FINDEL PLC

27 November 2012

Findel plc ("Findel" or "the Group")

Turnaround gaining traction

Interim Results for the 26 weeks ended 28 September 2012

Findel, the UK Home Shopping, Educational and Healthcare business, today announces its Interim Results for the 26 week period ended 28 September 2012.

Financial Summary

	2012	2011
Revenue	£275.1m	£254.6m
Loss before tax*	(£4.6m)	(£5.6m)
Loss before tax	(£10.5m)	(£10.7m)
Core net debt**	£152.9m	£166.9m
Net debt	£252.1m	£256.9m
Net assets	£90.0m	£106.7m

* before exceptional items
** bank net debt excluding the securitisation facility

Highlights

- Turnaround plan demonstrating evidence of success with overall revenue growth of 8.1%, an operating profit* of £0.5m versus loss in prior year of £0.6m and a reduction in the loss before tax* of £1.0m to £4.6m
  - Sales growth trajectory maintained, led by Express Gifts with sales 18.1% ahead of prior year
  - Kitbag and Education stabilised and recovering
- Overall net debt reduced whilst still maintaining investment in growth
- Current trading since period end continues to be broadly encouraging; 8 weeks to 23 November has seen sales 7.7% above prior year for the Group
  - Express Gifts seeing continued growth with sales 9% ahead of strengthening prior year comparator
  - Kleeneze rate of sales decline versus prior year widened slightly to 9%
  - Kitbag sales 20% ahead of prior year though Christmas trading will be key
  - Education Supplies 2% behind prior year but core brands in growth
  - Healthcare 20% ahead with recent Norfolk ICES win maintaining its strong position as market leader

Roger Siddle, Group Chief Executive, commented:

"The Group's trading performance during the first-half confirms that our turnaround actions are taking effect with an 8% increase in revenues and a return to operating profitability*. We remain very encouraged by the performance of Express Gifts, on track again for a strong Christmas, with divisional current trading 9% ahead of a strengthening prior year comparator. In addition, our Kitbag and Education businesses show evidence of recovery in performance.

"Our focus is on continuing to drive forwards our turnaround plan, to maintain this trend of improving results into the second half and beyond, with the clear aim of delivering improved shareholder returns over the medium term. Notwithstanding on-going pressure from reduced consumer spending and cost inflation, we believe we are well placed to continue to deliver on our plans."

* before exceptional items

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Notes to Editors

The Findel Group contains market leading businesses in the home shopping, education supplies and healthcare markets. It is primarily a retailer and distributor, handling and supplying specialist products manufactured by third parties.

The Group's activities are focused in five main operating segments, together with a small overseas sourcing operation:

- Express Gifts – one of the largest direct mail order businesses in the UK;
- Kleeneze – a leading network marketing company in the UK and the Republic of Ireland;
- Kitbag – a leading retailer of sports merchandise;
- the Education Supplies Division – one of the largest independent suppliers of resources and equipment (excluding information technology and publishing) to schools in the UK; and
- the Healthcare Division – one of the largest contract providers of Integrated Community Equipment Services (ICES) in the UK.

INTERIM MANAGEMENT REPORT

Gaining traction on our turnaround

Following the successful refinancing of the Group in March 2011, we have been focussed on a multi-year, turnaround plan. Across the Group we have been investing time and resources to improve the effectiveness of our supply chains, improve our service levels and provide an enhanced customer proposition whilst at the same time addressing remaining legacy issues. Encouragingly, we are seeing further evidence of the success of these actions. We have good upwards sales momentum, especially within Express Gifts, and four out of five of our businesses have improved underlying performance. Overall, an operating loss* in the first half of the prior year of (£578k) has been converted to an operating profit* of £499k in the first half of this year – with underlying performance even stronger, after adjusting for the effect of moving our Education business catalogue launch from January to April 2012 (an estimated £1.0-1.5m adverse effect) and, as expected, the start-up costs of a significant new contract in our Healthcare division. We have maintained our planned investment in the Group, but have nonetheless been successful in reducing overall net debt (2012: £252.1m, 2011: £256.9m), with core net debt reducing by £14.0m.

There is still much work to do. Our businesses are not yet operating at their full potential and the continuing challenges of the economic environment make progress at times slower than we would like. As ever some of our businesses are further forwards than others. Nonetheless, we continue to make good progress and are encouraged by the demonstrated trend of improving overall results. Our recovery is underway and we maintain our confidence in improved shareholder returns over the medium term.

Group Financial Results

The nature of the businesses within the Findel Group mean that profits have shown, and will continue to show, a significant seasonal bias with the majority of profit being earned in the second half.

i) Group revenue of £275.1m, 8.1% ahead of the first half of 2011/12

	2012 £000	2011 £000	Change £000	
Express Gifts	110,116	93,235	16,881	*18.1%*
Kleeneze	24,432	26,305	(1,873)	*(7.1%)*
Kitbag	33,722	30,124	3,598	*11.9%*
Education Supplies	59,221	62,511	(3,290)	*(5.3%)*
Healthcare	43,412	38,283	5,129	*13.4%*
Major divisions	**270,903**	**250,458**	**20,445**	***8.2%***
Overseas sourcing	4,177	4,112	65	*1.6%*
Group revenue	**275,080**	**254,570**	**20,510**	***8.1%***

ii) Group operating profit* of £0.5m in the first half of 2012/13 versus prior year loss. Loss before tax* reduced to (£4.6m) from (£5.6m)

	2012 £000	2011 £000	Change £000
Express Gifts	(502)	(1,780)	1,278
Kleeneze	702	1,350	(648)
Kitbag	(728)	(1,800)	1,072
Education Supplies**	25	620	(595)**
Healthcare	942	804	138
Major Divisions	**439**	**(806)**	**1,245**
Overseas sourcing	60	228	(168)
Group operating profit / (loss)*	**499**	**(578)**	**1,077**
Net finance costs*	(5,056)	(5,045)	(11)
Loss before tax*	**(4,557)**	**(5,623)**	**1,066**
Exceptional items	(5,835)	(1,350)	(4,485)
Exceptional finance costs	(87)	(3,680)	3,593
Loss before tax	**(10,479)**	**(10,653)**	**174**

* before exceptional items
** year-on-year comparisons distorted by the movement in the costs of catalogue production between periods – see below

The performance of each of the primary divisions is discussed in more detail below.

Divisional Performance Review

i) Express Gifts; **continued strong growth in sales and customer numbers**

Full Potential focus: Rejuvenate a major player

- Upgrade and integrate core systems*; multi-year project on track*
- Implement behavioural credit scoring system*; now operational and being rolled out*
- Improve buying and merchandising processes*; Far East sourcing office now refocused on EGL*

During the period we have maintained our focus on offering an improved pricing approach for our customers, which has continued to generate a strong response and overall performance. H1 sales grew by 18.1% over the prior year, with 75% of additional sales generated by existing customers. The business has continued to invest in price promotion thereby reducing gross margin percentage, which has resulted in a net increase in gross profit of around 11%. Our new behavioural credit scoring system is now operational and being rolled out across the customer base, and we are seeing the expected benefits beginning to be achieved. Online ordering continues to advance, with 48% of orders during the period taken online – 11% of these being made via a mobile device. Bad debt indicators have improved slightly compared to the prior year.

Although the seasonality of the business and investment to build the customer base before the important Christmas period still leads to an operating loss in the first half to September, this has reduced to (£0.5m) in 2012 compared to (£1.8m) in 2011. Growth in the customer base has been particularly strong, at 18%, though this percentage growth rate will reduce over the full year. The business is now in its peak trading period. Trading since the period end is up by 9% versus prior year (8 weeks to 23 November) which again is a strong performance, especially given the relative strength of prior year comparators. It is clear that our strategy of repositioning prices and product ranges to grow the customer base and increasing cash margin is being successful, and despite inflationary pressures in the second half we expect this strategy to deliver continued growth and performance.

Looking forwards, our plans for Express Gifts include a continued focus on improved buying and merchandising – improving and deepening our ranges, adding third party product without carrying stock risk, and generally improving the efficiency and effectiveness of our supply chain. Work progresses well with our re-focussed Far East sourcing office, which is concentrating its efforts on servicing group businesses. Our large scale systems replacement project is making steady progress and remains in line with our plans. Overall we are very encouraged by the success of the business in recent periods and can see a continuing trend of improved performance ahead.

ii) Kleeneze; early momentum dampened by weather and new distributor attrition

Full Potential focus: Look for growth

- Revise approach to recruitment of new distributors; *new successful recruitment techniques developed, but bad weather has significantly affected retention*

Kleeneze entered the year with strong momentum as prior year efforts on distributor recruitment and sales activity bore fruit. However, the sustained inclement weather conditions experienced during the period had a particularly strong adverse impact on relatively new distributors attempting to build their businesses, and as a result the business saw an unusually high attrition rate amongst this group. This, coupled with lower productivity from more mature distributor groups – also linked to the weather – has led to a disappointing period for the business. Sales have declined by 7.1% versus the prior year, and operating profit reduced to £0.7m (2011: £1.4m). Active distributor numbers declined by 12.7% to around 10,500.

Recent indicators are slightly more encouraging, with distributor recruitment and retention both ahead of the similar point in 2011. The active distributor decline has been narrowed to 7% although the rate of sales decline versus prior year has widened slightly, with total sales during the 8 weeks 9% below prior year. There is significant activity underway on sales support and the business has recently launched an online shop for distributors to market to their customers allowing delivery either via distributor or direct to the customer. Since launch in September online transactions have seen a 20.2% uplift and associated revenues are up 26.4% over the same period in 2011. Nonetheless we do not anticipate that the business will recover to match last year's overall performance this year.

iii) Kitbag; benefits of management actions now being seen

Full Potential focus: Accelerate profitable growth

- Accelerate roll-out of outsourced retail management and develop the pipeline of new sporting partnerships; *good recent wins and renewals and the pipeline remains strong*;

Significant effort was made by the new management team in 2011/12 to address underlying issues within the business, in addressing buying and merchandising effectiveness and in renegotiating particularly unattractive contracts. The results of these actions are now starting to be seen, with sales during the first half ahead of prior year by 12% and with gross margin improving by c.150 basis points. Effective royalty rates began to reduce in the second quarter with the commencement of the new sporting season and renegotiated contract terms. As a result the profitability of the business is much improved, with a sharp reduction in the operating loss, £0.7m versus £1.8m.

During the period Kitbag maintained strong sales growth in new business, including the new contracts with Sunderland FC that started in July 2012, and the NBA and the NFL which started in September 2012. We have also secured a future new outsourced online retail management contract with Roland Garros (French Open tennis). In addition, in recent weeks the business has secured the renewal of its contract with Chelsea FC (renewed for five years from July 2013). The pipeline for new business remains strong with some additional new deals close to being secured.

Current trading is 20% ahead of prior year, with margin improvement trends maintained. However, the important Christmas peak trading period is still to come and, as we are yet to see a sustained Christmas pick-up, we are cautious about the remainder of the year.

Although there is clearly still much to do to return the business to profit, the trajectory of the business and the strength of the new business pipeline continues to give us confidence that the actions we have taken will give rise to further profitable growth in the years to come.

iv) Education Supplies; customers returning and core brands turning

Full Potential focus: Turnaround a market leader

- Improving supply chain management; *major buying and merchandising programme ongoing*
- Enhancing customer contact processes; *reinforced sales and customer teams*
- Improving pricing and category management; *new catalogues launched*

First-half sales were lower at £59.2m (2011: £62.5m) and the business broke even at an operating profit level (2011: £0.6m). At first glance this performance does not indicate that a strong turnaround is taking place. However, this comparison is distorted by timing effects and one-off events which, when incorporated, indicate a much healthier picture.

Firstly, our schools focussed brands have maintained their growth trajectory. As a result of our much improved customer proposition – sales support, delivery, product proposition and pricing – first half sales in these brands have increased by 7.5%.

Secondly, our classroom focussed and specialist brands are returning to growth. These brands entered the year in very significant decline. After careful consideration we decided to move the catalogue launch dates for these brands from their historic January point to late April to coincide with schools returning after Easter. These new catalogues contained a vastly improved product, price and service proposition. As a result, cumulative sales of these brands during the first half were just 3.9% behind prior year and, excluding April (pre-catalogue launch), just 1.6% behind prior year. The effect of moving the catalogue launch date, however, is that the majority of costs incurred in the production of these catalogues (£2.8m) is now reported in the first half of the year. After adjusting for estimated additional sales as a result of any 'new catalogue' effect, we estimate that this timing effect negatively impacts year on year operating profit comparisons by c.£1.0 to £1.5m.

The primary cause of the shortfall in sales for the division was a result of the previously announced reduction in the duration of the Sainsbury's 'Active Kids' scheme, which is supported by Findel Education. This scheme was approximately half the scale of the prior year, driven by Sainsbury's desire to actively promote their involvement as a Paralympics sponsor. It is anticipated that this scheme will return to its traditional scale next year.

International sales, which make up c. 11% of divisional sales, were lower due to a rationalisation of weaker distributor relationships and in some areas a loss of market share due to aggressive competitor discounting.

Trading for the 8 weeks to November 23 is 2% behind prior year, although this is a quiet period for school ordering. Our classroom and specialist brands have maintained their progress and were 8% ahead of prior year in the period.

There is continued work underway within the business on improving internal processes such as catalogue production and customer contact management, together with a maintained focus on buying and merchandising effectiveness, which will yield benefit in future years - although benefits this year are being reduced as pressure on customer budgets results in a move to a lower margin mix. Overall it is very encouraging to see the business recovering to be a supplier and employer of choice in the sector once more, and we retain confidence in maintaining an upward trajectory.

v) Healthcare; continued progress

Full Potential focus: Maintain prominent market position

- Develop the pipeline of new ICES contracts*; Norfolk contract won and contract pipeline strengthening*
- Capitalise on improved working capital conditions to support new contract tenders*; new awards and extensions*

Our Healthcare business has once more seen good growth versus the prior year with revenues increasing to £43.4m from £38.3m, with growth both from existing contracts and the commencement of our new contract in Berkshire. Margins have declined slightly as a result of typical start-up costs associated with the Berkshire contract and the loss of the East Sussex contract in October 2011. Profits have grown to £0.9m from £0.8m in the prior year.

During the period the business has achieved a 9 month contract extension to one of our larger contracts worth around £10m of revenue. The pipeline for new ICES contracts continues to be promising, with a new contract to operate Norfolk from April 2013 having recently been won. The pipeline of potential contracts for future years is strengthening. We continue to see evidence of favourable trends in the market, especially with closure of acute wards driving increased need for at-home care. Since the period end the sales growth has been 20% ahead of the prior year. The growth in new contracts within the business together with the encouraging pipeline will provide a platform for continued growth. The business continues to strengthen its position within its market.

As announced on 7th November 2012, we are in preliminary discussions regarding a potential sale of the Healthcare business. We will keep the market informed of any developments in relation to this.

Exceptional items

We have noted a contingent liability in our accounts since 2011 covering possible future claims and redress for Payment Protection Insurance (PPI) policies sold by Express Gifts between January 2005 and August 2008. Around 267,000 customers were sold policies during this period and since 2008 we ceased their sale in line with best practice guidelines. Inbound complaints have remained consistently low, as have the levels of upheld complaints and redress payments since that time. Nonetheless, in line with the guidance issued by the FSA to the financial services industry, we have conducted a thorough study having taken external advice, and have contacted a significant proportion of these customers pro-actively to identify whether they may have suffered material financial detriment through being mis-sold an unsuitable Insurance product.

Based on the results of this study we have concluded that a small proportion of total PPI customers may have suffered material financial detriment. We will therefore be writing to the remainder of the potentially affected policy holders in the near future. The financial result of this action is to record an exceptional charge of £4.8m (of which £1.0m has already been refunded to affected customers during the year) to cover the expected compensation cost. As our estimate is based on a significant sample of customers (and not purely on inbound call volumes) we believe this is sufficient to cover anticipated future liabilities.

Other exceptional items includes £1.0m of further restructuring costs.

Taxation

The group has recognised income tax credits in the first half totalling £1.7m (2011/12: £7.1m), based on the estimated effective tax rate for the full year of 20.0%. In 2011/12, a credit of £3.8m was also taken relating to the satisfactory resolution of enquiries relating to previous years.

Balance sheet and funding

The group has made further good progress in improving its supply chain and restoring normal credit terms with suppliers which has had a beneficial effect on working capital that more than offsets the increase of around £14m in credit receivables within Express Gifts. The group's net debt at the end of September 2012 stood at £252.1m (2011/12: £256.9m), comprising core net debt of £152.9m (2011/12: £166.9m) and securitisation drawings of £99.2m (2011/12: £90.0m). The group continues to have ample committed funding in place to execute fully upon its turnaround plans.

Net interest charges* in the first half of 2012/13 were £5.1m, in line with the charge in the prior year with lower average borrowings and slightly higher average interest rates offsetting each other.

The group's legacy pension deficit increased from £12.7m at the year end to £18.5m at the end of September 2012, primarily due to lower bond yields. Net assets stood at £90.0m, compared to £106.7m at the end of September 2011 due to the exceptional costs noted above, the increased pension deficit and the £8.4m impairment to goodwill taken in March 2012.

Outlook

The Group's trading performance during the first-half confirms that our turnaround actions are taking effect with an 8% increase in revenues and a return to operating profitability*. We remain very encouraged by the performance of Express Gifts, on track again for a strong Christmas, with divisional current trading 9% ahead of a strengthening prior year comparator. In addition, our Kitbag and Education businesses show evidence of recovery in performance.

Our focus is on continuing to drive forwards our turnaround plan, to maintain this trend of improving results into the second half and beyond, with the clear aim of delivering improved shareholder returns over the medium term. Notwithstanding on-going pressure from reduced consumer spending and cost inflation, we believe we are well placed to continue to deliver on our plans.

Condensed Consolidated Income Statement
26 week period ended 28 September 2012

	Before exceptional items £000	Exceptional items £000	Total £000
Revenue	275,080	-	275,080
Cost of sales	(155,122)	-	(155,122)
Gross profit	119,958	-	119,958
Trading costs	(119,459)	(5,835)	(125,294)
Analysis of operating profit /(loss):			
- EBITDA	5,664	(5,835)	(171)
- Depreciation and amortisation	(5,165)	-	(5,165)
- Impairment	-	-	-
Operating profit/(loss)	499	(5,835)	(5,336)
Analysis of finance costs:			
- Movement on fair value of derivatives	-	(19)	(19)
- Other	(7,978)	(68)	(8,046)
Finance costs	(7,978)	(87)	(8,065)
Finance income	2,922	-	2,922
Loss before tax	(4,557)	(5,922)	(10,479)
Income tax credit	271	1,421	1,692
Loss for the period	(4,286)	(4,501)	(8,787)
Loss per ordinary share			
Basic			(0.52)p
Diluted			(0.52)p

All results are from continuing operations.

Condensed Consolidated Income Statement
26 week period ended 30 September 2011

	Before exceptional items £000	Exceptional items £000	Total £000
Revenue	254,570	-	254,570
Cost of sales	(141,613)	-	(141,613)
Gross profit	112,957	-	112,957
Trading costs	(113,535)	(1,350)	(114,885)
Analysis of operating loss:			
- EBITDA	4,374	(1,350)	3,024
- Depreciation and amortisation	(4,952)	-	(4,952)
- Impairment	-	-	-
Operating loss	(578)	(1,350)	(1,928)
Analysis of finance costs:			
- Movement on fair value of derivatives	-	(865)	(865)
- Other	(8,133)	(2,815)	(10,948)
Finance costs	(8,133)	(3,680)	(11,813)
Finance income	3,088	-	3,088
Loss before tax	(5,623)	(5,030)	(10,653)
Income tax credit	5,828	1,308	7,136
Profit/(loss) for the period	205	(3,722)	(3,517)
Loss per ordinary share			
Basic			(0.21)p
Diluted			(0.21)p

All results are from continuing operations.

Condensed Consolidated Income Statement
52 week period ended 30 March 2012

	Before exceptional items £000	Exceptional items £000	Total £000
Revenue	537,827	-	537,827
Cost of sales	(296,195)	(2,991)	(299,186)
Gross profit/(loss)	241,632	(2,991)	238,641
Trading costs	(220,722)	(16,466)	(237,188)
Analysis of operating profit/(loss):			
- EBITDA	30,882	(11,057)	19,825
- Depreciation and amortisation	(9,972)	-	(9,972)
- Impairment	-	(8,400)	(8,400)
Operating profit/(loss)	20,910	(19,457)	1,453
Analysis of finance costs:			
- Movement on fair value of derivatives	-	(1,057)	(1,057)
- Other	(16,317)	(2,339)	(18,656)
Finance costs	(16,317)	(3,396)	(19,713)
Analysis of finance income:			
- Movement on fair value of derivatives	-	-	-
- Other	6,112	-	6,112
Finance income	6,112	-	6,112
Profit/(loss) before tax	10,705	(22,853)	(12,148)
Income tax credit	6,735	576	7,311
Profit/(loss) for the period	17,440	(22,277)	(4,837)

Loss per ordinary share	
Basic	(0.29)p
Diluted	(0.29)p

All results are from continuing operations.

Condensed Consolidated Statement of Comprehensive Income
26 week period ended 28 September 2012

	26 weeks to 28.9.2012 £000	26 weeks to 30.9.2011 £000	52 weeks to 30.3.2012 £000
Loss for the period	**(8,787)**	(3,517)	(4,837)
Actuarial losses on defined benefit pension schemes	**(7,213)**	(8,610)	(11,708)
Effective portion of changes in fair value of cash flow hedges	**-**	(251)	(129)
Currency translation (loss)/gain arising on consolidation	**(143)**	90	50
Tax relating to components of comprehensive income	**1,168**	1,821	2,810
Total comprehensive loss for the period	**(14,975)**	(10,467)	(13,814)

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

Condensed Consolidated Balance Sheet
At 28 September 2012

	28.9.2012 £000	30.9.2011 £000	30.3.2012 £000
Non-current assets			
Goodwill	**38,899**	47,299	38,899
Other intangible assets	**64,383**	65,596	65,431
Property, plant and equipment	**33,656**	38,035	35,576
Deferred tax assets	**12,667**	9,398	9,619
Derivative financial instruments	**-**	82	20
	149,605	160,410	149,525
Current assets			
Inventories	**86,179**	87,211	64,181
Trade and other receivables	**224,072**	213,590	207,633
Derivative financial instruments	**2**	139	1
Cash and cash equivalents	**30,219**	24,039	33,099
	340,472	324,979	304,914
Total assets	**490,077**	485,389	454,459
Current liabilities			
Trade and other payables	**90,752**	78,135	67,010
Current tax liabilities	**2,029**	3,440	2,469
Provisions	**5,279**	1,882	1,571
	98,060	83,457	71,050
Non-current liabilities			
Bank loans	**282,278**	280,909	263,758
Provisions	**1,302**	2,652	2,543
Retirement benefit obligation	**18,480**	11,626	12,971
	302,060	295,187	279,272
Total liabilities	**400,120**	378,644	350,322
Net assets	**89,957**	106,745	104,137
Equity			
Share capital	**125,942**	125,942	125,942
Capital redemption reserve	**403**	403	403
Share premium account	**93,454**	93,454	93,454
Translation reserve	**463**	646	606
Hedging reserve	**(215)**	(338)	(215)
Accumulated losses	**(130,090)**	(113,362)	(116,053)
Total equity	**89,957**	106,745	104,137

Condensed Consolidated Cash Flow Statement
26 week period ended 28 September 2012

	26 weeks to 28.9.2012 £000	26 weeks to 30.9.2011 £000	52 weeks to 30.3.2012 £000
Operating activities			
Loss for the period	**(8,787)**	(3,517)	(4,837)
Income tax income	**(1,692)**	(7,136)	(7,311)
Finance income	**(2,922)**	(3,088)	(6,112)
Finance costs	**8,065**	11,813	19,713
Operating (loss)/profit	**(5,336)**	(1,928)	1,453
Adjustments for:			
Depreciation of property, plant and equipment	**3,944**	3,640	7,715
Impairment of goodwill	**-**	-	8,400
Amortisation of intangible assets	**1,221**	1,312	2,257
Share-based payment expense	**795**	763	1,502
Loss/(profit) on disposal of property, plant and equipment	**84**	(108)	(212)
Pension contributions less income statement charge	**(1,575)**	(1,606)	(3,214)
Operating cash flows before movements in working capital	**(867)**	2,073	17,901
(Increase)/decrease in inventories	**(21,998)**	(16,505)	6,501
Increase in receivables	**(16,645)**	(18,614)	(12,104)
Increase in payables	**24,976**	14,502	4,376
Increase/(decrease) in provisions	**2,467**	(677)	(1,097)
Cash (used in)/generated from operations	**(12,067)**	(19,221)	15,577
Income taxes paid	**(628)**	-	(35)
Interest paid	**(5,234)**	(4,862)	(10,152)
Exceptional financing costs paid	**-**	(729)	(799)
Net cash from operating activities	**(17,929)**	(24,812)	4,591
Investing activities			
Interest received	**1**	31	32
Proceeds on disposal of property, plant and equipment	**47**	187	318
Purchases of property, plant and equipment and software and IT development costs	**(2,329)**	(4,488)	(6,910)
Net cash used in investing activities	**(2,281)**	(4,270)	(6,560)
Financing activities			
Repayments of obligations under finance leases	**-**	(5)	(5)
Bank loans drawn	**17,031**	30,904	4,017
Securitisation loan drawn/(repaid)	**306**	(3,376)	5,456
Net cash from financing activities	**17,337**	27,523	9,468
Net (decrease)/increase in cash and cash equivalents	**(2,873)**	(1,559)	7,499
Cash and cash equivalents at the beginning of the period	**33,099**	25,582	25,582
Effect of foreign exchange rate changes	**(7)**	16	18
Cash and cash equivalents at the end of the period	**30,219**	24,039	33,099

Condensed Consolidated Statement of Changes in Equity

	Share capital £000	Capital redemption reserve £000	Share premium account £000	Translation reserve £000	Hedging reserve £000	Accumulated losses £000	Total equity £000
At 30 March 2012	125,942	403	93,454	606	(215)	(116,053)	104,137
Total comprehensive income for the period	-	-	-	(143)	-	(14,832)	(14,975)
Share-based payments	-	-	-	-	-	795	795
At 28 September 2012	**125,942**	**403**	**93,454**	**463**	**(215)**	**(130,090)**	**89,957**

	Share capital £000	Capital redemption reserve £000	Share premium account £000	Translation reserve £000	Hedging reserve £000	Accumulated losses £000	Total equity £000
At 1 April 2011	125,942	403	93,454	556	(86)	(103,820)	116,449
Total comprehensive income for the period	-	-	-	90	(252)	(10,305)	(10,467)
Share-based payments	-	-	-	-	-	763	763
At 30 September 2011	125,942	403	93,454	646	(338)	(113,362)	106,745

	Share capital £000	Capital redemption reserve £000	Share premium account £000	Translation reserve £000	Hedging reserve £000	Accumulated losses £000	Total equity £000
At 1 April 2011	125,942	403	93,454	556	(86)	(103,820)	116,449
Total comprehensive income for the period	-	-	-	50	(129)	(13,735)	(13,814)
Share-based payments	-	-	-	-	-	1,502	1,502
At 30 March 2012	125,942	403	93,454	606	(215)	(116,053)	104,137

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

Notes to the Condensed Consolidated Financial Statements

1. General Information

The condensed consolidated financial statements have been approved by the board on 26 November 2012.

Statement of compliance
These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union ("EU") and the DTR of the UK FSA. As required by the latter, the interim financial statements have been prepared applying the accounting policies and presentation that were applied in the company's published consolidated financial statements for the 52 weeks ended 30 March 2012. They do not include all the information required for full annual financial statements, and should be read in conjunction with the group's consolidated financial statements as at and for the 52 weeks ended 30 March 2012.

The financial information for the period ended 30 March 2012 is not the company's statutory accounts for that financial year. Those accounts which were prepared under IFRS as adopted by the EU ("adopted IFRS") have been reported on by the company's auditors and delivered to the Registrar of companies. The report of the auditors was (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report, and (iii) did not contain a statement under sections 498(2) or (3) of the Companies Act 2006.

Going concern basis
In determining whether the group's financial statements for the period ended 28 September 2012 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 key risks and uncertainties are referenced below.

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. Although at certain times the level of headroom against certain covenants reduces, the directors currently believe it to be sufficient and have identified controllable mitigating actions that could be implemented if required.

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 interim financial information.

Risks and uncertainties
The principal risks and uncertainties which could impact the group's long-term performance remain those detailed on pages 21 to 23 of the group's 2012 Annual Report and Accounts, a copy of which is available on the group's website, www.findel.co.uk. These risks remain valid as regards their potential to impact the group during the second half of the current financial year.

The group has a comprehensive system of risk management installed within all parts of its business to mitigate these risks as far as is possible.

Seasonality
Sales within the Express Gifts operating segment are more heavily weighted towards the second half of the financial year, with approximately 55%-60% of annual sales occurring during that period.

2. Accounting Policies
The accounting policies applied by the group in these condensed consolidated interim financial statements are the same as those applied by the group in its consolidated financial statements as at and for the 52 weeks ended 30 March 2012.

The following new standards, amendments to standards and interpretations issued by the International Accounting Standards Board became effective during the period, but have no material effect on the group's financial statements:

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7)
- Deferred Tax: Recovery of Underlying Assets (Amendments to IFRS 12)
- Improvements to IFRSs 2011

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on or after 1 January 2013, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the group.

Change in estimates

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amount of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the interim financial statements, the significant judgements made by management in applying the group's accounting policies and key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 30 March 2012.

3. Trading costs

	26 weeks to 28.9.2012 £000	26 weeks to 30.9.2011 £000	52 weeks to 30.3.2012 £000
Selling and distribution costs	**72,780**	70,062	135,999
Administrative expenses	**52,514**	44,823	101,189
Trading costs	**125,294**	114,885	237,188

4. Segmental analysis

Operating segments

For management purposes, the group is currently organised into six operating segments: Express Gifts, Kleeneze, Kitbag, Education Supplies, Healthcare and Overseas Sourcing.

Segment information about these operating segments is presented below.

26 weeks to 28 September 2012

Revenue

	Home Shopping						
	Express Gifts £000	Kleeneze £000	Kitbag £000	Education Supplies £000	Healthcare £000	Overseas Sourcing £000	Total £000
Sale of goods	72,609	23,481	33,722	59,221	34,837	4,177	228,047
Rendering of services	13,289	896	-	-	8,575	-	22,760
Interest	24,218	55	-	-	-	-	24,273
Reportable segment revenue	110,116	24,432	33,722	59,221	43,412	4,177	275,080

Loss after tax

	Home Shopping						
	Express Gifts £000	Kleeneze £000	Kitbag £000	Education Supplies £000	Healthcare £000	Overseas Sourcing £000	Total £000
Reportable segment result	(502)	702	(728)	25	942	60	499
Exceptional items							(5,835)
Finance income							2,922
Finance costs							(8,065)
Loss before tax							(10,479)
Tax							1,692
Loss after tax							(8,787)

4. Segmental analysis (continued)

26 weeks to 30 September 2011

Revenue

	Home Shopping						
	Express Gifts £000	Kleeneze £000	Kitbag £000	Education Supplies £000	Healthcare £000	Overseas Sourcing £000	Total £000
Sale of goods	58,532	26,305	30,124	62,511	27,892	4,112	209,476
Rendering of services	12,830	-	-	-	10,391	-	23,221
Interest	21,873	-	-	-	-	-	21,873
Reportable segment revenue	93,235	26,305	30,124	62,511	38,283	4,112	254,570

Loss after tax

	Home Shopping						
	Express Gifts £000	Kleeneze £000	Kitbag £000	Education Supplies £000	Healthcare £000	Overseas Sourcing £000	Total £000
Reportable segment result	(1,780)	1,350	(1,800)	620	804	228	(578)
Exceptional items							(1,350)
Finance income							3,088
Finance costs							(11,813)
Loss before tax							(10,653)
Tax							7,136
Loss after tax							(3,517)

4. Segmental analysis (continued)

52 weeks to 30 March 2012

Revenue

	Home Shopping						
	Express Gifts £000	Kleeneze £000	Kitbag £000	Education Supplies £000	Healthcare £000	Overseas Sourcing £000	Total £000
Sale of goods	155,359	52,629	60,660	108,339	57,845	6,467	441,299
Rendering of services	29,046	995	-	-	18,941	-	48,982
Interest	47,449	97	-	-	-	-	47,546
Reportable segment revenue	231,854	53,721	60,660	108,339	76,786	6,467	537,827

Loss after tax

	Home Shopping						
	Express Gifts £000	Kleeneze £000	Kitbag £000	Education Supplies £000	Healthcare £000	Overseas Sourcing £000	Total £000
Reportable segment result	18,823	3,227	(4,212)	839	2,217	16	20,910
Exceptional items							(19,457)
Finance income							6,112
Finance costs							(19,713)
Loss before tax							(12,148)
Tax							7,311
Loss after tax							(4,837)

5. Exceptional items

The following is an analysis of the exceptional items arising during the period.

	26 weeks to 28.9.2012 £000	26 weeks to 30.9.2011 £000	52 weeks to 30.3.2012 £000
Exceptional cost of sales	**-**	-	2,991
Exceptional trading costs			
Other exceptional items			
- Restructuring costs	**1,036**	1,050	7,583
- Warehouse reorganisation costs	**-**	300	365
- Onerous lease provisions	**-**	-	118
- Impairment of goodwill	**-**	-	8,400
- PPI redress	**4,799**	-	-
Exceptional financing costs			
Debt refinancing costs	**87**	3,680	3,396
	5,922	5,030	22,853

Restructuring costs in the period of £1,036,000 relate to further management changes, redundancies and costs associated with remedying legacy poor systems and controls.

Total costs of £4,799,000 have been incurred in relation to the PPI redress in the period.

The group incurred exceptional financing costs in the period of £87,000 (26 weeks ended 28 September 2011: £3,680,000; 52 weeks ended 30 March 2012: £3,396,000) in respect of fees and other costs associated with the amendments to its credit facilities in March 2012.

6. Taxation

Income tax for the 26 week period ended 28 September 2012 is based on the estimated effective tax rate for the full year of 20.0%, giving rise to a tax credit in the period of £2,093,000. This tax credit has been reduced by £401,000 being the charge arising as a result of the brought forward deferred tax asset now being calculated at 23% being the UK applicable corporation tax rate.

7. (Loss)/earnings per share

	26 weeks to 28.9.2012 £000	26 weeks to 30.9.2011 £000	52 weeks to 30.3.2012 £000
Net loss attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	**(8,787)**	(3,517)	(4,837)
Other exceptional items (net of tax)	**4,435**	999	18,881
Exceptional finance costs (net of tax)	**66**	2,723	3,396
Net (loss)/profit attributable to equity holders of the parent for the purpose of continuing earnings per share*	**(4,286)**	205	17,440
Weighted average number of shares	**1,696,148,450**	1,696,148,450	1,696,148,450
Loss per share – basic	**(0.52)p**	(0.21)p	(0.29)p
(Loss)/earnings per share – continuing* basic	**(0.25)p**	0.01p	1.03p
Loss per share – diluted	**(0.52)p**	(0.21)p	(0.29)p
(Loss)/earnings per share – continuing* diluted	**(0.25)p**	0.01p	1.03p

* continuing operations before exceptional items

8. Contingent liability

Lease properties

The group has sub-leased, or assigned to third parties the leases of a number of properties that are no longer managed by the group. The group may remain directly or contingently liable for the performance of these leases which could crystallise in the event of the insolvency or other default by the sub-lessees or assignees of these properties. As at 28 September 2012 the maximum potential exposure was estimated to be approximately £2.0m spread over a number of years. No material loss is expected to accrue and hence no provision has been made in respect of such leases.

Responsibility Statement

We confirm that to the best of our knowledge:

(a) the condensed consolidated financial statements have been prepared in accordance with IAS 34 *Interim Financial Reporting* as adopted by the European Union;

(b) the interim Chairman's statement and condensed consolidated financial statements include a fair review of the information required by:

(i) DTR 4.2.7R of the *Disclosure and Transparency Rules*, being an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements; and a description of the principal risks and uncertainties for the remaining six months of the year; and

(ii) DTR 4.2.8R of the *Disclosure and Transparency Rules*, being related party transactions that have taken place in the first six months of the current financial year and that have materially affected the financial position or performance of the entity during that period; and any changes in the related party transactions described in the last annual report that could do so.

By order of the Board

R W J Siddle
Group Chief Executive

26 November 2012

T J Kowalski
Group Finance Director

26 November 2012

This document may contain forward looking statements. In particular, but without limitation, nothing contained in this document should be relied upon or construed as a promise or a forecast, including any projection or management estimate, any statements which contain the words “anticipate”, “believe”, “intend”, “estimate”, “expect”, “forecast” and words of a similar meaning, reflect the management of the Company’s current beliefs and expectations and are subject to risks and uncertainties that may cause actual results to differ materially. Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on such statements. Any forward looking statements speak only as at the date of this document, and except as required by applicable law, Findel plc undertakes no obligation to update or revise publicly any forward looking statements, whether as a result of new information or otherwise.

Independent Review Report by KPMG Audit Plc to Findel plc

Introduction
We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the period ended 28 September 2012 which comprises the condensed consolidated income statement, the condensed consolidated statement of comprehensive income, the condensed consolidated balance sheet, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement to assist the company in meeting the requirements of the Disclosure and Transparency Rules ("the DTR") of the UK's Financial Services Authority ("the UK FSA"). Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the DTR of the UK FSA.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the EU.

Our responsibility
Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 Review of Interim Financial Information Performed by the Independent Auditor of the Entity issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the period ended 28 September 2012 is not prepared, in all material respects, in accordance with IAS 34 as adopted by the EU and the DTR of the UK FSA.

John Costello
for and on behalf of KPMG Audit Plc
Chartered Accountants
St James' Square, Manchester, M2 6DS
26 November 2012