FINDEL PLC

Final results

For the period ended 3 April 2009

Firm Placing and Placing and Open Offer

24 July 2009

Overview

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Focus on cash generation and stability

- Performance against a difficult backdrop
  - Outcome broadly in line with expectations*
  - Bad debt charge as expected
  - Financing discussions a significant distraction
- £100m cash generation programme
  - £59m improvement in free cash flow
  - Stock reduced by £19m
  - Accounting changes release future cash
  - Cost savings initiatives
- Group successfully refinanced
  - Amended credit facilities
  - Approximately £81m equity issue
- Renewed strategic focus
  - Focus on core operations (Home Shopping and Education Supplies)
  - £100m cash generation programme augmented by disposal of non-core assets
  - Return Group to stability

* Pre accounting changes

Group Trading Summary

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Sales marginally lower, operating profit impacted by increase in certain operational costs

	2009	2008	
Sales	£599.8m	£610.6m	(1.8%)
Operating Profit	£52.7m	£72.3m	(27.2%)
Profit before tax	£33.4m	£50.6m	(33.9%)
EPS	30.04p	43.02p	(30.2%)
DPS	2.20p	22.20p	(90.1%)

All figures relate to ongoing businesses and refer to Benchmark profit. Benchmark is defined in Appendix

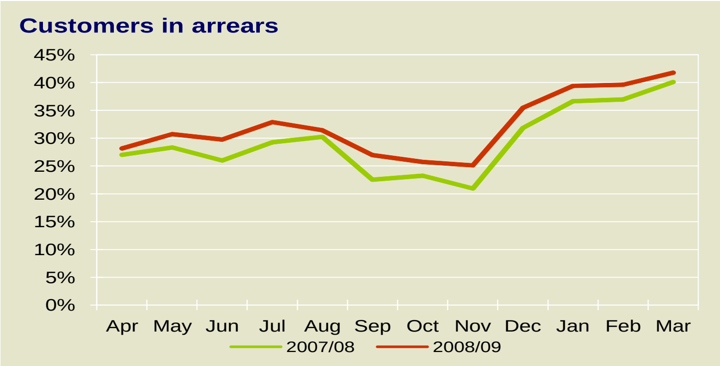
Home Shopping

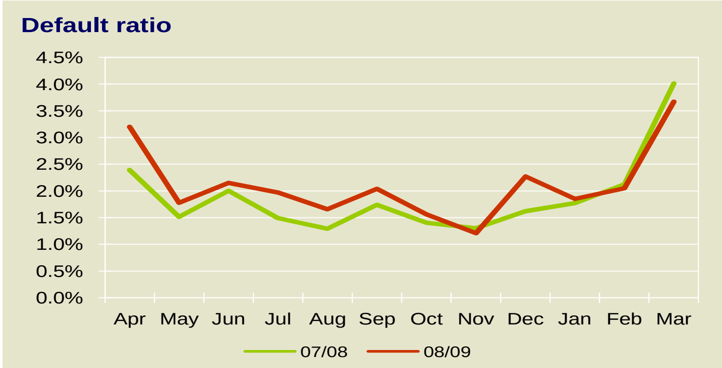
Results reflecting the difficult economic environment

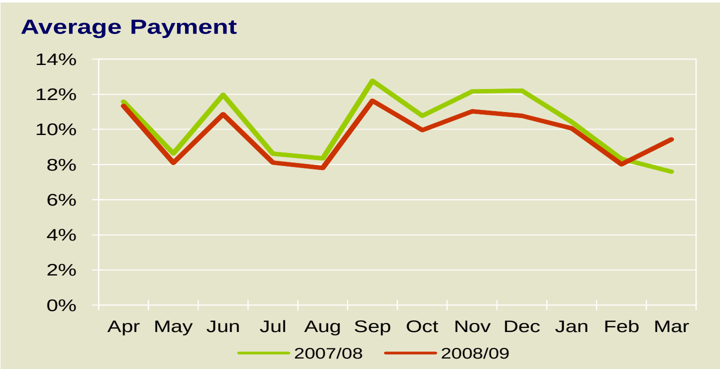
	2009	2008	
Sales	£366.7m	£380.0m	(3.5%)
Gross Profit	£227.7m	£235.0m	(3.1%)
Operating Profit	£32.2m	£48.9m	(34.2%)
	8.8%	*12.9%*	

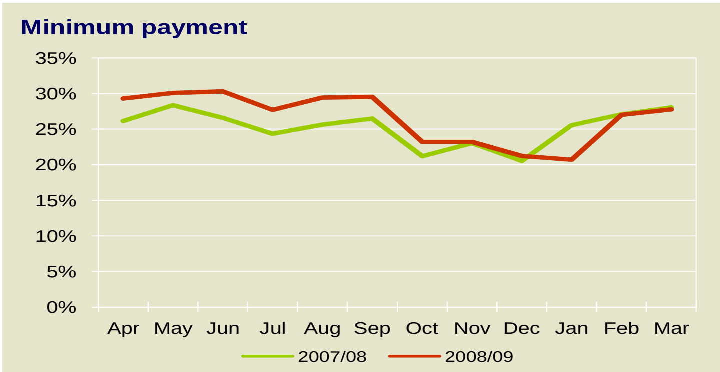
Debtor Management

Percentage of customers in arrears only two points higher than last year. Default ratios back in line with previous year…..









Education

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Concerns over public sector spending impact results

	2009	2008	
Sales	£168.3m	£174.7m	(3.7%)
Gross Profit	£65.5m	£74.2m	(11.7%)
Operating Profit	£15.2m	£22.0m	(31.0%)
	9.0%	*12.6%*	

Healthcare

Strong year with improvements in both sales and operating profit

	2009	2008	
Sales	£64.8m	£55.8m	16.0%
Gross Profit	£16.3m	£17.9m	(9.0%)
Operating Profit	£4.9m	£2.7m	79.8%
	7.5%	*4.8%*	

Other items

Action taken to maximise cash generation and future profitability

	2009	**2008**
	£m	£m
Debtor provisioning	14.4	-
Stock provisioning	14.3	-
Exceptional charges	16.4	15.9
Terminated operations	9.9	3.0
Impairment of goodwill, intangible assets and property, plant & equipment	20.4	3.0
Share of results of associate	4.7	-
Derivatives re-measurements	3.4	1.3
Goodwill amortisation	1.8	2.2
	85.4	**25.4**

Change in accounting policies

Actions generate cash benefits

- IT development costs
- Brochure costs

Analysis of statutory result

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	2009	2008
	£m	£m
Benchmark Profit Before Tax	33.4	50.6
Losses from terminated businesses	(9.9)	(3.0)
Exceptional cost of sales - stock rationalisation	(14.3)	-
Impairment of goodwill, intangible assets and property, plant & equipment	(20.4)	(3.0)
Additional debtor provision	(14.4)	-
Exceptional items	(16.4)	(15.9)
Negative goodwill from acquisitions	-	0.2
Loss on disposal of businesses	-	(0.6)
Share of result of associate (non benchmark)	(4.7)	-
Derivative re-measurements	(3.4)	-
Goodwill amortisation	(1.8)	(3.1)
Statutory Result Before Tax	**(51.9)**	**25.2**

Cash generation programme

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Cash generation progressing toward 3-year £100m target

- Conversion of trading profit
- Stock reduced by £19m in FY 2009
- Property disposals
- Repayment of Webb Ivory loan
- Disposals of non-core assets
- Tax benefits from changes to accounting policies and estimates

Webb Group Limited

Acquisition of the 70% of Webb not already owned

	9 months ended 31 December 2008 £m
Revenue	75.2
Gross Profit	19.5
Operating Profit	3.8
Net interest*	3.0
PBT	0.7

- Choices acquisition fully integrated
- Loss making charity business substantially closed
- Substantial cost savings already achieved
- Serving attractive growth market segments
- Focus on games and the DVD markets, music de-emphasised

* Including interest paid to Findel plc

Cash flow

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Significant improvement in free cash flow

	2009	2008
	£m	£m
Benchmark operating profit	52.7	72.3
Net capital expenditure in excess of depreciation	(1.5)	(5.6)
Working capital	32.1	(39.1)
Interest paid	(22.8)	(26.6)
Taxation	(2.8)	(4.4)
Pension contributions in excess of income statement charge	(3.5)	(2.9)
Share of benchmark result of associate	(0.4)	1.4
Free cash flow	**53.8**	**(4.9)**
Cash costs of terminated operations, other items, and acquisitions, disposals and loans to associate	(25.5)	(49.6)
Net cash flow before financing activities	**28.3**	**(54.5)**
Net cash from financing activities	(33.7)	45.1
Net decrease in cash and cash equivalents	**(5.4)**	**(9.4)**

Current trading and prospects

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Overall satisfactory performance in current environment

- Overall Group sales currently 4% down reflecting market conditions
- Home Shopping credit business new season product sales ahead, financial services income down on lower recruitment, bad debt in line
- Kitbag 15% ahead; Kleeneze steady
- Education affected by projects and public sector spending but strategy adapted
- Healthcare sales level – new contracts emerging

Future strategy

Focus on core and cash

- Continued focus on cash generation and reduction in net debt
- Focus on core operations
  - Home Shopping
  - Education Supplies
- Extended clothing offer in Home Shopping
- “Big Shed” – warehouse consolidation
- Market share growth in Education
- Operational efficiencies and cost savings
- Strengthen board and corporate governance

Investment summary

Focus on core operations and increased operational efficiency

Home Shopping

- Core strengths
  - State of the art fulfilment capacity
  - Extremely broad product offering (30% of offer sub £10)
  - Personalisation – 40% of orders
  - Key integrated financial services offering
  - Bespoke, mature credit scoring
  - Kleeneze
- Significant opportunities
  - Efficiency = significant cost savings opportunities
  - Frequency = enabling recruitment outside peak
  - Clothing = managed increase in fashion
  - Internet = 60% of orders and growing

Investment summary

Focus on core operations and increased operational efficiency

Education Supplies

- Core strengths
  - Largest independent resources supplier in UK with 10% market share
  - Strong brand heritage
  - Nationwide coverage
  - Broad product
  - Economies of scale
- Significant opportunities
  - Focus on even greater efficiency driving market share growth
  - International opportunities
  - Big co, low cost operator to address public spending constrains

Amended credit facilities

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Agreement on amended credit facilities

	Capital Raising Scenario	No Capital Raising Scenario
Facilities:		
Amended and restated RCF	Up to £250m	Up to £250m
New RCF	Up to £77.3m	Up to £77.3m
Super Senior Facility	To be repaid	Up to £20m
Aggregate margin:	4.04%	5.86%
PIK:	None	2% on £250m RCF on maturity
Warrants:	5% (pre-capital raise), 4 year term	5%, 8 year term plus equity tracker fee which could result in a cash payment of up to £13.8m
Dividend restriction:	No dividend FY 2010	No dividend before 1 July 2011

Note: Securitisation facility of up to £105m remains in place, aggregate margin assuming the amended credit facilities are fully drawn until maturity

Equity injection of approximately £81m to underpin a stable platform and provide financial and operational flexibility

- Proceeds used to reduce net indebtedness
- A strengthened capital base
- Creates a more appropriate capital structure
  - Financial and operational flexibility
  - Gearing and net debt immediately reduced
- Credit facilities on more favourable terms immediately available
  - Significant headroom in respect of financial covenants
  - Reduces banking charges otherwise payable

Key terms

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Firm Placing and Placing and Open Offer raising approximately £81m in gross proceeds

- Gross proceeds of approximately £81m
- Firm Placing of £40m at 20 pence per share (51.5% discount)
- Placing and Open Offer of approximately £41m at 20 pence per share (51.5% discount)
- Fully underwritten
- Shareholder approval required at general meeting

Expected timetable of key events

Firm Placing and Placing and Open Offer raising approximately £81m in gross proceeds

Announcement of:	
Underwritten equity issue	
2009 Final Results	
Amended credit facilities	Fri, 24 July 2009
Last day for acceptance and payment:	Mon, 10 Aug 2009
General meeting:	Mon, 10 Aug 2009
Admission:	Tue, 11 Aug 2009

Conclusion

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- Focus on cash generation and stability
- Performance against a difficult backdrop
- Outcome broadly in line with expectations*
- £100m cash generation programme ongoing
- Group successfully refinanced
  - Approximately £81m equity issue
  - Amended credit facilities
- Renewed strategic focus

* Pre accounting changes

Appendix

Covenants

- Significantly more headroom on the capital raising scenario
- Covenants:
  - Net borrowings / EBITDA
  - EBITDA / Net interest
  - A level of minimum free cash flow
- Dividend restrictions
- Other restrictions on granting security, making disposals, mergers or acquisitions, changing the general nature of the business, incurring financial indebtedness, granting guarantees or making loans

Definitions

- Throughout this presentation, references are made to benchmark performance measures. Benchmark results are defined as being before results of businesses sold or terminated in the current or previous periods, stock rationalisation costs, amortisation of acquired intangibles in business combinations, share option expenses, other one off exceptional operating items, (including profits and losses on sale of investments and businesses, goodwill and tangible fixed asset impairment, one off additional debtor provisions, negative goodwill income, and other exceptional items including net restructuring charges) and net fair value re-measurements adjustments to financial instruments but includes interest receivable from its associate.
- Free cash flow is defined as net cash generated from continuing operations excluding non benchmark items and financing activities.

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