligations	5	1,011	5	1,011
Less amounts due for settlement within one year			(5)	(1,006)
Amount due for settlement after one year			—	5

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

For the period ended 1 April 2011, the average borrowing rate was 7.50% (2010: 7.50%).

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

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

Notes to the Consolidated Financial Statements

23 Borrowings

	2011 £000	2010 £000
Secured borrowing at amortised cost		
Bank loans	253,381	352,918
Amount due for settlement within one year	—	352,918
Amount due for settlement after one year	253,381	—
	253,381	352,918
The average interest rates paid were as follows:		
Bank loans	3.65%	4.23%

All borrowings are arranged at floating rates, thus exposing the group to cash flow interest rate risk. The group manages this risk by undertaking interest rate hedging as described in note 24.

All the bank loans are denominated in sterling.

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

The group entered into agreements for the provision of new lending facilities on 11 February 2011, which were implemented by way of amendment and restatement of the previous revolving credit facilities, and an amendment to the £105,000,000 securitisation facility.

The key amendments to the commercial terms of these facilities were as follows:

- the facilities expire on 22 March 2016;
- the available amount under the two revolving credit facilities will vary between £196,742,000 and £131,742,000 in accordance with the seasonal working capital requirements of the group's business; and
- interest is charged at 3% over LIBOR for the two revolving credit facilities.

The lenders and the trustees of the group's defined benefit pension schemes hold fixed and floating charges over the majority of the group's assets.

£40,000,000 of the proceeds of the Rights Issue were used to reduce the revolving credit facilities. In addition, a further £40,000,000 of indebtedness was released in consideration of the allotment and issue of 166,878,704 convertible shares to the lenders. In accordance with IFRIC 19, the gain of £32,874,000 arising on the difference between the debt released of £40,000,000 and the fair value of the convertible ordinary shares of £7,126,000 (see note 1) has been recognised in the income statement as an exceptional gain (see note 6).

The group incurred exceptional costs in the period of £16,199,000 in respect of fees associated with these amendments to its credit facilities, which was accounted for as an extinguishment in accordance with IAS 39. Consequently the unamortised issue cost of the old arrangement facility of £450,000 has also been charged to the income statement.

	2011 £000	2010 £000
Borrowing facilities		
The group had undrawn committed borrowing facilities as follows:		
Expiring in one year or less	—	10,840*
Expiring in more than two years but not more than five years	31,361*	—
	31,361	10,840

* Including securitisation facility

24 Derivative financial instruments

	2011 Assets £000	2011 Liabilities £000	2010 Assets £000	2010 Liabilities £000
Forward foreign exchange contracts	—	—	—	(6)
Interest rate cap	1,207	—	—	—
	1,207	—	—	(6)

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.

Interest rate risk management

The group's interest rate exposure is managed by the use of fixed and floating rate borrowings, and by the use of derivative arrangements.

Currency risk management

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

Borrowing risk

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

25 Provisions

	2011 £000	2010 £000
Onerous leases		
At beginning of period	6,680	—
Provided in the period	205	6,680
Utilised in the period	(1,674)	—
At end of period	5,211	6,680
Amounts included in current liabilities	1,884	1,661
Amounts included in non-current liabilities	3,327	5,019
	5,211	6,680

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

Notes to the Consolidated Financial Statements

26 Deferred tax

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

	Short-term timing differences £000	Accelerated capital allowances £000	Retirement benefit obligations £000	Tax losses £000	Other intangible assets £000	Total £000
At 3 April 2009	(1,523)	2,903	(2,299)	(3,855)	11,526	6,752
Arising on acquisition	—	—	—	—	1,623	1,623
Charge/(credit) for the period	640	(2,841)	2,173	2,758	(3,760)	(1,030)
At 2 April 2010	(883)	62	(126)	(1,097)	9,389	7,345
Impact of change in rate of corporation tax	63	(4)	9	78	(670)	(524)
Recognised in other comprehensive income*	—	—	(1,234)	—	—	(1,234)
Charge/(credit) for the period	820	(6,753)	117	(6,044)	2,021	(9,839)
At 1 April 2011	—	(6,695)	(1,234)	(7,063)	10,740	(4,252)

* relates to actuarial gains/losses

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

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

	2011 £000	2010 £000
Deferred tax liabilities	12,416	11,158
Deferred tax assets	(16,668)	(3,813)
	(4,252)	7,345

Deferred tax assets and liabilities at the period end have been calculated at 26% (2010: 28%).

In his budget in March 2011, the Chancellor of the Exchequer announced budget changes, which, if enacted in the proposed manner, will have a significant impact on the group's future tax position. However, as at 1 April 2011, the tax changes announced in the Budget, reducing the main rate of corporation tax from 26% to 23%, was not substantively enacted and as such, in accordance with IAS 12, the changes have not been reflected in the group's financial statements as at 1 April 2011.

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

The aggregate amount of temporary differences associated with deferred tax assets which have not been recognised is £19,683,000 (2010 restated: £35,736,000). These amounts primarily relate to carried forward tax losses. No asset has been recognised in respect of these differences because there is insufficient evidence that the relevant subsidiaries will make suitable future taxable profits against which these assets may be utilised.

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

	Short-term timing differences £000	Accelerated capital allowances £000	Retirement benefit obligations £000	Tax losses £000	Other intangible assets £000	Total £000
At 3 April 2009	(26)	(2,994)	(2,172)	(10,212)	—	(15,404)
Movements during the period	3	(2,370)	(4,240)	(7,282)	—	(13,889)
Adjustments in respect of prior periods	—	638	—	(1,699)	—	(1,061)
Arising on acquisition	(290)	(116)	—	(4,976)	—	(5,382)
At 2 April 2010	(313)	(4,842)	(6,412)	(24,169)	—	(35,736)
Movements during the period	(544)	4,240	5,945	(3,041)	(2,001)	4,599
Adjustments in respect of prior periods	(529)	(587)	—	1,038	2,156	2,078
Impact of change in rate of corporation tax	60	388	467	1,652	(155)	2,412
Eliminated on disposals	—	—	—	6,964	—	6,964
At 1 April 2011	(1,326)	(801)	—	(17,556)	—	(19,683)

27 Share-based payments

Equity settled share option schemes

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

	2011 No. of share options	2011 Weighted average exercise price (in £)	2010 No. of share options	2010 Weighted average exercise price (in £)
Outstanding at the beginning of the period	188,842	3.61	414,530	4.61
Lapsed during the period	—	—	(225,688)	5.45
Outstanding at the end of the period	188,842	3.61	188,842	3.61
Exercisable at the end of the period	188,842	3.61	188,842	3.61

The remaining 188,842 options lapsed in May 2011.

Performance Share Plan (equity settled)

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

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

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

	2011 No. of shares	2010 No. of shares
Outstanding at the beginning of the period	23,217,584	2,746,890
Granted during the period	83,122,823	9,265,668
Adjustment as a result of the increased share capital	3,169,088	11,525,220
Lapsed during the period	(16,099,909)	(320,194)
Outstanding at the end of the period	93,409,586	23,217,584

The estimated fair value of the awards granted during the period is £3,813,000 (2010: £3,398,000). In each case these costs are expensed over three years.

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

	2011	2010
Weighted average share price (pence)	6.6	42.7
Weighted average exercise price (pence)	0.0	0.0
Expected volatility (%) (applicable to share price performance condition)	116.3	N/A
Expected volatility (%) (applicable to TSR performance condition)	N/A	105.9
Expected life (years)	3.0	3.0
Risk free rate (%) (applicable to share price performance condition)	1.3	N/A
Risk free rate (%) (applicable to TSR performance condition)	N/A	2.1
Expected dividend yield (%)	0.0	0.0
Weighted average fair value (pence) (applicable to share price performance condition)	4.6	N/A
Weighted average fair value (pence) (applicable to TSR performance condition)	N/A	30.6
Weighted average fair value (pence) (applicable to EPS performance condition)	N/A	42.7

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

The group recognised a credit of £1,321,000 (2010: expense of £2,186,000) related to equity-settled share-based payment transactions in the year reflecting the charge arising in the period being offset by the reversal of charges on non-market related performance criteria share options which are no longer expected to vest.

Notes to the Consolidated Financial Statements

27 Share-based payments – continued

Other share-based payment plan

The group issued to certain senior employees share appreciation rights (SARs) under a Long Term Investment Plan (LTIP) detailed on page 34, the performance criteria for which have been met previously, that require the group to pay the intrinsic value of the SAR to the employee at the date of exercise.

	2011 No. of notional shares	2011 Weighted average exercise price (in £)	2010 No. of notional shares	2010 Weighted average exercise price (in £)
Outstanding at the beginning of the period	11,859	2.64	834,849	1.38
Lapsed during the period	(11,859)	2.64	(822,990)	1.36
Outstanding at the end of the period	—	—	11,859	2.64
Exercisable at the end of the period	—	—	11,859	2.64

Share warrants (equity settled)

Share warrants for 4,256,503 ordinary shares with an exercise price of 20p per share were issued to the group's lenders in connection with the placing and open offer and firm placing in the prior year. The warrants may be exercised at any time in the four years, 11 August 2009 to 11 August 2013. The fair value of each share warrant at the time of issue was 20p amounting to £851,000 in total. At 1 April 2011, 4,256,503 (2010: 4,256,503) share warrants were outstanding.

Following the rights issue and placing in March 2011, the exercise price was adjusted to 13.60p.

28 Share capital

Ordinary shares of 5p each

	2011 Number of shares	2010 Number of shares	2011 £000	2010 £000
Allotted, issued and fully paid				
At the beginning of the period	489,442,176	85,130,052	24,472	4,257
Placing and open offer	—	204,312,124	—	10,215
Firm placing	—	200,000,000	—	10,000
Rights issue	1,223,605,440	—	61,180	—
Placing	5,803,048	—	290	—
At the end of the period	1,718,850,664	489,442,176	85,942	24,472

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

On 11 February 2011, the group announced the rights issue of 1,223,605,440 ordinary shares and the placing of 5,803,048 ordinary shares at 6.54p and 8.53p respectively. This was approved at the company's Extraordinary General Meeting on 28 February 2011, and the shares were issued on 1 March 2011 in respect of the placing and 16 March 2011 in respect of the rights issue. Total proceeds raised were £80,519,000, less £1,061,000 relating to shares transferred to the Employee Benefit Trust, and associated costs of the equity raising of £4,835,000, resulted in net proceeds of £74,623,000.

Convertible ordinary shares of 23.97p each

	2011 Number of shares	2010 Number of shares	2011 £000	2010 £000
Allotted, issued and fully paid				
At the beginning of the period	—	—	—	—
Issue of shares	166,878,704	—	40,000	—
	166,878,704	—	40,000	—

28 Share capital – continued

On 22 March 2011 the group issued 166,878,704 convertible ordinary shares, the principle terms of which are:

- The shares may be converted into 166,878,704 ordinary shares at the option of the holders of the convertible share in the event that: (i) the company's volume weighted average ordinary share price rises above 23.97p for a period of one month during the period commencing on 22 March 2013 and ending on 22 March 2021; (ii) an offer is made for the company (regardless of the share performance of the company).
- The holders of the shares are entitled to attend but not vote at the general meetings (save in respect of any resolution relating to the convertible shares).
- The shares may participate in dividends or other distributions declared in excess of 50% of the net income in a particular accounting reference period. (The board does not expect to pay a dividend in the foreseeable future as it is unable to pay a dividend whilst the new lending facility is in place).
- The shares are freely transferable and the terms may be varied only with the approval of 85% of the convertible shareholders.

If the shares have not been converted by 22 March 2021 they will automatically convert into non-voting deferred shares. The company will have the right to buy back such deferred shares for a nominal value at the time.

The convertible ordinary shares have a nominal value of £40,000,000. As UK company law requires share capital to be stated at nominal value rather than fair value, £32,874,000, being the difference between the nominal value of £40,000,000 and the fair value of £7,126,000, has been transferred from profit and loss reserves to share capital in order to state the convertible ordinary shares at their nominal value. This transfer has no affect on either reported profit or net assets.

29 Capital reserves

	Capital redemption reserve £000	Share premium account £000	Total £000
At 3 April 2009	403	24,003	24,406
Share issues	—	55,237	55,237
At 2 April 2010	403	79,240	79,643
Share issues	—	14,214	14,214
At 1 April 2011	403	93,454	93,857

In last year's annual report and accounts, the merger reserve, own shares and liability for share-based payments were disclosed separately. These have been aggregated within accumulated losses (note 31).

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

None of the above reserves are distributable.

30 Translation reserve

	£000
Balance at 3 April 2009	1,292
Currency translation loss arising on consolidation	(590)
Balance at 2 April 2010	702
Currency translation loss arising on consolidation	(146)
Balance at 1 April 2011	556

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.

Notes to the Consolidated Financial Statements

31 Retained earnings/(accumulated losses)

	£000
At 3 April 2009 (as previously reported)	2,353
Prior year adjustment (note 1)	(7,755)
At 3 April 2009 (restated)	(5,402)
Loss for the period (restated)	(74,265)
Actuarial losses on defined benefit pension schemes	(16,443)
Share issues	(1,071)
Share warrants issue	851
Share-based payments	2,186
At 2 April 2010 (restated)	(94,144)
Profit for the period	8,524
Actuarial gain on defined benefit pension schemes	15,822
Cash flow hedges	(86)
Share issues	(1,061)
Share-based payments	(1,321)
Tax relating to components of comprehensive income	1,234
Transfer to share capital to record convertible ordinary shares at their nominal value (note 28)	(32,874)
At 1 April 2011	(103,906)

The accumulated loss at 3 April 2009 has been adjusted to reflect the inclusion of the merger reserve, own shares and liability for share-based payments (note 27). The effect of this is to change the previously reported accumulated loss of £27,531,000 into a retained earnings figure of £2,353,000.

The accumulated loss of £103,906,000 at 1 April 2011 includes non-distributable reserves of £29,518,000.

32 Capital commitments

The group had no capital commitments at 1 April 2011 or 2 April 2010.

33 Operating lease arrangements

	2011 £000	2010 £000
Minimum lease payments recognised as an expense in the period	12,962	13,698

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

	2011 £000	2010 £000
Within one year	12,450	14,401
In the second to fifth years	37,506	43,314
After five years	47,227	55,255
	97,183	112,970

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

34 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 £1,122,000 (2010: £530,000) 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 2010 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 0.2% higher than the annual increase in total pensionable remuneration and the return on bond investments would be between 1.6% and 2.4% higher than the annual increase in present and future pensions in payment. The actuarial value of the assets was sufficient to cover 85% of the benefits that had accrued to members, after allowing for expected future increases in pensionable remuneration. The market value of the scheme's assets at the date of valuation was £68.3m. The next formal valuation is due with an effective date no later than 6 April 2013.

In addition, the company sponsors the Findel Education Pension Scheme, which was assessed by Aon Consulting, the scheme's actuaries, at 6 April 2010. The principal actuarial assumptions adopted in that valuation were that the annual rate of return on investments would be 1.8% higher than the assumed price inflation assumption. The market value of the assets was sufficient to cover 70% of the benefits that had accrued to members, after allowing for expected future increases in pensionable remuneration. The market value of the scheme's assets at the date of valuation was £19.8m. The next formal valuation is due with an effective date no later than 6 April 2013.

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

The most recent valuations of the plans for IAS 19 purposes were carried out at 1 April 2011 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:

	2011 %	2010 %
Discount rate for scheme liabilities	5.75	5.50
Expected return on scheme assets	6.60	6.70
Inflation	3.00	3.80
Rate of increase to pensions in payment	3.50	3.00
Rate of increase to deferred pensions	3.00	3.00

The assumption used for post-retirement mortality is equivalent to a life expectancy for a sample male aged 65 retiring in April 2011 of 86.7 years (2010: 87.0 years) (FGPF) and 86.8 years (2010: 87.0 years) (FEPS); and for a sample male retiring in April 2030 of 88.1 years (2010: 88.1 years) (FGPF) and 88.1 years (2010: 88.1 years) (FEPS).

The actual rate of return on assets was 7% (2010: 27%). The overall expected rate of return of 6.60% (2010: 6.70%) is based on market conditions at the balance sheet date, reflecting the mix of assets held.

An increase/decrease in the discount rate assumption of 0.1% would result in an increase/decrease to the pension deficit of £1.9m (2010: £2.1m). An increase/decrease in the inflation rate assumption of 0.1% would result in an increase/decrease in the pension deficit of £1.0m (2010: £1.5m). An increase in life expectancy by one year over the assumed rate would result in an increase in the pension deficit of £3.0m (2010: £3.5m).

The pension costs relating to the defined benefit schemes were previously accounted for under the corridor approach under IAS 19. As disclosed on page 52, the group has adopted the policy of recognising all actuarial gains and losses immediately through the Consolidated Statement of Comprehensive Income, and as a result the comparatives have been restated.

Notes to the Consolidated Financial Statements

34 Retirement benefit plans – continued

Amounts recognised in the consolidated income statement and consolidated statement of comprehensive income in respect of the defined benefit plans are as follows:

	2011 £000	2010 £000 (Restated)
(i) included within administrative expenses		
Current service cost	—	(678)
Gains on settlements and curtailments (exceptional item note 6)	—	6,624
Total operating credit	—	5,946
(ii) included within financial income and costs		
Expected return on pension assets	5,855	5,014
Interest cost	(6,274)	(5,818)
Net cost	(419)	(804)
(iii) included within consolidated statement of comprehensive income		
Actuarial gains/(losses)	15,822	(16,443)

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:

	2011 £000	2010 £000 (Restated)	2009 £000 (Restated)
Fair value of scheme assets	98,248	92,598	72,945
Present value of funded obligations	(102,995)	(115,947)	(88,912)
Deficit in the scheme	(4,747)	(23,349)	(15,967)

The related deferred tax asset is disclosed in note 26.

Movements in the pension deficit were as follows:

	2011 £000	2010 £000 (Restated)
Opening deficit	(23,349)	(15,967)
Movement in period:		
Current service cost	—	(678)
Gains on settlements and curtailments	—	6,624
Interest cost	(6,274)	(5,818)
Expected return on pension assets	5,855	5,014
Actuarial gain/(loss)	15,822	(16,443)
Contributions	3,199	3,919
Closing deficit	(4,747)	(23,349)

34 Retirement benefit plans – continued

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

	2011 £000	2010 £000 (Restated)
At beginning of period	(115,947)	(88,912)
Movement in period:		
Current service cost	—	(678)
Interest cost	(6,274)	(5,818)
Contributions by the members	—	(126)
Gains on settlements and curtailments	—	6,624
Actuarial gain/(loss)	15,311	(30,757)
Benefits paid	3,915	3,720
At end of period	(102,995)	(115,947)

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

	2011 £000	2010 £000 (Restated)
At beginning of period	92,598	72,945
Movement in period:		
Contributions	3,199	3,919
Contributions by the members	—	126
Expected return on pension assets	5,855	5,014
Actuarial gain	511	14,314
Benefits paid	(3,915)	(3,720)
At end of period	98,248	92,598

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	
	2011 %	2010 % (Restated)	2011 £000	2010 £000 (Restated)
Equities/Property	7.60	7.75	51,386	49,755
Bonds	5.75	5.50	44,114	42,008
Other	0.50	0.50	2,748	835
	6.60	6.70	98,248	92,598

The history of experience adjustments is as follows:

	2011 £000	2010 £000 (Restated)	2009 £000 (Restated)	2008 £000 (Restated)	2007 £000 (Restated)
Fair value of plan assets	98,248	92,598	72,945	84,781	86,745
Fair value of defined benefit obligation	(102,995)	(115,947)	(88,912)	(88,220)	(99,222)
Deficit in the scheme	(4,747)	(23,349)	(15,967)	(3,439)	(12,477)
Experience adjustments on scheme liabilities					
Amount (£000)	15,311	(30,757)	3,613	2,394	(16)
Percentage of scheme liabilities (%)	15%	(27%)	4%	3%	(0%)
Experience adjustments on scheme assets					
Amount (£000)	511	14,314	(19,869)	(7,393)	(1,379)
Percentage of scheme assets (%)	1%	15%	(27%)	(9%)	(2%)

Notes to the Consolidated Financial Statements

35 Financial instruments

The group holds and uses financial instruments to finance its operations and to manage its interest rate and liquidity risks. The group primarily finances its operations using share capital and borrowings. The main risks arising from the group's financial instruments are credit, interest rate, foreign currency and liquidity risk.

The board reviews and agrees the policies for managing each of these risks on an annual basis. A full description of the group's approach to managing these risks is set out on pages 16 and 17.

The group does not engage in trading or speculative activities using derivative financial instruments. A group offset arrangement exists for cash balances to take advantage of the most rewarding short term investment opportunities.

Capital risk management

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

	2011 £000	2010 £000 (Restated)
Net debt		
Obligations under finance leases (note 22)	5	1,011
Borrowings (note 23)	253,381	352,918
Cash at bank and in hand (note 20)	(25,582)	(44,331)
	227,804	309,598
Total equity		
Share capital (note 28)	125,942	24,472
Capital reserves (note 29)	93,857	79,643
Translation reserve (note 30)	556	702
Accumulated losses (note 31)	(103,906)	(94,144)
	116,449	10,673
Gearing (being net debt divided by total equity)	1.96	29.01

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.

Fair value of financial assets and liabilities

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	2011 Carrying amount £m	2011 Fair value £m	2010 Carrying amount £m	2010 Fair value £m
Trade and other receivables	176,545	176,545	188,519	188,519
Cash and cash equivalents	25,582	25,582	44,331	44,331
Trade and other payables	(42,585)	(42,585)	(59,004)	(59,004)
Secured bank loans	(253,381)	(253,381)	(352,918)	(352,918)
Obligations under finance leases	(5)	(5)	(1,011)	(1,011)
Interest rate swaps, caps used for hedging	1,207	1,207	—	—
Foreign exchange contracts used for hedging	—	—	(6)	(6)
	(92,637)	(92,637)	(180,089)	(180,089)
Unrecognised gain/(loss)		—		—

35 Financial Instruments – continued

Basis for determining fair values
The following summarises the principal methods and assumptions used in estimating the fair value of financial instruments reflected in the table above:

(a) Derivatives
Broker quotes are used for all interest rate swaps, caps and foreign currency exchange contracts.

(b) Interest-bearing loans and borrowings
Fair value is calculated based on discounted expected future principal and interest cash flows.

(c) Trade and other receivables/payables
For receivables/payables with a remaining life of less than one year, the notional amount is deemed to reflect the fair value. All other receivables/payables are discounted to determine the fair value.

The main risks arising from the group's financial instruments are credit, interest rate, foreign currency, and liquidity risk. The board reviews and agrees the policies for managing each of these risks on an annual basis.

Fair value hierarchy
The different levels of valuation method for financial instruments carried at fair value have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The derivative financial instruments held by the group at 1 April 2011 and 2 April 2010, namely the interest rate caps and the forward foreign exchange contracts respectively, have been valued under level 2 measurement bases.

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 and caps to mitigate the risk of rising interest rates.

Notes to the Consolidated Financial Statements

35 Financial Instruments – continued

Foreign currency risk management

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

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

	Assets		Liabilities		Net exposure	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Euro	1,640	4,616	(191)	(728)	1,449	3,888
Hong Kong dollar	527	2,059	(866)	(1,226)	(339)	833
US dollar	4,239	6,196	(1,057)	(1,668)	3,182	4,528
	6,406	12,871	(2,114)	(3,622)	4,292	9,249

Foreign currency sensitivity analysis

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

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

	Euro currency impact		Hong Kong dollar currency impact		US dollar currency impact	
	2011 £000	2010 £000	2011 £000	2010 £000	2011 £000	2010 £000
Profit or loss and equity	(132)	(353)	31	(76)	(289)	(412)

Forward foreign exchange contracts

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

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

Outstanding contracts

	Average contract exchange rate		Foreign currency		Sterling		Period end fair value	
	2011 Rate	2010 Rate	2011 US$000	2010 US$000	2011 £000	2010 £000	2011 £000	2010 £000
Buy US dollars								
Less than 3 months	—	1.5423	—	3,000	—	1,945	—	19
3 to 6 months	—	1.5415	—	3,000	—	1,946	—	19
6 to 9 months	—	1.5385	—	3,000	—	1,950	—	16
9 to 12 months	—	1.4984	—	5,000	—	3,337	—	(60)
	—	1.5254	—	14,000	—	9,178	—	(6)

Changes in the fair value of non-hedging currency derivatives amounting to £6,000 have been credited to income in the period (2010: £24,000).

35 Financial Instruments – continued

Interest rate risk management

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

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the group's profit and equity reserves for the period ended 1 April 2011 would decrease/increase by £1,267,000 (2010: decrease/increase by £1,765,000). 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 cash flow exposures on its variable rate debt.

Interest rate swaps over a nominal principal amount of £100.0m with a fixed rate of 4.8% existed for the period to 4 January 2010. These contracts were not designated as effective hedges in accordance with IAS 39 and so changes in the fair value amounting to £3,189,000 were credited through the income statement in the prior period.

No further interest rate swaps have been transacted and, hence, no interest rate swap contracts were in place at either 2 April 2010 or 1 April 2011.

Interest rate cap contracts

Under interest rate cap contracts, the group agrees to cap the LIBOR element of its interest cost at an agreed level calculated on agreed notional principal amounts. Such contracts enable the group to mitigate the risk of rising interest rates on its variable rate debt.

The following three interest rate caps were transacted on 12 January 2011:

Maturity	2011 Notional £000	2011 Cap rate	2011 Market value £000	2010 Notional £m	2010 Cap rate	2010 Market value £000
Less than 12 months	130,000	1.20%	155	—	—	—
1 to 2 years	110,000	2.15%	469	—	—	—
2 to 3 years	90,000	3.00%	583	—	—	—
	330,000		1,207	—		—

These contracts were designated as cash flow hedges from inception in accordance with IAS 39. The movement in the fair value of these instruments during the year was as follows:

	2011 £000	2010 £000
Asset at 2 April 2010	—	—
Caps acquired during the period	1,670	—
Movement in fair value credited to the hedging reserve	(86)	—
Movement in fair value of ineffective element charged to income statement	(377)	—
Asset at 1 April 2011	1,207	—

35 Financial Instruments – continued

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 19.

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. 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 23 is a description of additional undrawn facilities that the group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

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

2011

	Weighted average effective interest rate %	Less than 1 year £000	1 to 5 years £000	Total £000
Financial liabilities				
Non-interest bearing	—	(61,099)	—	(61,099)
Finance lease liability	7.50	(5)	—	(5)
Variable interest rate instruments	3.65	(254,371)	—	(254,371)
		(315,475)	—	(315,475)
Financial assets				
Derivatives settled net		74	186	260

2010

	Weighted average effective interest rate %	Less than 1 year £000	1 to 5 years £000	Total £000
Financial liabilities				
Non-interest bearing	—	(81,269)	—	(81,269)
Finance lease liability	7.50	(1,052)	(7)	(1,059)
Variable interest rate instruments	4.23	(352,918)	—	(352,918)
Forward foreign exchange contracts settled gross		(6)	—	(6)
		(435,245)	(7)	(435,252)

The group has access to financing and securitisation facilities, the total unused amount of which is £31,361,000 (2010: £10,840,000) at the balance sheet date. The group expects to meet its other obligations from operating cash flows and proceeds of maturing financial assets. Borrowings drawn under the group's revolving credit facilities are shown above as being repaid within one year. The group may then redraw these amounts until the contractual maturity of the underlying facility.

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

36 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.

There were no related party transactions to be disclosed for the period to 1 April 2011.

During the period 4 April 2009 to 23 July 2009, the date on which the remaining 70% of the shares of the group's associate, Webb, were acquired, the group made purchases from its associate on normal commercial terms of £1,600,000 and in the same period the group supplied goods and services to its associate of £10,000. During the same period interest income of £853,000 was recognised on the loan to Webb.

The group had a trading relationship with Herbert Walker & Son (Printers) Limited ("Herbert Walker"), a commercial printing company which was controlled by Mr K Chapman, a former director (retired 1 April 2010). During the period to 2 April 2010, group purchases from Herbert Walker on normal commercial terms amounted to £470,000 and in the same period the group supplied goods and services to Herbert Walker of £120,000. At 2 April 2010, the group indebtedness to Herbert Walker was £20,000 and that of Herbert Walker to the group was £10,000.

The group also had a trading relationship with Collisons Limited, a stationery supply company which was controlled by Mr K Chapman, a former director (retired 1 April 2010). In the period to 2 April 2010, purchases from Collisons amounted to £20,000. There were no sales to Collisons in the period. All transactions were made on normal commercial terms. At 2 April 2010, the group indebtedness to Collisons was £20,000.

On 1 April 2008, the company entered into a five-year agreement with A F K Nelson Limited on normal commercial terms in respect of premises at Nelson which it uses for warehouse and distribution. The annual rent is £175,000 and the lease is terminable on six months' notice by either party. The directors of A F K Nelson Limited are Jonathan Chapman and James Chapman, who are related to Mr K Chapman, a former director (retired 1 April 2010). Subsequently, a new lease dated 30 March 2011 was entered into with revised terms; a one year agreement with annual rental of £88,000 and terminable on four months' notice.

The company was party to a five-year lease with Shawbrook Developments Limited on normal commercial terms in respect of premises at Padiham which it uses for warehouse and distribution. The annual rent is £300,000 and the lease is terminable on six months' notice by either party. James Chapman is a director of, and shareholder in, Shawbrook Developments Limited and is related to Mr K Chapman, a former director (retired 1 April 2010). Subsequently, during the period ended 1 April 2011, the break option on this agreement was exercised.

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

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 page 33 and is summarised below.

	2011 £000	2010 £000
Short-term employee benefits	2,182	1,829
Termination payments	387	1,042
Post-employment benefits	152	244
	2,721	3,115
Share-based payments	(118)	1,532
	2,603	4,647

Notes to the Consolidated Financial Statements

37 Loss on sale of terminated operations

Terminated operations comprise the Webb Group Limited sold on 8 June 2010, CWIO Limited (formerly Findel Direct Limited), Confetti Network Limited and I Want One of Those.com Limited sold on 11 August 2010, and The Cotswold Company and Letterbox terminated in 2009. All the terminated operations were part of the Home Shopping Division operating segment. The results of the terminated operations are presented in a separate column in the income statement.

	2011 £000
Consideration and costs	
Consideration	702
Sale costs	(1,571)
	(869)
Net assets sold	613
Loss on sale	(1,482)
	(869)
Net cash outflow from sale of terminated operations	
Cash consideration	702
Sale costs paid	(1,571)
Cash and cash equivalents sold	(1,161)
	(2,030)

38 Contingent liability

Payment Protection Insurance (PPI)

The company's largest subsidiary, Express Gifts is regulated by the Financial Services Authority ("FSA") as an insurance intermediary and, as such, is permitted to sell general insurance products, including Payment Protection Insurance ("PPI"). Express Gifts sold around 267,000 PPI policies in the period from January 2005 to August 2008.

The FSA published its final policy statement (PS 10/12) concerning the assessment and redress of PPI complaints on 10 August 2010. The British Bankers' Association sought a judicial review of this policy statement and of related guidance issued by the Financial Ombudsman Service. The judicial review was heard at the start of 2011 and concluded in favour of the FSA in April 2011.

Notwithstanding this judicial process, Express Gifts reviewed its processes for handling complaints relating to the potential mis-selling of PPI in due time. However, to date, it has only received complaints from around 1% of customers, which is very low relative to the number of policies sold, of which less than 5% have been upheld indicating an absence of systemic mis-selling.

At this time, and in the absence of further evidence, it is not felt possible to make a reliable estimate of the provision, if any, which may be required as a result of any future increase in the level of complaints received and upheld resulting from the new handling procedures.

Company Balance Sheet

at 1 April 2011

	Notes	2011 £000	2010 £000
Fixed assets			
Tangible assets	3	11,768	12,260
Investments	4	147,524	147,726
		159,292	159,986
Current assets			
Debtors	5	166,853	162,490
Cash at bank and in hand		10,486	36,172
		177,339	198,662
Creditors: amounts falling due within one year	6	(81,221)	(326,921)
Net current assets/(liabilities)		96,118	(128,259)
Total assets less current liabilities		255,410	31,727
Creditors: amounts falling due after more than one year	7	(160,000)	—
Provisions for liabilities	8	—	(1,768)
Net assets		95,410	29,959
Capital and reserves			
Called-up share capital	11	125,942	24,472
Capital redemption reserve	12	403	403
Share premium account	12	93,454	79,240
Profit and loss account	12	(124,389)	(74,156)
Equity shareholders' funds	13	95,410	29,959

Approved by the board and authorised for issue on 6 June 2011

R W J Siddle
T J Kowalski
} Directors

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 2006. They have been prepared under the historical cost convention, modified to include the revaluation of certain fixed asset investments, and in accordance with applicable United Kingdom Accounting Standards and law.

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

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

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

Freehold buildings:	2%
Fixtures and equipment:	5% – 33%
Leased assets:	Term of lease

Fixed asset investments
Fixed asset investments are stated at cost, less provision for impairment where appropriate.

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 and interest rate caps) to hedge its risks associated with foreign currency transactions. The significant interest rate risk arises from bank loans. The company converts a proportion of its floating rate debt to fixed rates, when appropriate.

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

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

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

The group has early adopted the requirements of UITF 47 ("Extinguishing Financial Liabilities with Equity Instruments") in relation to the issue of convertible ordinary shares in consideration for the release of £40m of indebtedness. UITF 47 requires the difference between the carrying value of the debt extinguished and the fair value of the convertible ordinary shares issued to be recorded in the profit and loss account.

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

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

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

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

Where the company grants options over its own shares to the employees of its subsidiaries it recognises, in its individual financial statements, an increase in the cost of investment in its subsidiaries equivalent to the equity-settled share-based payment charge recognised in its consolidated financial statements with the corresponding credit being recognised directly in equity. Amounts recharged to the subsidiary, reimbursed by the subsidiary are recognised as a reduction in the cost of investment in subsidiary.

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.

1 Significant accounting policies – continued

Retirement benefit costs

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

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

Cash flow statement

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

2 Loss for the year

As permitted by section 408 of the Companies Act 2006, the company has elected not to present its own profit and loss account for the year. The company reported a loss for the financial period ended 1 April 2011 of £14,891,000 (2010: £132,828,000).

The auditors' remuneration for audit services to the company was £90,000 (2010: £111,000).

3 Tangible fixed assets

	Land and buildings		Fixtures and equipment	Total
	Freehold £000	Leasehold £000	£000	£000
Cost				
At 2 April 2010	17,203	343	2,456	20,002
Additions	31	41	105	177
Disposals	—	—	(680)	(680)
At 1 April 2011	17,234	384	1,881	19,499
Depreciation				
At 2 April 2010	5,579	184	1,979	7,742
Charge for the period	328	13	292	633
Disposals	—	—	(644)	(644)
At 1 April 2011	5,907	197	1,627	7,731
Carrying amount				
Net book value at 1 April 2011	11,327	187	254	11,768
Net book value at 2 April 2010	11,624	159	477	12,260

Freehold land and buildings includes land costing £800,000 (2010: £800,000) on which no depreciation has been charged.

4 Investments

	Shares in group undertakings £000
Cost	
At 2 April 2010	261,995
Disposals	(58,504)
At 1 April 2011	203,491
Provisions	
At 2 April 2010	114,269
Disposals	(58,302)
At 1 April 2011	55,967
Carrying amount	
Net book value at 1 April 2011	147,524
Net book value at 2 April 2010	147,726

Principal subsidiary undertakings are listed in note 3 to the consolidated financial statements.

Notes to the Company Financial Statements

5 Debtors

	2011 £000	2010 £000
Amounts due from subsidiary undertakings	157,608	147,837
Derivative asset (note 9)	1,207	—
Other debtors	7,033	10,270
Deferred tax asset (note 8)	347	—
Prepayments and accrued income	658	4,383
	166,853	162,490

Included within other debtors is an amount of £nil (2010: £5,327,000) falling due after more than one year.

6 Creditors: amounts falling due within one year

	2011 £000	2010 £000
Bank loans and overdrafts	3,181	256,576
Trade creditors	5,611	700
Amounts due to subsidiary undertakings	65,632	63,611
Derivative liability (note 9)	—	6
Other creditors	47	370
Indirect tax and social security	316	610
Accruals and deferred income	6,434	5,048
	81,221	326,921

7 Creditors: amounts falling due after more than one year

	2011 £000	2010 £000
Bank loans	160,000	—

The maturity profile and interest rates relating to the bank loans are outlined in note 23 to the consolidated financial statements.

8 Provisions for liabilities

	£000
Deferred tax:	
At 2 April 2010	1,768
Credit to profit and loss account	(2,115)
At 1 April 2011	(347)

The deferred tax (asset)/liability is provided as follows:

	2011 £000	2010 £000
Accelerated capital allowances	(347)	1,768

9 Derivative financial instruments

As the group's derivative financial instruments are all held by the company, reference should be made to note 24 to the consolidated financial statements for the required disclosures.

10 Share-based payments

As the group's share incentives are all held by the company, reference should be made to note 27 to the consolidated financial statements for the required disclosures.

11 Called-up share capital

Ordinary shares of 5p each

	2011 Number of shares	2010 Number of shares	2011 £000	2010 £000
Allotted, issued and fully paid				
At the beginning of the period	489,442,176	85,130,052	24,472	4,257
Placing and open offer	—	204,312,124	—	10,215
Firm placing	—	200,000,000	—	10,000
Rights issue	1,223,605,440	—	61,180	—
Placing	5,803,048	—	290	—
At the end of the period	1,718,850,664	489,442,176	85,942	24,472

Convertible ordinary shares of 23.97p each

	2011 Number of shares	2010 Number of shares	2011 £000	2010 £000
Allotted, issued and fully paid				
At the beginning of the period	—	—	—	—
Issue of shares	166,878,704	—	40,000	—
	166,878,704	—	40,000	—

Details of movements in the company's share capital and their principle terms are shown in note 28 to the consolidated financial statements.

12 Reserves

	Capital redemption reserve £000	Share premium account £000	Profit and loss account £000
At 2 April 2010	403	79,240	(74,156)
Share-based payments	—	—	(1,321)
Loss for the financial period	—	—	(14,891)
Share issues	—	14,214	(1,061)
Cash flow hedge	—	—	(86)
Transfer to share capital to record convertible ordinary shares at their nominal value (note 28 to the consolidated financial statements)	—	—	(32,874)
At 1 April 2011	403	93,454	(124,389)

In last year's annual report and accounts, own shares and liability for share-based payments were disclosed separately. In this year's report these have been aggregated within the profit and loss account reserve. The effect of this is to change the previously reported profit and loss account reserve of (£76,488,000) to (£74,156,000).

13 Reconciliation of movements in equity shareholders' funds

	2011 £000	2010 £000
Loss for the financial period	(14,891)	(132,828)
Revaluation loss in the period	—	(29,518)
Shares issued	81,749	74,381
Share warrants issue	—	851
Share-based payments	(1,321)	2,186
Cash flow hedge	(86)	—
Net increase/(reduction) in equity shareholders' funds	65,451	(84,928)
Opening equity shareholders' funds	29,959	114,887
Closing equity shareholders' funds	95,410	29,959

Notes to the Company Financial Statements

14 Financial commitments

The company had no capital commitments at 1 April 2011 or 2 April 2010.

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

	Land and buildings		Other assets	
	2011 £000	2010 £000	2011 £000	2010 £000
Expiry date:				
Within one year	—	—	—	271
In the second to fifth years	—	—	579	588
After five years	4,324	3,803	—	—
	4,324	3,803	579	859

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.

15 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 34 to the consolidated financial statements.

16 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.

There were no related party transactions to be disclosed for the period to 1 April 2011.

The company had a trading relationship with Herbert Walker & Sons (Printers) Limited ("Herbert Walker"), a commercial printing company which was controlled by Mr K Chapman, who was a director (retired 1 April 2010). During the period to 2 April 2010, purchases from Herbert Walker on normal commercial terms amounted to £10,000 and in the same period the company supplied goods and services to Herbert Walker of £110,000. At 2 April 2010, the company's indebtedness to Herbert Walker was £nil and that of Herbert Walker to the company was £10,000.

In the period 4 April 2009 to 23 July 2009 the company recognised interest income of £853,000 on a loan to its associate, the Webb Group Limited.

17 Contingent liability

The company has issued guarantees of financial support to all its trading subsidiaries from 6 June 2011.

Notice of Annual General Meeting

Notice is hereby given that the fifty-sixth annual general meeting of the company will be held at The Macdonald Manchester Hotel, London Road, Piccadilly, Manchester M1 2PG on 4 August 2011 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 1 April 2011 together with the directors' and auditors' reports thereon.
2. To approve the board report on directors' remuneration for the year ended 1 April 2011.
3. To re-elect Mr M L Hawker as a director.
4. To re-elect Mr E F Tracey as a director.
5. To reappoint Mr T J Kowalski as a director.
6. To reappoint Mrs L C Powers-Freeling as a director.
7. To reappoint Mr R W J Siddle as a director.
8. To reappoint KPMG Audit plc 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.

By order of the board

M Ashcroft
Secretary

6 June 2011

Notice of Annual General Meeting

Notes

(a) Members are entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the company. A Form of Proxy which may be used to make such appointment and give proxy instructions accompanies this Notice. A shareholder may appoint more than one proxy in relation to the annual general meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. If you do not have a Form of Proxy and believe that you should have one, please contact Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL. The appointment of a proxy does not preclude a member from attending and voting in person if he or she wishes to do so.

(b) Should you wish to appoint more than one proxy please photocopy the Form of Proxy indicating on each copy the name of the proxy you wish to appoint, the number of shares in respect of which the proxy is appointed and the way in which you wish them to vote on the resolutions that are to be proposed. You should send all pages to Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL. Please also indicate by ticking the box on the Form of Proxy if you intend to appoint more than one proxy. The following principles shall apply in relation to the appointment of multiple proxies:

(i) The company will give effect to the intentions of members and include votes wherever and to the fullest extent possible.

(ii) Where a proxy does not state the number of shares to which it applies (a "blank proxy") then, subject to the following principles where more than one proxy is appointed, that proxy is deemed to have been appointed in relation to the total number of shares registered in the name of the appointing member (the "member's entire holding"). In the event of a conflict between a blank proxy and a proxy which does state the number of shares to which it applies (a "specific proxy"), the specific proxy shall be counted first, regardless of the time it was sent or received (on the basis that, as far as possible, the conflicting Forms of Proxy should be judged to be in respect of different shares) and remaining shares will be apportioned to the blank proxy (pro rata if there is more than one).

(iii) Where there is more than one proxy appointed and the total number of shares in respect of which proxies are appointed is no greater than the member's entire holding, it is assumed that proxies are appointed in relation to different shares, rather than that conflicting appointments have been made in relation to the same shares. That is, there is only assumed to be a conflict where the aggregate number of shares in respect of which proxies have been appointed exceeds the member's entire holding.

(iv) When considering conflicting proxies, later proxies will prevail over earlier proxies, and which proxy is later will be determined on the basis of which proxy is last sent (or, if the company is unable to determine which is last sent, last received). Proxies in the same envelope will be treated as sent and received at the same time, to minimise the number of conflicting proxies.

(v) If conflicting proxies are sent or received at the same time in respect of (or deemed to be in respect of) an entire holding, none of them shall be treated as valid.

(vi) Where the aggregate number of shares in respect of which proxies are appointed exceeds a member's entire holding and it is not possible to determine the order in which they were sent or received (or they were all sent or received at the same time), the number of votes attributed to each proxy will be reduced pro rata.

(vii) Where the application of paragraph (vi) above gives rise to fractions of shares, such fractions will be rounded down.

(viii) If a member appoints a proxy or proxies and then decides to attend the annual general meeting in person and vote, then the vote in person will override the proxy vote(s). If the vote in person is in respect of the member's entire holding then all proxy votes will be disregarded. If, however, the member votes at the meeting in respect of less than the member's entire holding then if the member indicates that all proxies are to be disregarded, that shall be the case; but if the member does not specifically revoke proxies, then the vote in person will be treated in the same way as if it were the last received proxy and earlier proxies will only be disregarded to the extent that to count them would result in the number of votes being cast exceeding the member's entire holding.

(ix) In relation to paragraph (viii) above, in the event that a member does not specifically revoke proxies, it will not be possible for the company to determine the intentions of the member in this regard. However, in light of the aim to include votes wherever and to the fullest extent possible, it will be assumed that earlier proxies should continue to apply to the fullest extent possible.

(c) To be valid at the meeting, the enclosed Form of Proxy and the power of attorney or other authority (if any) under which it is signed, or notarially certified copy of such power or authority, must be deposited at the offices of Equiniti Limited, Aspect House, Spencer Road, Lancing, West Sussex BN99 6ZL not less than 48 hours before the time appointed for the holding of the meeting or any adjourned meeting.

(d) Where the appointor is a corporation, the enclosed Form of Proxy, to be valid, must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.

(e) In the case of joint holders, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holder(s) and for this purpose, seniority shall be determined by the order in which the names appear on the register of members of the company in respect of the joint holding.

(f) Only those members registered in the Register of Members of the company at 6.00 p.m. on the day, two days prior to the day appointed for the holding of the meeting shall be entitled to attend and vote at the annual general meeting. CREST transactions after that time will not affect entitlements to attend and vote at the meeting and no transfers of securities in certificated form will be registered from that time until the close of the meeting.

(g) In accordance with section 325 of the Companies Act 2006 (the "Act"), the right to appoint proxies does not apply to persons nominated to receive information rights under section 146 of the 2006 Act. Persons nominated to receive information rights under section 146 of the Act who have been sent a copy of this notice of annual general meeting are hereby informed, in accordance with section 149(2) of the Act, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

(h) As an alternative to completing this hard copy proxy form, you may appoint a proxy or proxies electronically by submitting your proxy electronically at the Equiniti website www.sharevote.co.uk. For an electronic proxy appointment to be valid, the appointment must be received by Equiniti no later than 48 hours before the time appointed for the holding of the meeting (or, if the meeting is adjourned no later than 48 hours (excluding any part of a day that is not a working day) before the time of the adjourned meeting). Any electronic communication sent by you to the company or Equiniti which is found to contain a virus will not be accepted by the company, but every effort will be made by the company to inform you of the rejected communication.

(i) 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 4 August 2011 and any adjournment(s) thereof by using the procedures described in the CREST Manual which can be viewed at www.euroclear.com/CREST. CREST Personal Members or other CREST sponsored members, and those CREST members who have appointed a voting service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual, which can be viewed at www.euroclear.com/CREST. The message, regardless or whether it constitutes the appointment of a proxy or an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID RA19) by the latest time(s) for receipt of proxy appointments specified in the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

CREST members and, where applicable, their CREST sponsors or voting service providers should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider(s) to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

(j) Members should note that it is possible that, pursuant to requests made by shareholders of the company under section 527 of the Act, the company may be required to publish on a website a statement setting out any matter relating to the audit of the company's accounts (including the auditor's report and the conduct of the audit) that are to be laid before the annual general meeting. The company may not require the members requesting any such website publication to pay its expenses in complying with sections 527 or 528 of the Act. Where the company is required to place a statement on a website under section 527 of the Act, it must forward the statement to the company's auditor not later than the time when it makes the statement available on the website. The business which may be dealt with at the annual general meeting includes the statement that the company has been required under section 527 of the 2006 Act to publish on a website.

Notice of Annual General Meeting

(k) As at close of business on 6 June 2011 (being the last business day prior to publication of this notice), the company's issued share capital comprised 1,718,850,664 ordinary shares carrying one vote each. The convertible shares in the company are non-voting shares. Therefore, the total number of voting rights in the company as at 6 June 2011 is 1,718,850,664.

(l) 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;

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.

(m) Pursuant to section 319A of the Act, the company must cause to be answered at the annual general meeting any question relating to the business being dealt with the annual general meeting which is put by a member attending the meeting, except in certain circumstances, including if it is undesirable in the interest of the company or the good order of the meeting that the question be answered or if to do so would involve the disclosure of confidential information.

(n) In accordance with section 311A of the Act, the contents of this notice of meeting, details of the total number of shares in respect of which members are entitled to exercise voting rights at the annual general meeting and, if applicable, any members' statements, members' resolutions or members' matters of business received by the company after the date of this notice will be available on the company's website www.findel.co.uk.

(o) You may not use any electronic address provided either in this Notice of Meeting or any related documents (including the Form of Proxy) to communicate with the company for any purpose other than those expressly stated.

www.findel.co.uk

Findel plc Registered Office: 2 Gregory Street, Hyde, Cheshire SK14 4TH