Interim Report
Findel plc

CHAIRMAN'S STATEMENT

I am pleased to report that despite trading conditions continuing to be challenging in the first six months, the group is now on a firm financial footing and our programme of cost saving and cash generation is progressing to plan.

Following the successful conclusion of our fund raising in July and the renewal of our banking facilities, which now run to September 2012 on a fully committed basis, I am also pleased to announce the extension of our securitisation facility through to June 2012. This is an important funding line for the group and reaffirms the stability of our debtor book on which it is secured.

Financial Results

Group sales for the six months to 3 October 2009 from ongoing businesses were £277.2m (2008: £287.7m). Benchmark* operating profit was £3.3m (2008: £18.2m), and benchmark* loss before tax in the first six months was £8.1m (2008: profit of £6.9m). The statutory result for the period was a loss before tax of £21.1m (2008: profit of £1.8m), the difference between the benchmark* and statutory result principally relating to the £11.9m fees arising from our debt refinancing. Net finance costs of £11.4m (before the net £10.0m charge for the debt refinancing fees less a non cash credit of £1.9m for marking derivatives to market), were in line with the prior year.

Net bank debt at 3 October 2009 was £263.0m (2008: £318.3m). In addition, amounts outstanding under our securitisation programme stood at £91.5m (2008: £94.7m).

Our cash generation programme is progressing well. Our target for reducing borrowings has been increased from £100m to £165m over the three financial years to March 2011. Within this programme we are including the net £64m generated by our equity fund raising and refinancing (£81m gross funds raised less the costs associated with this fund raising and the debt refinancing of £17m). We are also targeting a reduction in stock levels of £40m by March 2011, which we remain on track to deliver, and have recovered approximately £8m through tax rebates which were not included in our original programme.

Our trade credit insurance was withdrawn in May 2009. We expect this to be reinstated during the next financial year, which will also allow us to reduce borrowings further.

We are achieving a positive performance in the control of bad debt, with the level of customers in arrears in line with that seen two years ago before the onset of the credit crisis.

On 23 July 2009, the group acquired the remaining 70% of the Webb Group for a nominal consideration of £3, and this contributed £6.7m to half-year turnover.

During the period we have substantially strengthened the group's balance sheet through the equity raising in July 2009, with net assets increasing by £60m to £115m.

Dividend

Taking account of the recent refinancing and the group's current focus on cash generation we will not be paying a dividend this year, but intend to resume dividend payments as earnings allow and our debt reduction programme is delivered.

Home Shopping

Sales from ongoing businesses were £171.8m (2008: £164.4m), £6.7m of which was contributed by the Webb Group (that we acquired in July 2009) leaving sales marginally ahead of the comparable period last year on a like-for-like basis. This is a commendable achievement during a period of profound economic uncertainty.

Benchmark* operating profit reduced to £1.4m (2008: £9.6m). The current period includes an operating loss of £0.4m in the Webb Group. The introduction of our new debtor provisioning policy last year end has resulted in the charge being spread broadly evenly over each quarter whereas under the previous approach it followed a trend in line with sales. Had this approach been in place last year the charge in the half year to September 2008 would have been £5.5m higher, thereby reducing operating profit in that period.

Our credit business achieved product sales 5% ahead of the previous year despite an opening customer base 15% lower than last year, largely through a record retention level and increased average order value.

The credit business continued its expansion into the UK mail order clothing market, which in 2008 Verdict estimated to be worth in excess of £4 billion annually. It significantly increased the range of clothing and footwear it offers in the main catalogue from 108 to 249 pages. The results have been very encouraging with above average sales per page. Clothing offers the opportunity to both increase average order value and, most importantly, frequency of purchase. The expansion of this product category will also enable the business to recruit customers in Spring and Summer, in addition to our traditional Autumn recruitment programme.

Kleeneze, our direct selling brand, delivered a solid profit performance. Savings achieved in distribution and administration costs are enabling the brand to invest further in TV advertising and to test advertising on radio.

Kitbag had a very successful six months, with strong sales and operating profit growth. During this period a new contract with Everton FC went live. This is the first contract where we are also responsible for design and procurement of merchandise. Everton are delighted with our performance and online sales are running at nearly three times the level for the comparative period under their previous operator.

Webb Group is fast emerging as one of the UK's leading Home Entertainment product providers, with annualised turnover in excess of £66m. Since acquisition in July 2009 we have taken costs out of the business and expanded its customer base. Existing customers are also experiencing growth, especially in the mail order and convenience store sectors, with more people choosing to spend their leisure time at home making this category particularly resilient in recession.

Through tighter stock control the division is not only using less working capital but is also reducing its storage requirements. As a result we have closed two warehouses totalling 265,000 square feet, delivering an annualised saving of £1.8m. A further warehouse is scheduled to be closed by the end of this financial year with additional savings in excess of £1m.

Like-for-like sales (excluding Webb Group and discontinued operations) in the important 34 weeks to 27 November were £1.1m ahead of the same period last year. After including the Webb Group the increase is £18.9m (8%).

Education Supplies

Divisional sales in the first half were 20% lower at £74.5m (2008: £92.7m). Just over half of this shortfall was accounted for by reductions in export and projects which are, by their nature, high value and irregular in timing. Benchmark operating profit was £1.3m (2008: £7.7m). Sales of commodity products have remained more resilient than those of a discretionary nature, which has had an impact on gross margin.

In the 34 weeks to 27 November 2009 divisional sales were 15% down overall, an improving trend on the first half.

We continue to streamline the operations of this division. We have rationalised our stock ranges and, as a result, have all but ceased the use of outside storage and closed our warehouse at Hyde. The actions we have already taken have achieved savings of over £0.75m in the first six months, £3m on an annualised basis. This represents half of the projected £6m annualised savings to be achieved over the two year implementation period.

We enjoy strong sales of commodity products through our regional supplies catalogues. However, these sales have been restricted by the limited geographical areas covered by regional supplies. From January 2010 we will for the first time offer a comprehensive range of commodity products through our Hope Education and NES Arnold brands, which cover the whole of the UK. These products are already featured in our regional catalogues and will therefore not increase the total number of stock lines carried.

We continue to invest in product innovation, where we have developed 321 new products for inclusion in our 2010 catalogues. Key new areas of curriculum development have been researched and appropriate products introduced.

Our strongest sales continue to be with primary and nursery schools where pupil numbers have been in decline since 1999. However, looking forward, the Office for National Statistics is now projecting pupil growth through to 2020.

Healthcare

Divisional sales revenues increased slightly to £30.9m (2008: £30.6m) producing a benchmark* operating profit of £1.0m (2008: £1.4m).

The hiatus we have seen in the market over the last two years, while potential changes to the delivery model were being considered by Government, appears to have come to an end and the list of new contracts coming to the market has now grown substantially. The Primary Care element of the business, which sells assistive technology products to professionals and end users through catalogues and the internet continues to grow. Although small in relation to the rest of the business we believe this will expand to become a meaningful contributor to the division over the next three years.

Divisional sales in the 34 weeks to 27 November are 2% ahead of the comparable period last year.

Prospects

The group's focus remains firmly on cash generation and the further reduction of bank debt. With substantial headroom against our banking facilities over the next two financial years, the group is again in a position to manage its portfolio of businesses to optimise shareholder value.

The economic climate remains uncertain and the board therefore remains cautious. Against this a further £15m of firm cost savings have been identified and will benefit the group in the next financial year. The group's ability to generate improved results should be greatly enhanced by the cost saving actions we have taken and continue to take.

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

K. Chapman
Chairman

3 December 2009

** Benchmark results are defined as being before results of businesses sold or terminated in the current or previous periods, exceptional stock rationalisation costs, amortisation of acquired intangibles in business combinations, share option expenses, other one-off exceptional operating items, (including goodwill and tangible fixed asset impairment, one-off additional debtor provisions, and other exceptional items including net restructuring charges), exceptional finance costs and net fair value re-measurements adjustments to financial instruments, together with the associated tax effect, but includes interest receivable from its associate.*

CONDENSED CONSOLIDATED INCOME STATEMENT

period ended 3 October 2009

	26 weeks to 3.10.2009 (unaudited)		
	Benchmark results £000	Other items* £000	Total £000
Continuing operations			
Revenue	277,182	567	277,749
Cost of sales			
Other cost of sales	(145,464)	(245)	(145,709)
Exceptional stock rationalisation	—	—	—
Total cost of sales	(145,464)	(245)	(145,709)
Gross profit	131,718	322	132,040
Trading costs	(126,431)	(1,235)	(127,666)
Amortisation of intangible assets	(1,511)	(927)	(2,438)
Exceptional operating costs (net)			
– Impairment of intangible assets	—	—	—
– Additional debtors provision	—	—	—
– Impairment of property, plant and equipment	—	—	—
– Other exceptional items	—	(1,182)	(1,182)
Total operating costs	(127,942)	(3,344)	(131,286)
Share of result of associate	(434)	—	(434)
Operating profit/(loss)	3,342	(3,022)	320
Finance income	3,848	1,868	5,716
Finance costs	(15,293)	(11,892)	(27,185)
(Loss)/profit before tax	(8,103)	(13,046)	(21,149)
Income tax income/(expense)	2,269	3,035	5,304
(Loss)/profit for the period attributable to the equity holders of the parent	(5,834)	(10,011)	(15,845)
(Loss)/earnings per share			
Basic	(2.58)p		(7.02)p
Diluted	(2.58)p		(7.02)p

*"Other items" relate to the results from operations sold or terminated in previous periods, stock rationalisation costs, amortisation of intangible assets arising on business combinations, share-based payments, exceptional operating costs (net), exceptional finance costs and derivative remeasurements, together with the associated tax effects, but excludes interest receivable from its associate. "Other items" have been disclosed separately in order to give an indication of the benchmark results of the ongoing businesses of the group.

6 months to 30.9.2008 (unaudited)			52 weeks to 3.4.2009 (audited)		
Benchmark results £000 (Restated)	Other items* £000 (Restated)	Total £000 (Restated)	Benchmark results £000	Other items* £000	Total £000
287,746	6,934	294,680	599,756	17,680	617,436
(146,326)	(3,533)	(149,859)	(290,319)	(11,156)	(301,475)
—	—	—	—	(14,321)	(14,321)
(146,326)	(3,533)	(149,859)	(290,319)	(25,477)	(315,796)
141,420	3,401	144,821	309,437	(7,797)	301,640
(121,719)	(7,721)	(129,440)	(255,225)	(16,413)	(271,638)
(1,018)	(940)	(1,958)	(1,949)	(1,775)	(3,724)
—	—	—	—	(17,346)	(17,346)
—	—	—	—	(14,429)	(14,429)
—	—	—	—	(3,075)	(3,075)
—	—	—	—	(16,443)	(16,443)
(122,737)	(8,661)	(131,398)	(257,174)	(69,481)	(326,655)
(439)	—	(439)	403	(4,743)	(4,340)
18,244	(5,260)	12,984	52,666	(82,021)	(29,355)
5,850	247	6,097	12,471	—	12,471
(17,232)	—	(17,232)	(31,693)	(3,361)	(35,054)
6,862	(5,013)	1,849	33,444	(85,382)	(51,938)
(1,852)	1,309	(543)	(8,207)	18,609	10,402
5,010	(3,704)	1,306	25,237	(66,773)	(41,536)
4.14p		1.08p	20.87p		(34.35)p
4.11p		1.07p	20.87p		(34.35)p

CONDENSED CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

period ended 3 October 2009

	26 weeks to 3.10.2009 (unaudited) £000	6 months to 30.9.2008 (unaudited) £000 (Restated)	52 weeks to 3.4.2009 (audited) £000
Currency translation differences	(473)	494	1,783
Net (expense)/income recognised directly in equity	(473)	494	1,783
(Loss)/profit for the period	(15,845)	1,306	(41,536)
Total recognised income and expense for the period	(16,318)	1,800	(39,753)
Attributable to:			
Equity holders of the parent	(16,318)	1,800	(39,753)
Effects of changes in accounting policy and practice			
Attributable to:			
Equity holders of the parent			
Brought forward at beginning of period		(18,818)	(18,818)
Expense for the period		(2,804)	(2,462)
Carried forward at end of period		(21,622)	(21,280)

CONDENSED CONSOLIDATED BALANCE SHEET

as at 3 October 2009

	3.10.2009 (unaudited) £000	30.9.2008 (unaudited) £000 (Restated)	3.4.2009 (audited) £000
ASSETS			
Non-current assets			
Goodwill	83,786	64,461	54,073
Other intangible assets	85,877	87,095	80,724
Property, plant and equipment	53,608	58,413	53,034
Investments in associates	—	4,523	622
Loans and receivables	—	31,462	33,654
	223,271	245,954	222,107
Current assets			
Inventories	98,315	117,558	75,168
Trade and other receivables	269,850	301,363	240,538
Derivative financial instruments	88	428	—
Current tax receivable	—	—	1,954
Cash and cash equivalents	48,021	3,845	9,924
	416,274	423,194	327,584
Total assets	639,545	669,148	549,691
LIABILITIES			
Current liabilities			
Trade and other payables	104,231	125,671	90,757
Current tax liabilities	994	8,055	—
Obligations under finance leases	1,268	1,044	1,393
Bank overdrafts and loans	57,735	69,180	42,204
Derivative financial instruments	1,438	39	3,219
	165,666	203,989	137,573
Non-current liabilities			
Bank loans	343,192	344,658	341,558
Obligations under finance leases	292	1,931	854
Deferred tax liabilities	8,592	9,705	6,752
Retirement benefit obligation	7,119	10,132	8,212
	359,195	366,426	357,376
Total liabilities	524,861	570,415	494,949
NET ASSETS	114,684	98,733	54,742
EQUITY			
Share capital	24,472	4,257	4,257
Capital reserves			
Capital redemption reserve	403	403	403
Share premium account	79,228	24,002	24,003
Merger reserve	29,518	29,518	29,518
Own shares	(1,517)	(2,974)	(976)
Liability for share-based payments	2,703	1,933	1,342
	110,335	52,882	54,290
Translation reserves	819	3	1,292
Retained earnings	(20,942)	41,591	(5,097)
TOTAL EQUITY	114,684	98,733	54,742

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

period ended 3 October 2009

	26 weeks to 3.10.2009 (unaudited) £000	6 months to 30.9.2008 (unaudited) £000 (Restated)	52 weeks to 3.4.2009 (audited) £000
Operating activities			
Operating profit/(loss)	320	12,984	(29,355)
Adjustments for:			
Depreciation of property, plant and equipment	3,170	4,177	7,997
Impairment of property, plant and equipment	—	—	3,075
Amortisation of intangible assets	2,438	1,958	3,724
Impairment of goodwill and intangible assets	—	—	17,346
Share-based payment expense	510	591	—
Loss/(gain) on disposal of property, plant and equipment	203	(116)	1,440
Pension contributions less income statement charge	(1,513)	(1,707)	(3,543)
Share of result of associate	434	439	4,340
Operating cash flows before movements in working capital	5,562	18,326	5,024
(Increase)/decrease in inventories	(18,160)	(8,782)	33,886
(Increase)/decrease in receivables	(26,934)	(23,557)	38,343
Increase/(decrease) in payables	10,904	23,940	(11,261)
Cash (used in)/generated from operations	(28,628)	9,927	65,992
Income taxes received/(paid)	8,462	(781)	(2,797)
Interest paid (including £7,892,000 in respect of exceptional financing costs in the 26 weeks ended 3.10.2009)	(20,289)	(12,028)	(24,344)
Net cash (used in)/from operating activities	(40,455)	(2,882)	38,851
Investing activities			
Interest received	870	597	1,497
Proceeds on disposal of property, plant and equipment	452	193	209
Purchases of property, plant and equipment and software development costs	(4,408)	(9,747)	(13,106)
Movement on loan with associate	(8,030)	—	776
Acquisition of subsidiaries	643	—	—
Net cash used in investing activities	(10,473)	(8,957)	(10,624)
Financing activities			
Dividends paid	—	(14,700)	(16,548)
Repayments of obligations under finance leases	(703)	1,887	(614)
Proceeds on issue of shares, net	74,899	60	60
Movement on bank loans	42,167	15,000	(10,851)
Movement on securitisation loan	(2,304)	(2,629)	(5,729)
Net cash from/(used in) financing activities	114,059	(382)	(33,682)
Net increase/(decrease) in cash and cash equivalents	63,131	(12,221)	(5,455)
Cash and cash equivalents at the beginning of the period	(15,046)	(10,255)	(10,255)
Effect of foreign exchange rate changes	(64)	228	664
Cash and cash equivalents at the end of the period	48,021	(22,248)	(15,046)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £000	Capital reserves £000	Translation reserve £000	Retained earnings £000	Total equity £000
At 4 April 2009	4,257	54,290	1,292	(5,097)	54,742
Loss for the period (attributable to equity holders of the parent)	—	—	—	(15,845)	(15,845)
Share issues	20,215	55,225	—	—	75,440
Own shares transferred to Employee Benefit Trust	—	(541)	—	—	(541)
Credit to equity for share-based payments	—	510	—	—	510
Issue of share warrants	—	851	—	—	851
Exchange differences arising on translation of foreign operations	—	—	(473)	—	(473)
At 3 October 2009 (unaudited)	24,472	110,335	819	(20,942)	114,684

	Share capital £000	Capital reserves £000	Translation reserve £000	Retained earnings £000	Total equity £000
At 1 April 2008 (as previously reported)	4,255	52,233	(491)	73,803	129,800
Prior year adjustment	—	—	—	(18,818)	(18,818)
At 1 April 2008 (restated)	4,255	52,233	(491)	54,985	110,982
Profit for the period (attributable to equity holders of the parent)	—	—	—	1,306	1,306
Share issues	2	58	—	—	60
Credit to equity for share-based payments	—	591	—	—	591
Exchange differences arising on translation of foreign operations	—	—	494	—	494
Dividends paid	—	—	—	(14,700)	(14,700)
At 30 September 2008 (unaudited)	4,257	52,882	3	41,591	98,733

	Share capital £000	Capital reserves £000	Translation reserve £000	Retained earnings £000	Total equity £000
At 1 April 2008 (as previously reported)	4,255	52,233	(491)	73,803	129,800
Prior year adjustment	—	—	—	(18,818)	(18,818)
At 1 April 2008 (restated)	4,255	52,233	(491)	54,985	110,982
Loss for the period (attributable to equity holders of the parent)	—	—	—	(41,536)	(41,536)
Share issues	2	59	—	—	61
Exchange differences arising on translation of foreign operations	—	—	1,783	—	1,783
Impairment of own share reserve	—	1,998	—	(1,998)	—
Dividends paid	—	—	—	(16,548)	(16,548)
At 3 April 2009 (audited)	4,257	54,290	1,292	(5,097)	54,742

1. General information

The condensed consolidated financial statements have been approved by the board on 3 December 2009.

The financial information for the period ended 3 April 2009 does not constitute statutory accounts. A copy of the statutory accounts for that period 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.

Going concern basis

The directors have considered the group's forecasts which show that the group should be able to operate within its banking facilities and comply with its banking covenants. Through its various business activities the group is exposed to a number of significant risks and uncertainties, referenced below, which could affect the group's ability to meet these forecasts and hence its ability to meet its banking covenants.

The directors have considered the challenging economic conditions, the current competitive environment in which the group's businesses operate and associated credit risks, together with the available ongoing committed finance facilities and the potential actions that can be taken should revenues be worse than expected to protect operating profits and cash flows.

After making enquiries, the directors have formed a judgement that there is a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. For this reason, the going concern basis has been adopted in preparing the 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 8 to 10 of the group's 2009 Annual Report and Accounts, a copy of which is available on the group's website, findel.co.uk.

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 55%–60% of annual sales occurring during that period.

2. Accounting policies

The condensed consolidated 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 consolidated financial statements as were applied in the group's latest annual audited financial statements, except as noted below, and are expected to be applied in the group's next annual audited statements.

The following new standards and amendments to standards are mandatory for the first time for financial years beginning on or after 1 January 2009:

I. IAS 1 (revised), "Presentation of financial statements". The most significant change within IAS 1 (revised) is the requirement to produce a statement of comprehensive income setting out all items of income and expense relating to non-owner changes in equity. There is a choice between presenting comprehensive income in one statement or in two statements comprising an income statement and a separate statement of comprehensive income. The group has elected to present comprehensive income in two statements. In addition, IAS 1 (revised) requires the statement of changes in shareholders' equity to be presented as a primary statement.

2. Accounting policies continued

II. IFRS 8, "Operating segments". IFRS 8 replaces IAS 14, "Segment reporting" and requires the disclosure of segment information on the same basis as the management information provided to the chief operating decision maker. The adoption of this standard has not resulted in a change in the group's reportable segments.

Certain accounting policies and practices were changed in the group's latest annual audited financial statements.

Brochure costs

Following endorsement by the European Union of "Improvements to IFRSs", changes to IAS 38, "Intangible Assets", require expenditure on catalogues to be written off as incurred. Historically, and in line with a number of similar companies, the group has carried the costs of preparing catalogues until the catalogues have been distributed at which point the benefits of sales associated with the costs of the catalogue are being obtained.

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

	6 months ended 30.9.2008 £000
Inventories (as previously reported)	119,196
Prior year adjustment	(1,638)
Inventories (restated)	117,558
Trade and other receivables (as previously reported)	305,167
Prior year adjustment	(3,804)
Trade and other receivables (restated)	301,363

As a result of this change in policy, the impact on the results for the 26 weeks ended 3 October 2009 was to increase costs in the period by £112,000 (6 months ended 30 September 2008: £1,249,000; 52 weeks ended 3 April 2009: £339,000) and reduce inventories and trade and other receivables by £1,370,000 and £3,275,000 respectively.

Software development costs disclosure

On transition to IFRS it was considered appropriate to classify the amounts relating to software development costs within property, plant and equipment and this treatment continued to be applied thereafter. Having reflected on current practice, and in conjunction with the changes in the capitalisation policy noted below, the directors decided that it would be more appropriate to disclose software development costs within intangible assets. The amounts reclassified to software development costs are disclosed below. This reclassification has had no effect on total fixed assets, net assets, or profit or loss.

	6 months ended 30.9.2008 £000
Software and IT development costs – net book value (as previously reported)	—
Prior year adjustment	9,263
Software and IT development costs – net book value (restated)	9,263

2. Accounting policies continued

Software development costs capitalisation

The directors reviewed the accounting policy and the costs incurred in developing and maintaining software for use by the group, when preparing the 2009 Annual Report and Accounts.

The group has significantly increased its investment in developing and maintaining software systems for managing the group's diverse inventory and customer base and associated internet trading capacity over the past 3 years. The development of software is a continuous process as the business units continue to enhance the underlying systems and operations, and capitalisation of these costs can continue to be supported against future cash flows of the businesses involved. Under IAS 38, "Intangible assets", the cessation of capitalisation should occur when the asset is in the condition necessary for it to be capable of operating in the manner intended by management.

The directors reviewed the historic, current, and ongoing level and nature of the amounts incurred in software development. They determined that the previous practice should be amended such that the cessation of capitalisation of software development costs occurs when the main projects involving external contractors cease and thus that the subsequent internal costs of maintaining and enhancing the existing systems should be expensed.

The directors considered that this was a more robust approach than that adopted in previous years, reflecting the judgemental nature of deciding between whether upgrades to core software systems create a new asset, or enhance or maintain an existing asset.

As a result of this review the amounts disclosed in the accounts were changed, and the comparatives restated, as follows:

	6 months ended 30.9.2008 £000
Property, plant and equipment – net book value (as previously reported)	90,376
Prior year adjustment	(22,700)
Property, plant and equipment – net book value (restated)	67,676

As a result of this review, the impact on the results for the 26 weeks ended 3 October 2009 was to increase the income statement charge for IT development costs by £394,000 (6 months ended 30 September 2008: £2,645,000; 52 weeks ended 3 April 2009: £4,770,000) and reduce property, plant and equipment by £25,219,000.

3. Segmental Analysis

Business Segments

The group has adopted IFRS 8 "Operating Segments" with effect from 4 April 2009. 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 assesses profit performance using operating profit measured on a basis consistent with the disclosure in the group accounts.

Previously, segments were determined and presented in accordance with IAS 14, "Segment Reporting". The adoption of IFRS 8 has not resulted in a change in the group's reportable segments.

For management purposes, the group is currently organised into three operating divisions – Home Shopping, Education Supplies and Healthcare.

These divisions are the basis on which the group reports its primary segmental information.

Segmental information about these businesses is presented below.

26 weeks to 3 October 2009

Revenue

	Home Shopping £000	Education £000	Healthcare £000	Unallocated £000	Total £000
Benchmark	171,805	74,467	30,910	—	277,182
Terminated operations	567	—	—	—	567
Total revenue	172,372	74,467	30,910	—	277,749

Loss after tax

	Home Shopping £000	Education £000	Healthcare £000	Unallocated £000	Total £000
Benchmark operating profit (before associate result)	1,445	1,327	1,004	—	3,776
Terminated operations	(403)	—	—	—	(403)
Total	1,042	1,327	1,004	—	3,373
Share-based payment expense	—	—	—	(510)	(510)
Amortisation of intangible assets arising on business combinations	(447)	(465)	(15)	—	(927)
Exceptional operating costs					
Other exceptional items	(463)	(719)	—	—	(1,182)
Share of result of associate					
Benchmark	(434)	—	—	—	(434)
Operating (loss)/profit	(302)	143	989	(510)	320
Finance income					5,716
Finance costs					(27,185)
Loss before tax					(21,149)
Tax					5,304
Loss after tax					(15,845)

3. Segmental Analysis continued

6 months to 30 September 2008

Revenue

	Home Shopping £000 (Restated)	Education £000 (Restated)	Healthcare £000 (Restated)	Unallocated £000 (Restated)	Total £000 (Restated)
Benchmark	164,385	92,746	30,615	—	287,746
Terminated operations	6,934	—	—	—	6,934
Total revenue	171,319	92,746	30,615	—	294,680

Profit after tax

	Home Shopping £000 (Restated)	Education £000 (Restated)	Healthcare £000 (Restated)	Unallocated £000 (Restated)	Total £000 (Restated)
Benchmark operating profit (before associate result)	9,550	7,721	1,412	—	18,683
Terminated operations	(3,729)	—	—	—	(3,729)
Total	5,821	7,721	1,412	—	14,954
Share-based payment expense	—	—	—	(591)	(591)
Amortisation of intangible assets arising on business combinations	(451)	(465)	(24)	—	(940)
Share of result of associate					
Benchmark	(439)	—	—	—	(439)
Operating profit/(loss)	4,931	7,256	1,388	(591)	12,984
Finance income					6,097
Finance costs					(17,232)
Profit before tax					1,849
Tax					(543)
Profit after tax					1,306

3. Segmental Analysis continued

52 weeks to 3 April 2009

Revenue

	Home Shopping £000	Education £000	Healthcare £000	Unallocated £000	Total £000
Benchmark	366,720	168,252	64,784	—	599,756
Terminated operations	17,680	—	—	—	17,680
Total revenue	384,400	168,252	64,784	—	617,436

Loss after tax

	Home Shopping £000	Education £000	Healthcare £000	Unallocated £000	Total £000
Benchmark operating profit (before associate result)	32,216	15,182	4,865	—	52,263
Terminated operations	(9,889)	—	—	—	(9,889)
Total	22,327	15,182	4,865	—	42,374
Exceptional cost of sales					
Stock rationalisation	(3,002)	(11,319)	—	—	(14,321)
Amortisation of intangible assets arising on business combinations	(815)	(930)	(30)	—	(1,775)
Exceptional operating costs					
Impairment of intangible assets	(17,346)	—	—	—	(17,346)
Additional debtors provision	(14,429)	—	—	—	(14,429)
Impairment of property, plant and equipment	(3,075)	—	—	—	(3,075)
Other exceptional items	(9,506)	(3,732)	(511)	(2,694)	(16,443)
Share of result of associate					
Benchmark	403	—	—	—	403
Other	(4,743)	—	—	—	(4,743)
Operating (loss)/profit	(30,186)	(799)	4,324	(2,694)	(29,355)
Finance income					12,471
Finance costs					(35,054)
Loss before tax					(51,938)
Tax					10,402
Loss after tax					(41,536)

4. Exceptional items

The following is an analysis of the exceptional items arising within the group during the period, all of which have been included in "Other items" in the Condensed Consolidated Income Statement.

	26 weeks to 3.10.2009 £000	6 months to 30.9.2008 £000	52 weeks to 3.4.2009 £000
Exceptional cost of sales			
Stock rationalisation	—	—	14,321
Exceptional operating costs			
Impairment of intangible assets	—	—	17,346
Additional debtors provision	—	—	14,429
Impairment of property, plant and equipment	—	—	3,075
Restructuring costs	1,182	—	9,739
Warehouse reorganisation costs	—	—	1,881
Costs in relation to business closures	—	—	4,823
Exceptional financing costs			
Debt refinancing	11,892	—	—
	13,074	—	65,614

The costs of stock rationalisation, impairment of intangible assets, additional debtors provision and impairment of property, plant and equipment are split by business segment in note 3.

Restructuring costs relate to the Home Shopping business segment £463,000 (52 weeks ended 3 April 2009: £4,683,000), the Education Supplies business segment £719,000 (52 weeks ended 3 April 2009: £1,851,000) and the Healthcare business segment £nil (52 weeks ended 3 April 2009: £511,000), with the remainder £nil (52 weeks ended 3 April 2009: £2,694,000) unable to be allocated to a specific business segment. Warehouse reorganisation costs in the period to 3 April 2009 relate to the Education Supplies business segment. Costs in relation to business closures in the same period relate to the Home Shopping business segment.

5. Taxation

Income tax for the 26 week period ended 3 October 2009 is a charge at 28.0% of benchmark profit before tax and is based on the estimated effective tax rate for the full year.

6. Earnings per share

	26 weeks to 3.10.2009 £000	6 months to 30.9.2008 £000 (Restated)	52 weeks to 3.4.2009 £000
Net (loss)/profit attributable to equity holders of the parent for the purpose of basic and diluted earnings per share	(15,845)	1,306	(41,536)
Losses from terminated businesses (net of tax)	403	2,683	7,120
Exceptional stock rationalisation (net of tax)	—	—	10,311
Share-based payment expense and derivative remeasurements (net of tax)	(1,501)	344	3,361
Amortisation of intangible assets arising on business combinations (net of tax)	667	677	1,278
Impairment of intangible assets (net of tax)	—	—	15,039
Additional debtors provision (net of tax)	—	—	10,389
Impairment of property, plant and equipment (net of tax)	—	—	2,214
Exceptional items (net of tax)	10,442	—	12,978
Share of result of associate (non-benchmark)	—	—	4,744
Prior period adjustment in respect of tax on non-beneficial items	—	—	(661)
Benchmark (loss)/earnings	(5,834)	5,010	25,237
Weighted average number of shares (as previously reported)	225,700,608	83,995,084	83,998,501
Equity issue adjustment	—	36,927,568	36,929,070
Weighted average number of shares (revised)	225,700,608	120,922,652	120,927,571
Dilutive share options	—	906,849	—
Adjusted weighted average number of shares	225,700,608	121,829,501	120,927,571
Earnings/(loss) per share – basic	(7.02)p	1.08p	(34.35)p
Earnings/(loss) per share – benchmark basic	(2.58)p	4.14p	20.87p
Earnings/(loss) per share – diluted	(7.02)p	1.07p	(34.35)p
Earnings/(loss) per share – benchmark diluted	(2.58)p	4.11p	20.87p

Following the placing and open offer and firm placing of 404,312,124 ordinary shares announced on 24 July 2009 and approved at the company's Extraordinary General Meeting on 10 August 2009, 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. The effect of this is to increase the weighted average number of shares for all reported prior periods, with a resulting reduction in the reported basic and diluted earnings per share for the six months ended 30 September 2008 and the 52 weeks ended 3 April 2009.

7. Dividends

	26 weeks to 3.10.2009 £000	6 months to 30.9.2008 £000	52 weeks to 3.4.2009 £000
Amounts recognised as distributions to equity holders in the period			
Final dividend for the period ended 3 April 2009 of nil p (2008: 17.50p) per share	—	14,700	14,700
Interim dividend for the period ended 3 April 2009 of 2.20p (2008: 4.70p) per share	—	—	1,848
	—	14,700	16,548

8. Acquisition of business

On 23 July 2009, the group acquired the remaining 70% of the issued share capital of the Webb Group Limited ("Webb") for a nominal consideration of £3. The transaction has been accounted for by the purchase method of accounting.

	Book value £000	Provisional fair value £000
Goodwill	3,141	—
Intangible assets – brands	—	1,989
Intangible assets – customer relationships	—	3,808
Property, plant and equipment	1,772	1,772
Inventories	5,121	5,121
Trade and other receivables	7,516	7,516
Cash and cash equivalents	643	643
Trade and other payables	(46,457)	(46,457)
Current tax payable	(6)	(6)
Obligations under finance leases	(16)	(16)
Bank loans	(2,273)	(2,273)
Deferred tax liabilities	—	(1,623)
Net liabilities	(30,559)	(29,526)
Acquired net liabilities of existing interest		8,858
Net liabilities acquired		(20,668)
Goodwill arising on acquisition		20,668
Total consideration		—
Net cash outflow arising on acquisition		
Cash consideration		—
Cash and cash equivalents acquired		643
		643

The goodwill associated with the original purchase of the 30% shareholding is £9,045,000. If the acquisition had occurred at the beginning of the year, group turnover would have been £12,230,000 higher, and losses attributable to equity holders of the parent would have been £1,447,000 higher.

The goodwill arising on the acquisition of Webb is attributable to staff acquired as part of the business, strategic acquisition synergies, and other opportunities which are specifically excluded in the identification of intangible assets on acquisition by the relevant accounting standards.

8. Acquisition of business continued

The principal provisional fair value adjustments recorded on the acquisition of the business relate to the recognition of intangible assets and the associated deferred tax liability.

Webb contributed £6,727,000 of revenue and a loss of £633,000 to the group's loss before tax for the period between the date of acquisition and the balance sheet date.

Webb is part of the Home Shopping business segment.

9. Issue of shares and refinancing

On 24 July 2009, the group announced the placing and open offer of 204,312,124 ordinary shares and the firm placing of 200,000,000 ordinary shares at 20p per share. This was approved at the company's Extraordinary General Meeting on 10 August 2009, and the shares were issued on 11 August 2009. Total proceeds raised were £80,862,000, less £541,000 relating to shares transferred to the Employee Benefit Trust, and associated costs of the equity raising of £5,422,000.

The group further entered into agreements for the provision of amended credit facilities on 24 July 2009, which replaced its previous credit facilities, and which comprised:

- a £250m revolving credit facility;
- a £77.3m revolving credit facility which was used to refinance the group's previous uncommitted bilateral overdraft facilities; and
- a £37.7m super senior facility which was used to refinance the balance of the group's previous uncommitted bilateral overdraft facilities and up to £20m to provide new working capital to the group. This has subsequently been repaid.

The group incurred exceptional costs in the period of £11,892,000 in respect of fees associated with this debt refinancing. Amounts drawn under the above facilities carry interest at a premium over LIBOR. This premium is fixed until 31 March 2010 and thereafter is variable determined by reference to the group's ratio of net borrowings to earnings.

10. 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 23 July 2009, the date on which the remaining 70% of the shares of the group's associate, Webb, were acquired, group purchases from Webb, on normal commercial terms amounted to £1.60m (6 months ended 30 September 2008: £2.61m; 52 weeks ended 3 April 2009: £6.91m) and in the same period the group supplied goods and services to its associate of £0.01m (6 months ended 30 September 2008: £5.60m; 52 weeks ended 3 April 2009: £7.61m). As Webb is now part of the group, there is no requirement to disclose the balances outstanding with other group companies at 3 October 2009. Historically, the group's trade indebtedness to its associate was £0.60m at 30 September 2008 and £1.74m at 3 April 2009 and that of its associate to the group was £9.95m at 30 September 2008 and £6.70m at 3 April 2009. At 3 April 2009, the group had loans receivable from its associate of £33.70m (30 September 2008: £27.09m). During the current period interest income of £0.86m has been recognised on the loan (6 months ended 30 September 2008: £1.83m; 52 weeks ended 3 April 2009: £3.52m).

10. Related party transactions continued

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 3 October 2009, group purchases from Herbert Walker, on normal commercial terms amounted to £0.20m (6 months ended 30 September 2008: £0.16m; 52 weeks ended 3 April 2009: £0.32m) and in the same period the group supplied goods and services to Herbert Walker of £0.09m (6 months ended 30 September 2008: £0.06m; 52 weeks ended 3 April 2009: £0.11m). At 3 October 2009 the group indebtedness to Herbert Walker was £0.07m (30 September 2008: £0.06m; 3 April 2009: £0.04m) and that of Herbert Walker to the group was £0.02m (30 September 2008: £0.03m; 3 April 2009: £0.02m).

The group continues to lease the properties at Hyde, Nelson and Padiham as disclosed in notes 36 and 39 to the 2009 Annual Report and Accounts.

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;

(b) the interim Chairman's Statement and condensed consolidated 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 consolidated 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 B Maudsley	C D Hinton
Chief Executive Officer	Group Finance Director
3 December 2009	3 December 2009

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 3 October 2009 which comprises the condensed consolidated income statement, the condensed consolidated balance sheet, the condensed consolidated statement of recognised income and expense, the condensed consolidated cash flow statement, the condensed consolidated statement of changes in equity and related notes 1 to 10. 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 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. Our work has been undertaken so that we might state to the company those matters we are required to state to them in an independent review 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 formed.

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 Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

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

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 United Kingdom. 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 26 weeks ended 3 October 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

Deloitte LLP
Chartered Accountants and Statutory Auditors
Leeds
3 December 2009