

Interim Report  
Findel plc

## Chairman's Statement

The board is pleased to report today a satisfactory performance for the first six months of the financial year. All of our business units are being operated in a manner that recognises the current economic environment with a focus on stability and cash generation. This is assisted by the composition of the group with the consumer facing Home Shopping division balanced by the Government funded Educational Supplies and Healthcare divisions from which we derive over 40% of our revenues. Our Home Shopping division does not suffer the high street exposure of traditional retailers and is therefore able to flex its variable cost base to take account of market conditions. We are also making good progress with our cash generation plan outlined at the start of the year and are on track to reduce borrowings by £100m by 31 March 2011.

### Financial Results

In the six months to 30 September 2008, group sales increased by 1% to £294.7m (2007: £292.9m). Benchmark\* operating profit decreased by 5% to £18.4m (2007: £19.3m). Benchmark\* operating margins fell slightly to 6.2% (2007: 6.5%) reflecting the challenging market conditions. The group achieved a benchmark\* profit before tax in the first six months of £7.0m (2007: £8.5m). The statutory result for the period was a profit before tax of £5.7m (2007: £2.5m), the difference between the benchmark\* and statutory result being amortisation of intangible assets and share based payment expenses. Net finance costs increased only marginally to £11.1m (2007: £10.9m) with the movement in borrowing levels and LIBOR broadly offsetting each other.

In respect of other key financial performance indicators the profile of default rates in our credit business is in line with our expectations at the start of the year, with rates running only marginally ahead of last year.

At 31 March 2008 we had committed a principal sum of £31.9m to the Webb Group in support of its acquisition and restructuring programme. The two businesses have now been successfully integrated, generating over £4m of cost savings. In addition to funding the costs of this integration process during the period, Webb has reduced the outstanding principal sum in line with our expectations to £27.1m. The enlarged Webb Group is trading well with several new opportunities identified which should increase both revenue and gross margin and assist with its refinancing over the next 12 months.

Our cash generation programme is progressing well toward the target of reducing borrowings by £100m over three financial years. This is reflected in the positive cash generated from operations in the first half of the year of £3.3m (2007: £24.7m outflow). Working capital management has been a fundamental element of this performance with a cash outflow of £9.6m in the build up to peak season compared to £32.5m in 2007.

### Dividend

Taking into account the group's ongoing focus on cash generation and general economic conditions, the board has reviewed its dividend policy and resolved to declare an interim dividend of 2.20p (2007: 4.70p). The interim dividend will be paid on 9 January 2009 to shareholders on the register on 12 December 2008, with an ex-dividend date of 10 December 2008.

## **Trading**

### **Home Shopping**

Divisional sales in the first half decreased by just 1% to £171.3m (2007: £172.8m). Benchmark\* operating profit reduced slightly to £7.2m (2007: £8.3m).

Sales in the core credit business in the six months to 30 September 2008 were 1% lower than in the prior year with gross margins approximately 500 basis points ahead reflecting a shift in mix towards our higher margin financial services income. Gross margin on product was largely unchanged from the prior year.

Sales in our cash with order division increased by 3% in the first half to £63.2m (2007: £61.5m) driven by a very strong performance from Kitbag. The strength of that performance did impact on gross margins for the division through increased royalty payments to sports clubs, with overall gross margins down by some 390 basis points.

Our Home Shopping strategy for the year has been tailored for the difficult economic conditions that all retailers are facing. In the current economic environment we have focused marketing spend on our existing customer base, are managing our variable cost base and carefully controlling our purchase of stock. Our decision to focus our marketing efforts on our existing customers has been driven by the knowledge that marketing to new customers in uncertain times can be expensive and unproductive and that there is a higher bad debt risk associated with new customers. Our strategy of focusing on the established base has assisted customer retention which is steady at just under 70% but will lead to a slight decline in our customer base this year. We are confident that we can return the customer base to growth when we determine market conditions are appropriate to do so. Overall sales for the first 32 weeks in the credit business are 7% lower than last year with sales to the established base 2% ahead reflecting the implementation of our strategy. Internet sales remain strong with over 40% of all orders being placed online.

Sales in our cash with order division for the first 32 weeks are 3% lower than the same period last year. Kitbag continues to perform well, specifically as a result of the new clubs and new sports such as rugby and motor racing coming on stream during the year. The service we are providing to the Kleeneze network is excellent and is recognised as such by its distributors whose confidence is demonstrated by their ongoing recruitment of new distributors. The other cash with order businesses have suffered as middle England has felt the impact of the credit crunch but their cost bases, marketing plans and stock levels are being flexed to mitigate the effect of this.

### **Educational Supplies**

Divisional sales in the first half were 1% lower at £92.7m (2007: £93.4m) and were in line with our expectations. Gross margins were slightly down by 90 basis points reflecting the marketplace and leading to a decrease in benchmark\* operating profit to £10.2m (2007: £11.5m).

Public sector spending is more robust than consumer spending leading to greater stability in the Educational Supplies division than in Home Shopping. However, the division is not immune to economic factors and pressure from increases in fuel and staff costs are relevant factors although there are signs that they may become less so as the year progresses.

## **Chairman's Statement**

The division is being proactively managed to take into account current market conditions and is well positioned to do so. The implementation of the SAP upgrade and warehouse management system at the start of the year has made the division inherently more efficient and allowed it to make cost savings that can be reinvested in a stronger offering to its customers to gain market share.

The division continues to champion e-commerce as the preferred method for procurement by schools. In the period from April to September, online sales grew by 40% from £5m to £8m. While this represents a small proportion of overall sales, the trend is encouraging. The division continues to stimulate that growth through investment in additional functionality on its own websites and links to bespoke portals within Local Education Authority websites. Such investment will build a firm foundation for future sales and growth in market share.

Domestically the division has enjoyed growth in its core commodity brands and products which are up 7% year on year. However it is noticeable that sales of higher ticket items such as furniture are down as customers hold off purchasing while assessing their budgets. As a result of this, overall sales in the division for the first 32 weeks are 4% below the same period last year. In the current market we believe that this result represents a marginal growth in market share.

### **Healthcare**

Divisional sales in the first half were 14% higher at £30.6m (2007: £26.8m). Operating profit showed a significant increase to £1.5m (2007: loss of £0.4m).

The largest market in our Healthcare division is running Integrated Community Equipment Service contracts for Primary Care Trusts ("PCTs") and local authorities. This market has been undergoing a review for the past 18 months. While the review has been ongoing, no new tenders have been placed and the division's focus has been on maximising the revenue from its existing contracts which it has successfully achieved. Although there remains uncertainty over the result of the review, the market is now beginning to open up with new tenders emerging as PCTs act with local autonomy as they are entitled to do. After a period of concentrating on improved efficiency and the delivery of enhanced service, the division is well placed to take advantage of the potential growth in the market.

The prospects for the division's Primary Healthcare business remain encouraging. A focus on offshore sourcing has delivered significant benefits to our aids for daily living range and an increase in marketing spend in this area is planned for the coming months to coincide with the recent launch of a new Primary Care catalogue and enhanced transactional website. We have also invested in research and development for product areas which have significant sales potential and plan to launch these products in the New Year.

Sales for the first 32 weeks have continued to be strong and remain 14% ahead of the same period last year.

## **Prospects**

The economic environment in which we are operating is difficult and appears set to remain so in the medium term. Nevertheless, I am pleased with the way in which each of our divisions are proactively addressing their market conditions and the opportunities they present. This robust approach coupled with the cash generation programme we have implemented will result in a stronger and more efficient group.

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

K. Chapman  
Chairman

27 November 2008

*\*Benchmark results are defined as being before the results of businesses sold or terminated in the period, amortisation of acquired intangibles, net restructuring charges and other one off exceptional items, profits and losses on sale of investments, profits and losses on sales of businesses, share option expenses and net fair value remeasurement adjustments to financial instruments.*

## Condensed Financial Statements

### Condensed Income Statement

	Note	<b>6 months to 30.9.2008 Unaudited £000</b>	6 months to 30.9.2007 Unaudited £000	Year to 31.3.2008 Audited £000
<b>Revenue</b>	3			
From ongoing businesses		<b>294,680</b>	292,920	634,040
From terminated businesses			5,375	11,018
		<b>294,680</b>	298,295	645,058
Cost of sales		<b>(147,333)</b>	(154,284)	(300,720)
Gross profit		<b>147,347</b>	144,011	344,338
Trading costs		<b>(128,499)</b>	(124,624)	(264,812)
Share of result of associate		<b>(439)</b>	(88)	(1,350)
Amortisation of intangible assets		<b>(940)</b>	(1,133)	(2,252)
Negative goodwill arising on acquisitions in the period		—	246	222
Impairment of goodwill		—	—	(3,000)
Exceptional items	4	—	(4,833)	(15,869)
Loss on disposal of businesses		—	—	(561)
Share-based payment expense		<b>(591)</b>	(197)	(973)
<b>Operating profit</b>	3	<b>16,878</b>	13,382	55,743
Finance income		<b>6,097</b>	3,292	9,735
Finance costs		<b>(17,232)</b>	(14,154)	(31,514)
<b>Profit before tax</b>				
Benchmark		<b>7,027</b>	8,494	57,004
Results from terminated businesses		—	(18)	(602)
Amortisation of intangible assets		<b>(940)</b>	(1,133)	(2,252)
Negative goodwill arising on acquisitions in the period		—	246	222
Impairment of goodwill		—	—	(3,000)
Exceptional items		—	(4,833)	(15,869)
Loss on disposal of businesses		—	—	(561)
Share-based payment expense		<b>(591)</b>	(197)	(973)
Derivative remeasurements		<b>247</b>	(39)	(5)
Total profit before tax		<b>5,743</b>	2,520	33,964
<b>Profit before tax</b>		<b>5,743</b>	2,520	33,964
Income tax expense	5	<b>(1,634)</b>	428	(10,116)
<b>Profit for the period</b>		<b>4,109</b>	2,948	23,848

## Condensed Income Statement continued

	Note	<b>6 months to 30.9.2008 Unaudited</b>	6 months to 30.9.2007 Unaudited	Year to 31.3.2008 Audited
		<b>£000</b>	£000	£000
<b>Attributable to:</b>				
Equity holders of the parent		<b>4,109</b>	2,948	23,848
Minority interest		<u>—</u>	<u>—</u>	<u>—</u>
		<b><u>4,109</u></b>	<b><u>2,948</u></b>	<b><u>23,848</u></b>
<b>Earnings per share</b>				
Basic	6	<b>4.89p</b>	3.52p	28.42p
Benchmark		<b>6.11p</b>	8.56p	48.72p
Diluted		<b>4.86p</b>	3.46p	27.99p

All results relate to continuing operations.

## Condensed Statement of Recognised Income and Expense

	<b>6 months to 30.9.2008 Unaudited</b>	6 months to 30.9.2007 Unaudited	Year to 31.3.2008 Audited
	<b>£000</b>	£000	£000
Currency translation differences	<b>494</b>	(197)	(87)
<b>Net income/(expense) recognised directly in equity</b>	<b>494</b>	(197)	(87)
<b>Profit for the period</b>	<b>4,109</b>	2,948	23,848
<b>Total recognised income and expense for the period</b>	<b>4,603</b>	2,751	23,761
<b>Attributable to:</b>			
Equity holders of the parent	<b>4,603</b>	2,751	23,761
Minority interest	<u>—</u>	<u>—</u>	<u>—</u>
	<b><u>4,603</u></b>	<b><u>2,751</u></b>	<b><u>23,761</u></b>

## Condensed Financial Statements

### Condensed Balance Sheet

	<b>30.9.2008</b>	30.9.2007	31.3.2008
	<b>Unaudited</b>	Unaudited	Audited
	<b>£000</b>	£000	£000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	<b>64,461</b>	66,152	64,431
Other intangible assets	<b>77,832</b>	78,760	78,773
Property, plant and equipment	<b>90,376</b>	78,794	83,248
Investments in associates	<b>4,523</b>	6,224	4,962
Loans and receivables	<b>31,462</b>	—	34,430
	<b>268,654</b>	229,930	265,844
<b>Current assets</b>			
Inventories	<b>119,196</b>	126,225	109,724
Trade and other receivables	<b>305,167</b>	289,788	277,911
Derivative financial instruments	<b>428</b>	309	457
Cash and cash equivalents	<b>3,845</b>	3,608	12,767
	<b>428,636</b>	419,930	400,859
<b>Assets held for resale</b>	<b>—</b>	3,000	—
<b>Total assets</b>	<b>697,290</b>	652,860	666,703
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	<b>125,671</b>	132,146	101,791
Current tax liabilities	<b>8,055</b>	4,918	7,672
Obligations under finance leases	<b>1,044</b>	513	595
Bank overdrafts and loans	<b>69,180</b>	46,637	66,107
Derivative financial instruments	<b>39</b>	202	315
	<b>203,989</b>	184,416	176,480
<b>Non-current liabilities</b>			
Bank loans	<b>344,658</b>	327,402	332,287
Obligations under finance leases	<b>1,931</b>	212	494
Deferred tax liabilities	<b>16,225</b>	14,980	15,755
Retirement benefit obligation	<b>10,132</b>	13,209	11,887
	<b>372,946</b>	355,803	360,423
<b>Total liabilities</b>	<b>576,935</b>	540,219	536,903
<b>NET ASSETS</b>	<b>120,355</b>	112,641	129,800



**Condensed Balance Sheet** continued

	<b>30.9.2008</b>	30.9.2007	31.3.2008
	<b>Unaudited</b>	Unaudited	Audited
	<b>£000</b>	£000	£000
<b>EQUITY</b>			
<b>Capital and reserves</b>			
Share capital	<b>4,257</b>	4,250	4,255
Capital reserves	<b>52,882</b>	51,043	52,233
Hedging and translation reserves	<b>3</b>	(602)	(491)
Retained earnings	<b>63,213</b>	57,950	73,803
	<hr/>	<hr/>	<hr/>
Equity attributable to equity holders of the parent	<b>120,355</b>	112,641	129,800
Minority interest	<b>—</b>	—	—
	<hr/>	<hr/>	<hr/>
<b>TOTAL EQUITY</b>	<b>120,355</b>	112,641	129,800
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## Condensed Financial Statements

### Condensed Cash Flow Statement

	<b>6 months to 30.9.2008 Unaudited £000</b>	6 months to 30.9.2007 Unaudited £000	Year to 31.3.2008 Audited £000
<b>Operating activities</b>			
Operating profit	<b>16,878</b>	13,382	55,743
<b>Adjustments for:</b>			
Depreciation of property, plant and equipment	<b>8,695</b>	4,776	9,382
Amortisation of intangible assets	<b>940</b>	1,133	2,252
Negative goodwill arising on acquisitions in the period	—	(246)	(222)
Impairment of goodwill	—	—	3,000
Loss on disposal of businesses	—	—	561
Share-based payment expense	<b>591</b>	197	973
Gain on disposal of property, plant and equipment	<b>(116)</b>	(58)	(2,012)
Pension contributions less income statement charge	<b>(1,707)</b>	(1,410)	(2,865)
Share of result of associate	<b>439</b>	88	1,350
<b>Operating cash flows before movements in working capital</b>	<b>25,720</b>	17,862	68,162
(Increase) in inventories	<b>(9,386)</b>	(22,711)	(11,723)
(Increase) in receivables	<b>(24,201)</b>	(41,281)	(34,564)
Increase in payables	<b>23,939</b>	31,525	5,836
<b>Cash generated from operations</b>	<b>16,072</b>	(14,605)	27,711
Income taxes (paid)/recovered	<b>(781)</b>	2,527	(4,439)
Interest paid	<b>(12,028)</b>	(12,629)	(27,697)
<b>Net cash from operating activities</b>	<b>3,263</b>	(24,707)	(4,425)
<b>Investing activities</b>			
Interest received	<b>597</b>	364	1,079
Proceeds on disposal of property, plant and equipment	<b>193</b>	116	1,011
Purchases of property, plant and equipment	<b>(15,892)</b>	(10,966)	(21,454)
Loan advanced to associate	—	—	(34,430)
Acquisition of subsidiaries	—	(7,273)	(5,122)
Disposal of subsidiaries	—	—	8,856
Net cash used in investing activities	<b>(15,102)</b>	(17,759)	(50,060)

**Condensed Cash Flow Statement** continued

	<b>6 months to 30.9.2008 Unaudited £000</b>	6 months to 30.9.2007 Unaudited £000	Year to 31.3.2008 Audited £000
<b>Financing activities</b>			
Dividends paid	<b>(14,700)</b>	(13,083)	(17,027)
Repayments of obligations under finance leases	<b>1,887</b>	(261)	102
Proceeds on issue of shares	<b>60</b>	—	381
New bank loans raised	<b>15,000</b>	31,887	53,612
Movement on securitisation loan	<b>(2,629)</b>	3,191	8,076
Net cash from financing activities	<b>(382)</b>	21,734	45,144
Net decrease in cash and cash equivalents	<b>(12,221)</b>	(20,732)	(9,341)
Cash and cash equivalents at the beginning of the period	<b>(10,255)</b>	(904)	(904)
Effect of foreign exchange rate changes	<b>228</b>	(34)	(10)
<b>Cash and cash equivalents at the end of the period</b>	<b>(22,248)</b>	(21,670)	(10,255)

## Notes to the Condensed Financial Statements

### 1. General information

The condensed financial statements have been approved by the board, but have not been reviewed or audited by the auditors.

The financial information for the year ended 31 March 2008 does not constitute statutory accounts as defined in section 240 of the Companies Act 1985. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditors' report on those accounts was not qualified and did not contain a statement under section 237(2) or 237(3) of the Companies Act 1985.

#### *Risks and uncertainties*

There are a number of risks and uncertainties that could impact the performance of the group over the remaining six months of the financial year. These include the following:

The Home Shopping division is significantly impacted by movements in interest rates and the state of the wider consumer credit market. Any adverse movement in interest rates could have a consequent adverse impact on the performance of the Home Shopping division.

The Home Shopping industry is witnessing increased penetration of the market by internet based businesses challenging the historical dominance of catalogue based home shopping businesses. The Home Shopping division has responded to this challenge and is fully e-enabled, leaving it well placed to respond.

The Educational Supplies division is influenced by government spending on Education. Any downward movement in government spending on Education may adversely impact the performance of the Educational Supplies division.

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

Finally, each of the group's trading divisions are dependent on third party carriers to distribute the group's products. The group employs several carriers so as to spread this risk such that over dependence on a single carrier is avoided to the maximum extent possible.

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.

Sales within the Home Shopping business segment are more heavily weighted towards the second half of the financial year, with approximately 60%–65% of annual sales occurring during that period.

## **2. Accounting policies**

The condensed financial statements have been prepared using accounting policies consistent with International Financial Reporting Standards ("IFRS") and in accordance with IAS 34 "Interim Financial Reporting".

The same accounting policies, presentation and methods of computation are followed in the preparation of the condensed financial statements as were applied in the group's latest annual audited financial statements.

## Notes to the Condensed Financial Statements

### 3. Segmental analysis

For management purposes, the group is currently organised into three operating divisions: Home Shopping, Educational Supplies and Healthcare. These divisions are the basis on which the group reports its primary segment information.

Segmental information about these businesses is presented below.

	<b>6 months to 30.9.2008 Total</b>	Ongoing businesses	Terminated businesses	6 months to 30.9.2007 Total
	<b>£000</b>	£000	£000	£000
<b>Revenue</b>				
Home Shopping	<b>171,319</b>	172,775	3,687	176,462
Educational Supplies	<b>92,746</b>	93,373	1,688	95,061
Healthcare	<b>30,615</b>	26,772	—	26,772
	<b><u>294,680</u></b>	<u>292,920</u>	<u>5,375</u>	<u>298,295</u>
<b>Result</b>				
Home Shopping	<b>7,174</b>	8,280	303	8,583
Educational Supplies	<b>10,183</b>	11,498	(307)	11,191
Healthcare	<b>1,491</b>	(387)	—	(387)
Share of result of associate	<b>(439)</b>	(88)	—	(88)
	<b><u>18,409</u></b>	<u>19,303</u>	<u>(4)</u>	<u>19,299</u>
<b>Amortisation of intangible assets</b>				
Home Shopping	<b>(451)</b>			(653)
Educational Supplies	<b>(465)</b>			(465)
Healthcare	<b>(24)</b>			(15)
<b>Negative goodwill arising on acquisitions in the period</b>				
Educational Supplies	—			246
<b>Exceptional items</b>				
Home Shopping	—			(4,152)
Educational Supplies	—			(681)
<b>Share-based payment expense</b>				
Unallocated	<b>(591)</b>			(197)

### 3. Segmental analysis continued

	<b>6 months to 30.9.2008 Total</b>	6 months to 30.9.2007 Total
	<b>£000</b>	£000
<b>Operating profit</b>		
Home Shopping	<b>6,284</b>	3,690
Educational Supplies	<b>9,718</b>	10,291
Healthcare	<b>1,467</b>	(402)
Unallocated	<b>(591)</b>	(197)
	<b>16,878</b>	13,382
Finance income	<b>6,097</b>	3,292
Finance costs	<b>(17,232)</b>	(14,154)
Profit before tax	<b>5,743</b>	2,520
Income tax (expense)/credit	<b>(1,634)</b>	428
Profit after tax	<b><u>4,109</u></b>	<u>2,948</u>

## Notes to the Condensed Financial Statements

### 3. Segmental analysis continued

	Ongoing businesses	Terminated businesses	Year to 31.3.2008 Total
	£000	£000	£000
<b>Revenue</b>			
Home Shopping	403,484	6,315	409,799
Educational Supplies	174,730	4,703	179,433
Healthcare	55,826	—	55,826
	<u>634,040</u>	<u>11,018</u>	<u>645,058</u>
<b>Result</b>			
Home Shopping	50,309	850	51,159
Educational Supplies	26,718	(1,422)	25,296
Healthcare	3,071	—	3,071
Share of result of associate	(1,350)	—	(1,350)
	<u>78,748</u>	<u>(572)</u>	<u>78,176</u>
<b>Amortisation of intangible assets</b>			
Home Shopping			(1,293)
Educational Supplies			(930)
Healthcare			(29)
<b>Negative goodwill arising on acquisitions in the year</b>			
Educational Supplies			222
<b>Impairment of goodwill</b>			
Healthcare			(3,000)
<b>Exceptional items</b>			
Home Shopping			(9,961)
Educational Supplies			(5,333)
Healthcare			(364)
Unallocated			(211)
<b>Loss on disposal of businesses</b>			
Home Shopping			2,481
Educational Supplies			(3,042)
<b>Share-based payment expense</b>			
Unallocated			(973)



### 3. Segmental analysis continued

Year to  
31.3.2008  
Total

£000

#### Operating profit

Home Shopping	41,036
Educational Supplies	16,213
Healthcare	(322)
Unallocated	(1,184)
	<hr/>
	55,743
Finance income	9,735
Finance costs	(31,514)
	<hr/>
Profit before tax	33,964
Income tax expense	(10,116)
	<hr/>
Profit after tax	<u>23,848</u>

## Notes to the Condensed Financial Statements

### 4. Exceptional items

	<b>6 months to 30.9.2008 £000</b>	6 months to 30.9.2007 £000	Year to 31.3.2008 £000
Warehouse reorganisation costs	—	—	(3,402)
Restructuring costs	—	(4,833)	(11,758)
Costs in relation to businesses disposed of in prior year	—	—	(709)
	<u>—</u>	<u>(4,833)</u>	<u>(15,869)</u>

### 5. Taxation

Income tax for the six month period is a charge at 27% of benchmark profit before tax and is based on the estimated effective tax rate for the full year.

### 6. Earnings per share

	<b>6 months to 30.9.2008 £000</b>	6 months to 30.9.2007 £000	Year to 31.3.2008 £000
Net profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	<b>4,109</b>	2,948	23,848
Losses from terminated businesses (net of tax)	—	13	421
Amortisation of intangible assets (net of tax)	<b>677</b>	794	1,577
Negative goodwill arising on acquisitions in the period	—	(246)	(222)
Impairment of goodwill	—	—	3,000
Exceptional items (net of tax)	—	3,504	11,641
Loss on disposal of businesses (net of tax)	—	—	(360)
Share-based payment expense and derivative remeasurements	<b>344</b>	177	978
Benchmark earnings	<u><b>5,130</b></u>	<u>7,190</u>	<u>40,883</u>
Weighted average number of shares	<b>83,995,084</b>	83,853,899	83,912,540
Dilutive share options	<b>629,914</b>	1,336,054	1,305,035
Adjusted weighted average number of shares	<u><b>84,624,998</b></u>	<u>85,189,953</u>	<u>85,217,575</u>
Earnings per share – basic	<u><b>4.89p</b></u>	<u>3.52p</u>	<u>28.42p</u>
Earnings per share – benchmark	<u><b>6.11p</b></u>	<u>8.56p</u>	<u>48.72p</u>
Earnings per share – diluted	<u><b>4.86p</b></u>	<u>3.46p</u>	<u>27.99p</u>

## 7. Dividends

	<b>6 months to 30.9.2008 £000</b>	6 months to 30.9.2007 £000	Year to 31.3.2008 £000
<b>Amounts recognised as distributions to equity holders in the period</b>			
Final dividend for the year ended 31 March 2008 of 17.50p (2007: 15.60p) per share	<b>14,700</b>	13,081	13,081
Interim dividend for the year ended 31 March 2008 of 4.70p (2007: 4.20p) per share	<b>—</b>	—	3,946
	<b><u>14,700</u></b>	<u>13,081</u>	<u>17,027</u>

The proposed interim dividend of 2.20p per ordinary share in respect of the year ending 31 March 2009 was approved by the board on 24 November 2008. In accordance with IFRS it has not been included as a liability as at 30 September 2008.

## 8. Related party transactions

Transactions between the company and its subsidiaries, which are related parties of the company, are not discussed in this note.

During the period to 30 September 2008, group purchases from its associate (Webb Group), on normal commercial terms amounted to £2.61m (30 September 2007: £nil; 31 March 2008: £4.26m) and in the same period the group supplied goods and services to its associate of £5.60m (30 September 2007: £5.20m; 31 March 2008: £7.15m). At 30 September 2008 the group's trade indebtedness to its associate was £0.6m (30 September 2007: £nil; 31 March 2008: £0.03m) and that of its associate to the group was £9.95m (30 September 2007: £8.50m; 31 March 2008: £10.04m). In addition, the group has advanced a loan to its associate in support of its acquisition of Choices UK and the development of the enlarged group. At 30 September 2008, principal of £27.09m and interest of £4.37m remained outstanding (30 September 2007: £nil; 31 March 2008: principal of £31.91m and interest of £2.54m).

The group has a trading relationship with Herbert Walker & Son (Printers) Limited, a commercial printing company which is controlled by Mr K Chapman, a director. During the period to 30 September 2008, group purchases from Herbert Walker, on normal commercial terms amounted to £0.16m (30 September 2007: £0.24m; 31 March 2008: £0.51m) and in the same period the group supplied goods and services to Herbert Walker of £0.06m (30 September 2007: £0.07m; 31 March 2008: £0.12m). At 30 September 2008 the group indebtedness to Herbert Walker was £0.06m (30 September 2007: £0.09m; 31 March 2008: £0.03m) and that of Herbert Walker to the group was £0.03m (30 September 2007: £0.03m; 31 March 2008: £0.03m).

## **Responsibility statement**

We confirm that to the best of our knowledge:

- (a) the condensed financial statements have been prepared in accordance with IAS 34;
- (b) the interim Chairman's Statement and condensed financial statements include a fair review of the information required by DTR 4.2.7R (indication of important events during the first six months and description of principal risks and uncertainties for the remaining six months of the year); and
- (c) the interim Chairman's Statement and condensed financial statements include a fair review of the information required by DTR 4.2.8R (disclosure of related party transactions and changes therein).

By order of the board

P E Jolly  
Chief Executive Officer  
27 November 2008

C D Hinton  
Group Finance Director  
27 November 2008