Findel plc

ANNUAL REPORT & ACCOUNTS 2018

The Findel group contains market leading businesses in the UK online value retailing and education supplies markets

Contents

Highlights

Group

- Strong sales performance with Group like-for-like* revenue of £479.0m up 5.9% on prior year (reported revenue up 4.8% on a reported basis of 52 weeks in FY18 compared to 53 weeks in FY17), driven by growth in sales and customer numbers at Express Gifts
- Adjusted operating profit* up by 15.4% to £36.0m
- Adjusted profit before tax* up by 21% to £26.8m, with no individually significant items
- Profit before tax of £22.1m (FY17: loss of £59.4m)
- Core net debt* down by £7.1m to £73.8m, with nearly all net debt* now funding paying trade receivables

Express Gifts

- Further growth in the customer base at Express Gifts, now standing at 1.8m active customers, up by 0.2m on 2017 and up by a third in the last two years
- Product revenue growth of 9.6% on a like-for-like basis* to £285.1m (8.7% on a reported basis)
- Clothing sales particularly strong, up 14.2%, with over half of new customers buying from these ranges during the year
- Increase in online customer ordering to 68% (FY17: 63%) with over 84% of new customers placing their first orders online (FY17: 71%)
- Financial services revenue on a like-for-like basis* increased by 9.0% to £108.1m
- Bad debt as a % of revenue reduced from 7.7% to 7.2% driven by strong collections and recoveries
- New financial services platform successfully implemented across the whole customer base
- Customer redress programme proceeding to plan and within current provisions, on track to be completed in the coming months

Education

- Substantial transformation in online sales resulting from strategic pricing changes in September 2017, with exit run-rate of *c.*50% of orders coming online, up from 19% in March 2017
- Revenue fell by 6.2% on a like-for-like* basis (6.7% reduction on a reported basis) with the rate of decline in core school brands slowing from 10% in H1 to 2% in H2
- Increased levels of Far-East sourcing underway, aimed at offsetting the impact on margin of further investment in FY19
- Cost base reductions delivered across the business, bringing the overheads/sales ratio down by 50bp to 31.0% after absorbing implementation costs

* This is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on page 19.

Financial Highlights

	2018	2017	Change
Revenue – like-for-like basis*	£479.0m	£452.4m	+5.9%
Revenue	£479.0m	£457.0m	+4.8%
Adjusted operating profit*	£36.0m	£31.2m	+15.4%
Adjusted operating profit margin*	7.5%	6.8%	+70bps
Adjusted profit before tax*	£26.8m	£22.2m	+21%
Profit/(loss) before tax	£22.1m	(£59.4m)	n/a
Profit/(loss) for the year	£19.6m	(£57.7m)	n/a
Free cash flow generation*	£16.4m	£13.3m	+23%
Core net debt*	£73.8m	£80.8m	-8.7%
Overall net debt*	£232.3m	£225.0m	+3.3%

* This is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on page 19.

Our Brands

GLS

studio
studio.co.uk

ace
ace.co.uk

HOPE EDUCATION
Inspire · Create · Educate

Chairman's Statement

"I am pleased to report on a successful year of delivery and progress against our strategic plans."

Ian Burke
Chairman

Dear Shareholder,
Welcome to our 2018 Annual Report and Accounts.

I am pleased to report on a successful year of delivery and progress against our strategic plans. Express Gifts saw particularly strong growth in operating profit, leading to growth in the overall adjusted profit before tax* for the Group, of 21% on the previous year. The Group reported a profit for the year of £19.6m (FY17: loss of £57.7m).

Our businesses are focused on delivering great-value products to their customers across all channels. In particular, both businesses continue to make good progress in their digital transformations, in line with the ongoing shift in their separate customer bases preferring to shop online. Express Gifts, led by its Studio brand, has seen this pattern for several years and now has 68% of its 1.8m customers ordering online. However, for Education this has been a more rapid change with online orders increasing from *c.*19% to approximately 50% over the last year. These are trends that we anticipate will continue.

Financial performance

Our largest business, Express Gifts saw its customer base grow by 13%, which helped revenue for the Group to grow by 5.9% in the year on a like-for-like basis* (4.8% on a reported basis *vs.* the 53-week period last year). with adjusted profit before tax* increasing to £26.8m (FY17: £22.2m). Unlike previous years, there were no individually significant items to report, with cash outflows from provisions booked in previous years occurring in line with our expectations.

Core net debt* fell by £7.1m to £73.8m, despite debt supporting the growth in customer receivables* increasing by £21.1m to £221.8m (FY17: £200.8m) and a *c.* £17m outflow in respect of the legacy customer refund programme.

Dividends

The Board continues to prioritise investment in improving digital capabilities and in strengthening the financial position of each of the operating subsidiaries' balance sheets, and that of the parent company, which has accumulated losses of £95.5m. As such, the Company does not have plans to reinstate dividend payments at this stage.

Management and Board

The changes that we made to our executive team in April 2017, led by our CEO Phil Maudsley, have contributed to the strong performance seen over the last year. Stuart Caldwell was appointed permanent Group CFO in July 2017 having acted in the role since April.

Eric Tracey, our Senior Independent Director, will be retiring from the Board after the AGM in July 2018 having served for almost nine years. He has made a major contribution to the reshaping of the Group during that period. We wish him well for the future.

Elaine O'Donnell joined the Board in February 2018 as a non-executive director and will succeed Eric as chair of the Audit Committee in July. Greg Ball will assume the role of Senior Independent Director at the same time.

Employees

On behalf of the Board, I would like to thank all of our employees for their ongoing commitment and hard work in transforming Findel into a digital-first business, which has underpinned the Group's improved performance this year.

Current trading

The early weeks of our financial year are always relatively quiet trading periods for our businesses. However, the performance to date has been encouraging and in line with our expectations. A fuller update on trading will be given at our AGM, which will be held at the end of July.

Outlook

We are confident in the medium-term prospects for the Group, with Express Gifts able to see further growth in its customer base through its clear focus on providing great value products to its customers and transforming itself for a digital future. Express Gifts aims to be forward-looking and proactive in its approach to financial services regulation and risk management to ensure that it achieves sustainable returns.

The operational turnaround of Education continues to show encouraging results, but we will learn more about the likely pace of translation into profit once the seasonal back-to-school peak period has been completed in September.

We are encouraged by the start to the new financial year from both businesses, and remain confident in the opportunities for future profitable growth.

Ian Burke
Chairman

5 June 2018

* This is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on page 19.

STRATEGIC REPORT 1—23
GOVERNANCE 24—76
CONSOLIDATED FINANCIAL STATEMENTS 77—128
COMPANY FINANCIAL STATEMENTS 129—140

Chief Executive's Review

"I am delighted with the Group's progress over the last year. Both businesses are moving firmly in the right direction, gaining customers and embracing a world of digital ordering."

Phil Maudsley
Chief Executive Officer

A year ago, I said that my challenge as the new CEO was to build on the good work achieved in recent years and put in place the strategies to unlock the potential in our two businesses. It was also important to eliminate individually significant charges that have undermined our performance in previous years.

I am delighted to report that we have more customers shopping with Studio than ever before, that our Education business has seen a transformational shift in the last year towards online ordering, and that our improved results for FY18 were delivered cleanly without unpleasant surprises.

We are excited by the potential within both businesses for further growth in the coming years and have clear strategies in place aimed at securing that growth. A clear focus on the needs of the customer and a forward-thinking approach to digital developments are critical to our future success.

Customers are at the heart of our businesses

The way our customers shop and the world of online retail has changed dramatically over the last decade. New ways of online ordering have developed, initially via desktop computers and now increasingly via mobile phones. While catalogues remain an important marketing tool for us, online has increasingly become the channel of choice.

New skills and technologies have emerged for web-based shops such as Studio. New levels of customer expectation are being set, often driven by new competitors in the market, especially for online payment channels and management of customer queries. Artificial intelligence tools that harness our data and trends can now be deployed in many aspects of our business, by monitoring price competition to ensure Studio maintains its value proposition, personalising the shopping experience of customers based on past purchases, and aiding customer experience tools.

This combined view of catering for customers' evolving needs in a digital world is at the forefront of our development. Express Gifts has made many key infrastructure changes over the last few years, and whilst the use of online ordering in Education's market has been much slower to emerge, we have seen rapid transformation there over the last few months.

Building strategies for growth

Express Gifts, with its Studio brand, has a clear focus on being a leading online value retailer with a broad offer covering clothing and footwear, home and leisure and gifts products along with flexible payment options. This is proving to be a sweet spot in the market, resulting in its customer base increasing by over a third in the last two years to stand at 1.8m, with further room for growth in both customer numbers and our share of their wallet. Having battled headwinds from rising import costs in recent years, the business is now aiming to improve its retail profitability, as well as profit, through better buying practices and range expansion.

Express Gifts' financial services activities provide a valuable second revenue stream. However, as a responsible lender in this regulated market, we need to remain alert to changes in our customers' circumstances to ensure they can afford to pay for the products they buy. We apply tight underwriting standards to ensure that we maximise the sustainable opportunity and plan to build on the implementation of the Financier platform in October 2017 by offering new financial services products to certain customers in the coming months. We also recognise the challenges presented to our sector by the FCA's recent consultation paper regarding high cost credit and will continue to support that consultation process through our trade bodies, whilst at the same time continuing to make appropriate incremental adjustments to our business processes. We continue to plan proactively in response to the developing regulatory landscape.

Sustainable growth needs to be built on strong foundations, so we are also focused upon improving aspects of Express Gifts' infrastructure over the next few years. This encompasses physical aspects in our warehousing and logistics network, increasing our cyber-resilience and management of data, as well as improved rigour in our change management and customer experience processes.

Our Education business needed to change its strategic direction during the last year to prevent further loss of market share. It introduced a strong incentive for schools and nurseries to shift their ordering away from traditional catalogue channels in favour of upgraded websites, by offering reductions of up to 30% against catalogue prices on many key items when ordering online. At the same time, additional online tools were developed to help teachers save time by automatically comparing our prices against the competition to demonstrate best prices and encouraging switching to our own brand Classmates range to save money. The investment in product margin will be mitigated in the next few months as more Far-East sourced product arrives. The business has also seen an overhaul of its cost base as it strives to achieve a 10% return on sales in the medium term. We are encouraged by the progress being made by Education in the last six months.

Leadership

It is vital that we have strong and experienced leadership teams in place to deliver on these opportunities. Express Gifts has made several key executive appointments over the last year, notably in HR, finance and IT to build stronger foundations for future growth. Additional investment has been made in our Far-East sourcing operation to support that important aspect of our strategic plans, and we have recently transferred the leadership of that function from Hong Kong to Shanghai. Finally, we have transferred skills and leadership from Express Gifts over to Education to accelerate its development of Far-East buying, commercial and digital marketing.

Brexit

At the current time, there remains little clear guidance on how leaving the European Union will affect our businesses. We have weathered the immediate impact following the referendum in June 2016 upon import costs and we continue to hedge our planned foreign-currency purchases on a rolling 12 month basis to mitigate the impact of further currency fluctuations on our supply chain.

The majority of Express Gifts' supplies are sourced, either directly or indirectly, from outside the European Union. All of Express Gifts' customers are based in the UK and Education's international customers transact in Sterling. Therefore, any imposition of customs tariffs, is not anticipated to have a material impact on our operations at this stage.

Potential collaboration with Sports Direct

We announced in March 2018 that we were exploring possibilities for commercial supply arrangements between Express Gifts and our largest shareholder, Sports Direct International plc. Certain licenced menswear ranges have been included within the Studio Spring/Summer season and we will evaluate their success in the coming months. We are also exploring the potential for access to other Sports Direct owned brands in future seasons, as well as ways in which Sports Direct can help to improve our own supply chains.

Focus for the future

Both businesses have made promising starts to the new financial year, although both have their key trading months ahead of them. Over the next couple of years, Express Gifts aims to grow its retail profits and margins, whilst maximising a sustainable level of profit from financial services and ensuring strong foundations are being built for the future. Education aims to continue regaining lost customers by saving schools time and money from online purchases.

Remaining focused upon our customers' needs, investing in digital technologies and delivery of our strategic objectives will enable profitable growth over the medium term.

Phil Maudsley
Chief Executive Officer

5 June 2018

Our Businesses and Strategic Objectives

Entity	Summary Description	Principal Strategic Objectives
Findel plc	Central holding company – Capital and resource allocation – Leadership and oversight – Shared service provision as appropriate	– Maximising value for shareholders – Setting overall vision and strategy of the Group – Overseeing the control environment and risk management throughout the Group – Determining and implementing appropriate financing resources
Express Gifts	A leading UK online value retailer with a broad offer covering clothing and footwear, home and leisure and gifts products along with flexible payment options	Increase the profit, profile and margins from the business through: – Increasing the profitability of our retail sales – Maximising the sustainable return from our financial services activities – Ensuring that the business is built on strong, professional and sustainable foundations
Education	One of the leading suppliers of resources/equipment to schools in the UK and overseas	– Regaining market share in UK brands through competitive prices and use of online technologies to deliver a 10% return on sales in the medium term

Key Strategic Priorities	Progress in year	Future plans
– Ensuring rigorous review of strategic direction and performance management of each business – Ensuring that experienced management teams are deployed in the businesses to execute the strategy plans – Monitoring risk levels against appetites and relevant actions – Monitoring the overall consumption of capital resources by the businesses to maintain adequate funding headroom	– Changed the structure and composition of the executive leadership team and reverted to a normal form of corporate governance. – Oversaw a material change in strategy for Education, aimed at regaining market share and a rapid adoption of online ordering. – Strengthened the planning and forecasting functions to improve stakeholder confidence – Agreed a £15m increase in the securitisation facility to £170m to support receivables growth	– Update and agree strategic and financial objectives for each business and incentivise delivery – Monitor management succession plans in each business – Develop plans for refinancing debt facilities during 2018 – Review medium-term property and warehousing requirements across the Group
– Use data-driven marketing techniques, focused on increasing the number of customers in our target audience – Improve customer experience and migrate increasingly to digital channels to drive customer retention. – Delivering great value and surprising products, whilst using improved sourcing processes to increase profit – Treating customers fairly whilst maximising the commercial benefits of our flexible credit proposition – Continued investment in versatile systems and robust processes to improve business efficiency and support increased use of online channels	– Significant growth in the customer base, with online order levels increased from 60% to 68% with 84% of new customers using websites for ordering – Implemented the Financier system to provide a more versatile and robust platform for our financial services activities – Strengthened the management team in a number of key areas – Developed change-management structures to coordinate, prioritise and deliver transformation plans – Migrated our Far-East sourcing activities into China to streamline processes	– Invest further in digital and TV advertising to raise the profile of Studio and continue increasing the customer base – Move towards full seasonal planning for buying and merchandising to maximise product margins and increase sales – Implement further website, marketing and customer experience tools to increase customer retention and sales – Upgrade key elements of the warehouse infrastructure to improve reliability – Complete the customer refund programme – Trial new financial services products to our customer base
– Ensure that a high proportion of goods are either at or below our main competitors' prices when purchased online – Reduce buying costs to improve price competitivity and reduce overhead and logistics processes to improve profitability – Increase the level of online ordering through seamless integration with schools' operating systems	– New pricing strategies implemented mid-year alongside new websites to integrate with industry-standard school systems and promote online ordering – Successful award of key contracts in Scotland and Northern Ireland – Own-brand "Classmates" ranges overhauled and relaunched	– Continue with roll-out of new website functionality and school system integration – Increase the proportion of goods purchased from the Far-East to reduce buying costs – Rollout Classmates and expand its range to improve value for schools without compromising on quality

Express Gifts

"A digital first, value retailer."

Summary income statement

£000	2018	2017†	% change
Product revenue	285,065	262,240	8.7%
Financial services revenue	108,116	101,080	7.0%
Sourcing revenue	196	1,971	-90.1%
Reportable segment revenue	393,377	365,291	7.7%
Product cost of sales	(198,113)	(181,247)	-9.3%
Financial services cost of sales	(28,156)	(27,963)	-0.7%
Sourcing cost of sales	(205)	(1,747)	88.3%
Total cost of sales	(226,474)	(210,957)	-7.4%
Gross profit	166,903	154,334	8.1%
Marketing costs	(40,741)	(37,296)	-9.2%
Distribution costs	(35,183)	(35,959)	2.2%
Administrative costs	(47,189)	(44,459)	-6.1%
EBITDA*	43,790	36,620	19.6%
Depreciation and amortisation	(7,455)	(6,441)	-15.7%
Operating profit	36,335	30,179	20.4%
Product margin %	*30.5%*	*30.9%*	*-40bp*
Bad debt charge as a % of revenue	*7.2%*	*7.7%*	*-50bp*
Operating profit %	*9.2%*	*8.3%*	*+90bp*

* this is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on page 19.

† 2017 figures are stated before individually significant items

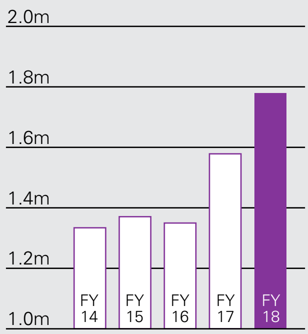
Key Investment Features

1. A strong record of increasing the customer base and improving product sales.
2. Ongoing buying and supply chain efficiency improvements help to deliver better value to our customers whilst sustaining margins.
3. The in-house managed credit facility provides additional revenue and further enables retail sales growth.
4. Already on a digital transformation with 68% of sales made online.
5. A clear strategy, plans to invest in systems, alongside a strengthened management team led to long-term growth opportunities in the value retail sector.

KPIs – measuring our progress

Customer base

1.8m

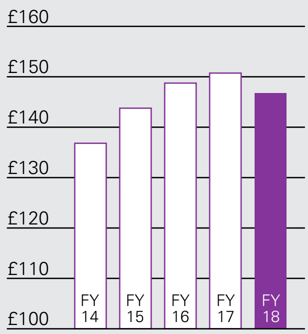


How it is measured?
Active customer accounts at the end of each calendar year.

Why is it used?
To show the base from which future sales can be made.

Spend per customer

£147

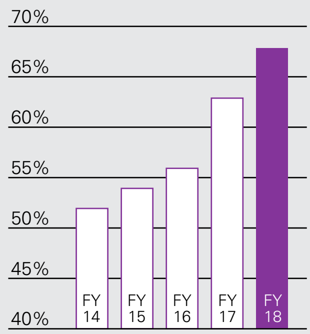


How it is measured?
Total product sales divided by active customers.

Why is it used?
To illustrate the level of future sales that can be made from the customer base.

Online ordering

68.0%

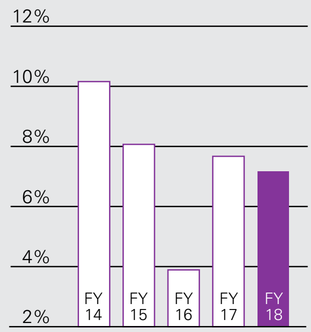


How it is measured?
Proportion of the year's product sales placed using an online route – financial year.

Why is it used?
To show the changing nature of customer ordering patterns.

Bad debt as % revenue

7.2%



How it is measured?
Bad debt charge for the year as a % of revenue for the year.

Why is it used?
To show trends in the quality of the credit portfolio.

A Digital First, value retailer with the customer at the heart of everything we do

Express Gifts has its heritage as a catalogue business, originally in gifts, cards and Christmas goods, but has transformed itself over the last few years to be an online retailer with a broad product offer, targeting value-conscious customers.

It has around 70% of sales transacted online and predominantly trades under the 'Studio' brand (which accounts for *c.* 90% of turnover) as well as the smaller 'Ace' title. Through its websites and catalogues it offers everyday exceptional value across clothing, home and leisure, toys and gift products, with many items personalised free through an in-house facility. Alongside the value product offer, Express Gifts provides a flexible credit proposition for customers, which creates a point of difference to other retailers.

A new management team has been put in place at Express Gifts over the last year and they have clarified future plans around three strategic pillars:

- Improving Retail Profitability
- Maximising the Financial Services Opportunity
- Building Strong Foundations for the Future

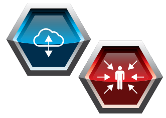
On the back of this, a transformation programme has been initiated to deliver against the three strategic pillars. This re-shapes processes to meet the needs of an online world and utilises data and digital technologies to enable future growth.

Retail profitability

Improving retail profitability is driven by increasing our customer base, through brand, customer experience and range development and, at the same time, improving product planning and sourcing processes to drive margins whilst keeping tight control of costs to ensure the value proposition for customers is maintained.

By offering exceptional value products and increasing use of digital technologies, Express Gifts is continuing to appeal to a wider audience, with its core target customers aged 25-55.

A DIGITAL FIRST, VALUE RETAILER WITH THE CUSTOMER AT THE HEART OF EVERYTHING WE DO



We will deliver this by combining great value and surprising products, with data driven marketing techniques and supported by flexible credit facilities, designed around our target customers. To underpin the value proposition our operations and processes are lean and efficient whilst being robust and resilient.

3 Strategic Pillars

By growing the customer base, range development and then improving product sourcing to build margin, with a constant focus on costs to underpin the value proposition.

Utilise new products and systems to further develop payment options for customers which in turn further enables retail sales.

Investing in technology and business infrastructure to support ongoing growth, whilst developing our people and processes to offer a modern, professional servcie to customers.

In the year, 1.8m customers shopped with us which is 13%, or 200,000 more than the prior year. This builds on the success seen over the last few years as we have continued to focus on promoting our 'showcase products', and increased use of digital marketing and TV advertising has resulted in more new customers being attracted to our principal 'Studio' brand. We have also seen the benefit from this marketing activity on the established customer base and we consider that this has had a 'halo effect'. This strong customer base gives a platform for revenue growth in future, although there is further capacity for expansion in this marketplace so we will continue to invest in marketing and new customer acquisition.

"In the year, 1.8m customers shopped with us which is 13%, or 200,000 more than the prior year."

We know that it often takes time for customers to develop an established shopping pattern with us, and for us to recoup our acquisition costs. New customer segmentations have been introduced allowing improved targeting of marketing communications. Through information gained via our Net Promoter Score survey and root cause analysis of customer issues, we are making changes to policies and processes to enhance customer experience. We are also focused more generally on improving how we engage customers and their experience with Studio. This will deliver better customer retention and spend and therefore improve the lifetime value of customers.

Further success in the year has also been achieved in terms of online growth. Investment in developing our websites' functionality and particular focus on the mobile experience has seen the percentage of sales online grow from 63% to 68% in the year. For new customers this went up from 71% to 84% and for our youngest customer group (under 25) it increases further to 97%.

STRATEGIC REPORT 1—23
GOVERNANCE 24—76
CONSOLIDATED FINANCIAL STATEMENTS 77—128
COMPANY FINANCIAL STATEMENTS 129—140

In 2016, Express Gifts moved its websites to IBM's Commerce platform and then introduced Qubit technology, allowing us to begin to personalise to the customer experience and increase the versatility of our online shops. In 2017, we continued to improve functionality and the way products are presented to customers via our websites, as well as introducing Aura which enhanced the mobile experience though product recommendations. For 2018, we have a roadmap of further digital developments, including use of artificial intelligence tools, with regular releases throughout the year. Our objective remains to make Studio the leading online value retailer and to be the destination of choice for our value-conscious customers.

To attract customers to visit our websites we use a mix of activities, which still include catalogues and direct mailings. We view these now as marketing contacts and, given the high online penetration that has developed, we are running a variety of tests to optimise the use of these. For some customers smaller books are just as effective as the traditional larger catalogue and this also helps reduce costs. Using our experience in data analytics we can then drive better targeting and cost efficiency.

Within Express Gifts' product offering, we have developed our ranges over the last few years so that Studio gives customers a wide department store offer, all focused around fantastic value for money. Clothing has been a significant growth sector in recent years and potential still remains within clothing, given it accounts for only 28.9% of total sales. It also helps to increase customer order frequency.

	% of Total sales	Year on Year growth %
Clothing	28.9	14.2
Household	38.7	16.7
Toys and Gifts	15.2	0.5
Electricals	11.7	0.5
Traditional and other	5.5	—
Total	100.00	8.7

Following the Brexit vote in June 2016 and the subsequent depreciation in Sterling, we took action to mitigate the impact on cost prices. We actively reduced the number of stock lines within the business to concentrate our buying and have worked with suppliers as well as our own Far-East offices to find further efficiency in sourcing. These actions mitigated the exchange rate impact upon the product gross profit margin to just 40bp during FY18, slightly better than our expectations, whilst continuing to maintain the value offer for our customers.

Moving forward, we are introducing a new seasonal planning process and continuing to improve sourcing which will allow the margin rate to recover without significant price increases for customers.

In January 2018, we launched a trial offering product facilitated via our largest shareholder Sports Direct to our customer base. This will be evaluated during next year and further opportunities identified.

As a value retailer, Express Gifts has a constant focus on its cost base and balancing this against the need to invest in new systems and capabilities to further drive the digital transformation. One area which we have recently reviewed is our Far-East sourcing offices, where we currently have a presence in both Shanghai and Hong Kong. It has been decided to close the Hong Kong office and focus our in-house sourcing through the Shanghai office to improve our buying capabilities whilst reducing administration costs. We also migrated the majority of our parcel deliveries to Hermes during the year which generated cost savings and improves customer experience through better tracking of their order. In 2018, we are trialling further options for customers to track orders, which should increase satisfaction scores and reduce costs through fewer customers queries about order delivery.

Financial Services

The majority of Express Gifts customers open a flexible account that allows them to either pay for their purchases within a month or spread the costs using the credit facility. This makes it easier for our customers to manage their budgets and provides an additional income stream as interest is charged on outstanding balances. This consumer credit activity is regulated by the Financial Conduct Authority (FCA).

In October 2017, we implemented our new 'Financier' system which manages customer credit accounts. This was a major investment and provides customers with improved and clearer statements, simpler account management through our websites and contact centres, and allows new, relevant financial service products to be introduced in the future. In 2018 we will be seeking to trial these products to gauge customer response.

The programme to refund customers in respect of historical credit and insurance products that were flawed has been substantially completed, with *c.* £21m of the *c.* £29m provision being utilised

to date. The activities are expected to be fully completed by the end of 2018 with no adjustments to the existing provisions anticipated at this stage.

As we have grown the business, financial income has also increased in FY18 by 9.0% on a like-for-like* basis (7.0% on a reported basis). Our bad debt model was updated at the end of FY17 and we now have better clarity and granularity on the quality and performance of the receivables book, allowing us to more proactively manage collection strategies. We continue to sell non-performing receivables to third-parties and have seen improved recovery rates during the year, albeit at levels that may not continue into future periods. These improved rates have encouraged us to amend our strategy to accelerate the point at which certain type of debt are sold compared to FY17 by around six months, and also test the sale of additional types of debt. This has resulted in an additional £3.5m benefit in overall recoveries from debt sales in FY18 which, together with underlying improved collections, helped the bad debt charge as a % of revenue reduce to 7.2% (FY17: 7.7%), a level which may therefore increase in future periods.

Building strong foundations

The final strategic pillar is to invest in the business infrastructure, improve our processes and develop our people so that Express Gifts is a professional and sustainable business into the future.

During peak season, in the period from Black Friday to Christmas, we saw record sales and order volumes with significant increases in website visitors, particularly in response to our TV advertising campaigns. I am pleased to report that our systems performed effectively throughout this peak and our warehouse operations delivered to customers within our service levels. Our customer service operation continues to build upon the capability created in our own Philippines-based contact centre as well as in our UK operation. We also agreed with our outsourcing partners to rationalise the number of third-party centres used, which delivers consistency of service and cost benefits. Increasingly, we will provide customers with the ability to manage enquiries online or utilise other self-serve technology, whilst still providing an expert advisor should they require further help.

To drive and deliver the Express Gifts transformation we have continued to build the senior team. Paul Kendrick took on the role of Managing Director for the business in April 2017, having joined Express Gifts in 2016. Under Paul, we now have a robust executive team with experience in digital transformation, home shopping and financial services. A series of new senior recruits during the last year have complemented the existing team and will be joined by a new Digital Marketing Director later in 2018, who will further help in driving digital and cultural transformation across the business.

We have also commenced an organisational design project across all aspects of Express Gifts to align roles and accountabilities and identify development opportunities for people within the business.

FY18 performance and progress

The ongoing growth of our customer base produced strong revenue growth in what has remained a challenging retail market. Product sales for the year of £285.1m were up 9.6% on a like-for-like basis* (8.7% on a reported basis). Increased costs of imported goods led to a reduction in the gross profit margin rate by 40bp to 30.5%, although this was slightly less than anticipated and the increase in sales volume more than outweighed this leading to gross profit from product sales increasing by 7.4% to £87.0m.

The number of new customers opening credit accounts increased by 23%, leading to a sharp increase in financial services income of 9% on a like-for-like basis* (7.0% on a reported basis). Underlying levels of collections from customers performed well, particularly through the period after Christmas. The business also benefited from a greater level of disposal of non-performing receivables and at improved prices throughout the year. As a result, the bad debt charge for the year was 7.2% of total revenue, down from 7.7% in FY17.

The change in carrier during the year led to a small reduction in distribution costs, despite the growth in sales. Marketing costs increased broadly in line with the growth in product sales, within which an increased proportion was allocated towards digital and TV advertising. Administrative costs increased by 6.1% due to the investments made in improving the resilience of the business.

The strong growth and clear management of the business has delivered an adjusted operating profit* of £36.3m, up on prior year by £6.2m or 20%. There were no individually significant charges in the year and therefore operating profit was £36.3m compared to a loss of £21.3m in FY17.

Education

"Our operational turnaround is progressing well."

Summary income statement

£000	2018	2017†	% change
Revenue	85,582	91,739	-6.7%
Cost of sales	(54,702)	(58,428)	6.4%
Gross profit	30,880	33,311	-7.3%
Marketing costs	(3,393)	(4,479)	24.2%
Distribution costs	(10,013)	(10,798)	7.3%
Administrative costs	(13,084)	(13,745)	4.8%
EBITDA*	4,390	4,289	2.4%
Depreciation and amortisation	(1,488)	(1,624)	8.4%
Operating profit	2,902	2,665	8.9%
Gross profit margin %	*36.1%*	*36.3%*	*-20bp*
Operating profit %	*3.4%*	*2.9%*	*+50bp*

* this is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on page 19.

† 2017 figures are stated before individually significant items

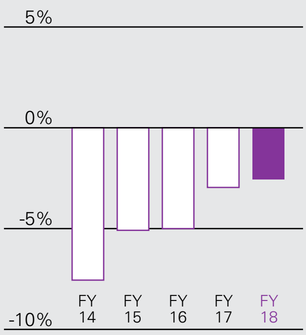
Key Investment Features

1. A clear strategy based on value, service and digital solutions underpinned by cost reduction
2. On target to become the digital market leader during FY19
3. A strong portfolio of highly-regarded regional, national and specialist brands allowing a one-stop shop for schools both in the UK and internationally.
4. A market-leading position in the higher population growth areas of London and the South East as well as strongholds in Scotland and Northern Ireland.

KPIs – measuring our progress

UK core customer number growth

-2.6%

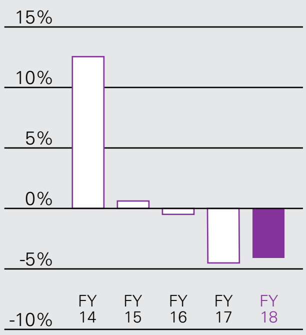


How it is measured?
Annual core customer growth.

Why is it used?
To show the underlying level of growth in the business.

Demand per trader

-4.1%

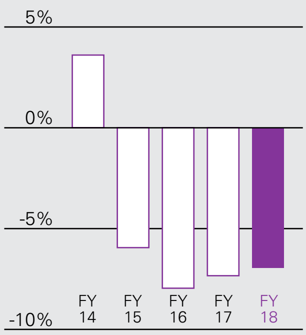


How it is measured?
Annual growth in the annual trader spend.

Why is it used?
To show the trend in sustainable income from the average customer.

UK brands revenue growth

-7.0%

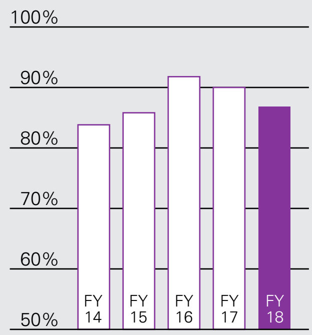


How it is measured?
Annual revenue growth from UK brands (i.e. excluding retail partners and international sales).

Why is it used?
To show the underlying level of growth in the business.

Net promoter score

87.0%



How it is measured?
Proportion of surveyed respondents that would recommend Education net of those that would not.

Why is it used?
To show trends in the business's reputation with its customers and indicate customer loyalty.

Saving Schools Time and Money

Value

'Delivering everything you need at everyday low prices'

- √ Everyday low prices
- √ Online = best prices
- √ Switch & Save

Solutions

'Our market leading digital solutions make shopping easy'

- √ Time saving website

WebFMS

WebFlow

Product

'High quality own brand product offering'

- √ Our 'Big Brand' alternative
- √ One-stop-shop proposition

CLASSMATES®
Amazing quality, low prices.

Service

'Our service is the best in the marketplace'

- √ Award winning CX
- √ NPS 80% +
- √ Education service specialist

Our business model

Education is one of the largest independent suppliers of school and early years resources (excluding IT and publishing) to primary, secondary and nursery educational establishments both in the UK and Internationally (over 130 countries).

It offers three distinct brand propositions: School, Classroom and Specialist each of which supports differing educational resources requirements within schools and nurseries. The School brands (GLS, A-Z and WNW) are primarily focused on servicing the basic commodity needs of all educational establishments with products such as stationery, janitorial supplies, furniture and arts & crafts materials. The Classroom brands (primarily Hope Education) focus on the supply of specialist curriculum and early years teaching aids to Primary School and Nurseries. The Specialist brands (Davies Sports, Philip Harris Scientific, and Learning Development Aids – LDA) are specialists in their respective fields and focus on both Primary and Secondary school establishments.

These products, brands and service strengths also combine to sell resources to International Schools and UK Academy Groups under the Findel Education brand.

Historically, the main channel to market for schools has been via an annual printed catalogue. However, this is changing and at pace with digital procurement now becoming the main ordering channel for School Business Managers. The importance of time saving and convenient online solutions is key to the future of how schools will engage with resources suppliers.

Market structure

The educational resources market in the UK has historically developed along regional geographic lines, with relatively few national brands. Our business has long had market-leading positions in London and the South East, as well as strongholds in Scotland and Northern Ireland. Players in this market have typically either remained under some form of local authority control, typically operating on a non-for-profit basis, or in private sector ownership such as us. This has historically led to different pricing strategies being adopted, with our prices typically being 15-20% higher than comparable not-for-profit suppliers.

It has also been a market that has been relatively slow to adopt digital technologies, unlike other retail and B2B industries. For many years, this has meant that these pricing differentials have been tolerated by the market, as customers have rarely used online price lists to search out best prices. This has now changed.

The need for operational turnaround

At the start of 2017, our transactional websites were significantly inferior to those of our peers. However, increasing use of online ordering from schools and price comparisons searches were revealing that our prices appeared relatively expensive compared to non-for-profit suppliers. Consequently, the business was seeing a loss of market share to our competitors at a faster rate than it had done for several years.

We also recognised that our own-brand alternative products, which should be an attractive way of enabling schools to save money, were poorly regarded by the marketplace on grounds of both relative price and quality. This in turn caused us to challenge ourselves more generally on why we were not making better use of the Group's in-house sourcing capabilities in the Far-East to reduce buying costs.

Finally, we identified that our operational cost base continued to be significantly higher than our peers. Good work had been undertaken in 2016 to consolidate our two warehouse operations into one site. However, it was clear that much more needed to be done to allow the business to deliver a peer-comparable 10% return on sales in the medium term.

How are we delivering the operational turnaround

We have developed a clear strategy based on delivering value and digital solutions to our customers, with quality product and service underpinned by overhead cost reduction.

Our Customer Insight programme has been invaluable in understanding and identifying what our customers truly need to make a difference as to how they will do business both now and in the future.

Value "Delivering everything you need at everyday low prices".

The significant changes in school funding and budgets over an extended period have made teachers and bursars realise that budgets need to go further. In September 2017 we introduced our Online Value proposition, significantly reducing prices of our 800 best-selling products online compared to our offline catalogue prices. Customers are only able to access those lower prices if they shift their ordering patterns online, but this now brings those online prices to comparable levels with the lowest in the marketplace.

We have continued to expand on this value proposition with over 2,000 products now reduced online. This has been a significant investment in margin for the business and is a strategy that we will continue to invest in over the coming year to help us regain market share. This will save schools money.

This Online Value proposition has made strong impact and customer feedback is very positive. Customer numbers have grown by 5% since the launch in September 2017.

Digital "Our market-leading digital solutions make shopping easy"

Our transactional websites were overhauled earlier in the year, to improve search capabilities and introduce other online tools to help save teachers time. By combining it with the Online Value proposition, we have seen online ordering levels increase from 19% at the start of the year to around 50% by the end of the year.

Some of the market-leading digital e-procurement solutions that have been developed include WebFMS and WebFlow, which integrate seamlessly with schools' in-house administration systems and encourage greater customer loyalty.

Our customer insight has identified a clear pipeline of new and easy procurement solutions that will see us become the clear digital leader of the market over the next 12 months.

Product "High Quality own brand offering"

We have challenged our supply chain to reduce prices and improve quality, by making use of our Far-East sourcing office to benchmark prices and/or source alternative products directly from Asia. There is further work that can be done here, building on the increased volumes that we have seen in recent months.

In April 2018 we re-launched our Classmates big brand alternative range, containing over 500 Far-East and UK sourced products of high quality that are up to 45% lower in price than their big brand comparable.

Service "Our service is the best in the marketplace"

We have continued to maintain our impressive Net Promoter score which stood at 87% at the end of March 2018. Convenience is fast becoming the key factor for a customer when selecting an educational resources provider. We continue to invest in systems, processes and digital techniques that support our market-leading service capabilities.

Profitability "Simplifying our business operations to improve the return on sales to peer-levels"

The second phase of the warehouse rationalisation programme, to eliminate duplicated processes and stock, was successfully delivered during the year. We have also continued to reduce our cost base with over £1.3m of additional overhead benefits delivered in FY18 with an additional £1.3m of benefits in place for FY19. Further opportunities are being identified as part of the business's transition from being a traditional catalogue retailer to being an online digital market leader – much as Express Gifts has done in recent years. We have transferred some skills and leadership from Express Gifts to Education to assist with this transition.

FY18 Performance and Progress

In a year of strategic realignment, revenue was down by 6.2% on a like-for-like basis* against the prior year (6.7% on a reported basis). Product margins were slightly lower at 36.1%, although the effect of operational cost savings helped to lift the adjusted operating profit* by 8.9% to £2.9m (FY18: £2.7m). During the year Education successfully re-tendered for the Scotland Excel and NI Library board contracts. These were important wins in two of our key regions where we hold a high percentage of market share and will help to offset the effect for FY19 of Sainsbury's decision to cease the current Active Kids Scheme after 12 years.

The performance in the second half of the year is more instructive as a guide to the future given the introduction of the lower Online Value prices in September 2017 and the strong recovery in performance seen particularly towards the end of the year. H2 revenue fell by 5.2% overall, compared to a like-for-like* decline of 6.9% in H1. Within this, the demand on the core brands moved from being a decline of 10% in H1 to just 2% in H2. This has been achieved through investment in the gross profit margin rate during H2, although this is expected to recover during FY19 as Far-East sourcing benefits are realised. Cost saving initiatives introduced during the year, such as changes to distribution tariffs and reduced headcount, will largely benefit FY19 due to implementation costs being recognised within operating profit in FY18.

STRATEGIC REPORT 1—23
GOVERNANCE 24—76
CONSOLIDATED FINANCIAL STATEMENTS 77—128
COMPANY FINANCIAL STATEMENTS 129—140

Finance Review

"The Group has produced an adjusted profit before tax* of £26.8m in FY18, up by 21% from £22.2m in FY17."

Stuart Caldwell
Group CFO

Group profit before tax

The Group has produced an adjusted profit before tax* of £26.8m in FY18, up by 21% from £22.2m in FY17, as summarised below.

	2018 £000	2017 £000	Change £000
Adjusted operating profit*:			
Express Gifts	36,335	30,179	6,156
Education	2,902	2,665	237
Central	(3,286)	(1,694)	(1,592)
Adjusted operating profit*	35,951	31,150	4,801
Net finance costs	(9,130)	(8,921)	(209)
Adjusted profit before tax*	26,821	22,229	4,592
Individually significant costs	—	(82,152)	82,152
Fair value movement on derivative financial instruments	(4,701)	556	(5,257)
Profit/(loss) before tax	22,120	(59,367)	81,487

The key elements of this improved performance are discussed earlier in the Strategic Report.

The segmental reporting was modified at the start of FY18 to reflect how management view the business and allow a more granular analysis of the Group's cost base. Details of the changes to the operating segments, which have no impact on the overall Group results, are available on the Group's website (www.findel.co.uk).

There were no individually significant items to report in FY18 (FY17: £82.2m). The fair value movement on derivative financial instruments was a charge of £4.7m (FY17: credit of £0.6m). This is presented below the adjusted profit before tax* on the income statement as it relates to hedging contracts that will unwind during FY19.

Pensions

The net valuation on the Group's legacy defined benefit scheme at the end of FY18, measured in accordance with IAS19, moved from a deficit of £5.4m as at March 2017 to a surplus of £2.2m due to changes in longevity expectations, the adoption of a revised approach to the calculation of the discount rate applied to the scheme's liabilities and the additional employer contributions. However, the valuation as measured on an ongoing funding basis, remains in a small deficit position. Therefore, as agreed with the scheme's trustees, the Group has made additional voluntary contributions totalling £2.5m in FY18. It will continue to do so at this level, rising to £5.0m from FY20 until FY23.

Taxation

The Group posted a charge of £2.5m in the year in respect of taxation (FY17: credit of £1.7m). This includes a credit of £2.8m within deferred tax from the recognition of additional tax losses for Education, offset by £0.8m of charge relating to deferred tax liabilities on surpluses within the legacy defined benefit schemes. Adjusting for these two factors, the underlying effective tax rate* for the year was 20.9% (FY17: 21.1%).

Earnings per share

The adjusted earnings per share* for the year increased to 28.12p in FY18 from 20.19p in FY17. The basic earnings per share was 22.68p per share (FY17: loss per share of 66.85p).

Summary balance sheet

	2018 £000	2017 £000	Change £000
Intangible fixed assets	25,175	26,186	(1,011)
Tangible fixed assets	45,350	44,416	934
Net working capital	198,680	165,745	32,935
Net debt*	(232,329)	(224,975)	(7,354)
Other net assets	2,805	5,331	(2,526)
Net assets	39,681	16,703	22,978

Consolidated net assets amounted to £39.7m at the period end (FY17: £16.7m), reflecting the net profit reported and the actuarial gains in respect of the pension deficit. The net assets are equivalent to 46p per ordinary share (FY17: 19p per ordinary share).

Cash flow and borrowings

A part of management's variable incentive plans relates to the generation of free cashflow, as defined in the table below. Free cashflow generation was £16.4m (FY17: £13.3m). After taking account of interest and the net impact of finance leases, the Group's core net debt reduced by £7.1m to £73.8m (FY17: £80.8m), as summarised below.

	2018 £000	2017 £000	Change £000
Adjusted EBITDA*	46,370	40,594	5,776
Increase in Express Gifts' receivables net of securitisation inflows	(4,016)	(7,066)	3,050
Decrease in other working capital	6,879	1,706	5,173
Capital expenditure	(10,595)	(11,723)	1,128
Cash flows in respect of prior period individually significant items	(20,662)	(8,209)	(12,453)
Pension scheme contributions	(2,500)	(2,291)	(209)
Other	895	258	637
Free cashflow*	16,371	13,269	3,102
Net interest payable	(8,305)	(9,107)	802
Repayment of finance leases	(545)	(562)	17
Acquisition of subsidiaries/proceeds from disposal	(450)	1,168	(1,618)
Movement in core net debt	7,071	4,768	2,303
Opening core net debt*	(80,827)	(85,595)	4,768
Closing core net debt*	(73,756)	(80,827)	7,071

Total net debt* at the year-end was as follows:

	2018 £000	2017 £000	Change £000
External bank borrowings	100,000	110,000	(10,000)
Less total cash	(26,244)	(29,173)	2,929
Core net debt*	73,756	80,827	(7,071)
Securitisation drawings	157,504	142,534	14,970
Finance leases	1,069	1,614	(545)
Net debt*	232,329	224,975	(7,354)

The securitisation facility was increased during the year from £155m to £170m to cater for the continued growth in Express Gifts' trade receivables.

Dividends and capital structure

The Company has not received any dividends from its subsidiaries during the period and its balance sheet as at 30 March 2018 shows a deficiency of £95.5m on its retained reserves (FY17: deficiency of £95.3m).

Our ambition over the next few years is to invest in our digital capabilities in order to increase the level of potentially distributable reserves within the primary operating subsidiary, Express Gifts Limited, to enable it to remit dividends to Findel plc. Whilst the subsidiary's reserves have improved during the year, it is anticipated that the adoption of IFRS 9 "Financial Instruments" in FY19 will have an adverse impact upon its reserves of *c.*£21m as discussed below. Furthermore, the adoption of IFRS16 "Leases" in FY20 is also likely to have an adverse impact upon the distributable reserves of Findel plc.

Findel plc is therefore not yet in a position to declare a dividend and does not have plans to reinstate dividend payments at this stage. The directors have determined that no interim dividend will be paid (FY17: £nil) and are not recommending the payment of a final dividend (FY17: £nil).

Indicative impact of new accounting standards

IFRS 9 "Financial Instruments"

This new standard replaces IAS 39 "Financial instruments: recognition and measurement" and will apply to the Group for FY19. Its main impact will be upon the level of bad debt provision and impairment charge required against Express Gifts' trade receivables, by moving from the current approach of an incurred loss model to an expected loss model.

Under IAS 39, impairment provisions are only reflected when there is objective evidence of impairment, which is normally a missed payment. However, the expected loss approach of IFRS 9 is instead based upon the probability of default over the next 12 months, regardless of whether a missed payment has occurred. Consequently, impairment provisions under IFRS 9 are recognised earlier than under IAS 39, with the recognition of profits being delayed. There will also be a one-time adjustment to both receivables, deferred tax and reserves upon adoption.

It is important to note that the lifetime profitability of a customer and the cash received from the customer is unaffected by this change in accounting standard.

STRATEGIC REPORT 1—23
GOVERNANCE 24—76
CONSOLIDATED FINANCIAL STATEMENTS 77—128
COMPANY FINANCIAL STATEMENTS 129—140

Finance Review

An illustration of the impact of IFRS 9 using an unaudited pro forma FY18 income statement and balance sheet as at 30 March 2018 is shown below.

	£000
Adjusted PBT* as reported:	26,821
Unaudited IFRS 9 adjustment	(2,400)
Unaudited adjusted PBT* post IFRS 9	24,421
Receivables as reported	232,666
Unaudited IFRS 9 adjustment	(25,000)
Unaudited receivables post IFRS 9	207,666
Deferred tax asset under existing GAAP	4,249
Unaudited increase due to IFRS 9 adoption	4,000
Unaudited deferred tax asset post IFRS 9	8,249

In assessing the estimated impact, management has applied a number of judgements and assumptions, particularly around the methodology used to calculate the Group's exposure at default. Since interpretations of the requirements of the new standard around this and other technical aspects differ, these judgements and assumptions are subject to change, which could have a material impact on the estimated figures quoted.

The change in accounting standards has no impact upon the Group's debt covenants, which in the case of the revolving bank facility are calculated by reference to IAS 39, and in the case of the securitisation facility by reference to the gross balances owed by the customer.

IFRS 15 "Revenue from contracts with customers"

This new standard replaces several current standards and aims to standardise aspects of revenue recognition. It also applies to the Group for FY19. Its main effect on the Group will be to change the point of recognition of product sales from the point of despatch to the point of delivery to the customer. For most of the Group, the impact will result in a one-time delay of between 1-3 days in the recognition of revenue.

Full retrospective adoption will be applied in the FY19 accounts, with comparative figures for FY18 restated and an adjustment to the opening reserves estimated at £0.7m. It is unlikely to have a material effect upon the restated income statement for FY18.

An illustration of the combined impact of IFRS 9 and 15 on the *pro forma* balance sheet as at 30 March 2018 is shown below.

	£000
Net assets per current GAAP*:	39,681
Unaudited IFRS 9 adjustment	(21,000)
Unaudited IFRS 15 adjustment	(800)
Unaudited net assets per new GAAP*	17,881

Treasury and risk management

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

Interest rate risk management

The Group's interest rate exposure is managed by the use of derivative arrangements as appropriate, details of which are set out in note 19 to the financial statements. The Group has purchased interest rate caps covering the period to November 2019 to protect against the risk of unforeseen increases to LIBOR rates.

Net interest costs for the year were £9.1m, slightly higher than the £8.9m from FY17, reflecting higher LIBOR rates in the second half of the year offset by lower pension scheme interest. This charge was covered 3.9 times by adjusted operating profit* (FY17: 3.5 times).

Currency risk management

A significant proportion of the products sold, principally through the Group's Express Gifts division, are procured through the Group's Far-East buying operations and beyond. The currency of purchase for these goods is principally the US dollar.

The Group's hedging policy aims to cover anticipated future exposures on a rolling 12-month basis. As at the balance sheet date, the Group had forward contracts with an outstanding principal of $86m (FY17: $52m) and an average rate of £1/$1.311. The market value and unrealised loss on those contracts as at the balance sheet date when the prevailing rate was £1/$1.40 was £4.7m (FY17: gain of £0.6m), and is presented separately on the Income Statement as it represents an element of product costs to be realised in FY19 as the contracts unwind. The Group currently has forward contracts in place with an outstanding principal of $89m covering the 12 months to May 2019.

In addition to this direct exposure, the divisions face a significant level of indirect exposure from supplies made by UK suppliers who in turn source goods from overseas. That risk is normally mitigated through a combination of supplier agreements and fixed term pricing, although from time to time there may be a requirement to increase prices to customers to maintain margins.

Borrowing and counterparty risk

The Group's exposure to borrowing and cash investment risk is managed by dealing only with banks and financial institutions with strong credit ratings.

* this is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on page 19.

Alternative Performance Measures

The directors use several Alternative Performance Measures ("APMs") that are considered to provide useful information about the performance and underlying trends facing the Group. As these APMs are not defined by IFRS, they may not be comparable with APMs shown in other companies' accounts. They are not intended to be a replacement for, or be superior to, IFRS measures.

The principal APMs used in this Annual Report are set out below.

Adjusted EBITDA, adjusted operating profit and adjusted profit before tax

Individually significant items are non-recurrent and therefore not reflective of the underlying performance of the Group. We therefore exclude them when assessing segment performance. The Group's foreign exchange hedging policy means that there will be unrealised fair value gains or losses at the period end relating to contracts intended for future periods. Those fair value movements are therefore excluded from the underlying performance of the Group until realised.

The reconciliation to both operating profit and loss before tax are as follows:

	2018 £000	2017 £000
Adjusted EBITDA	46,370	40,594
Individually significant items	—	(82,152)
Depreciation and amortisation	(10,419)	(9,444)
Fair value movements on derivatives	(4,701)	556
Finance costs	(9,130)	(8,921)
Profit/(loss) before tax	22,120	(59,367)
Adjusted operating profit	35,951	31,150
Individually significant items	—	(82,152)
Fair value movements on derivatives	(4,701)	556
Finance costs	(9,130)	(8,921)
Profit/(loss) before tax	22,120	(59,367)
Adjusted profit before tax	26,821	22,229
Individually significant items	—	(82,152)
Fair value movements on derivatives	(4,701)	556
Profit/(loss) before tax	22,120	(59,367)

Like-for-like revenue

The Group's businesses operate to a weekly reporting cycle, rather than a calendar month cycle. Consequently, it normally reports upon a 52-week period. For the year ended 31 March 2017, the Group reported on a 53-week period to ensure that the year-end date remained consistent with its accounting reference date of 31 March in accordance with the Companies Act 2006. The current accounting period ending on 30 March 2018 is reported on a 52-week period.

A like-for-like comparison of revenue in a 52-week period has been selected as being the 52 weeks ended on 31 March 2017 against the 52 weeks ended on 30 March 2018, as follows:

	52 weeks to 30 March 2018 £000	52 weeks to 31 March 2017 £000	53 weeks to 31 March 2017 £000	Like-for-like change £000
Sales of goods	285,065	260,045	262,240	25,020
Financial services	108,116	99,179	101,080	8,937
Overseas sourcing	196	1,971	1,971	(1,775)
Express Gifts	393,377	361,195	365,291	32,182
Education	85,582	91,240	91,739	(5,658)
Group revenue	478,959	452,435	457,030	26,524

Express Gifts product gross margin %

This is used as a measure of the gross profit made by Express Gifts on the sale of products only, which shows progress against one of Express Gifts' strategic pillars. This is derived as follows:

	2018 £000	2017 £000
Product revenue	285,065	262,240
Less product cost of sales	(198,113)	(181,247)
Gross product margin	86,952	80,993
Gross product margin %	30.5%	30.9%

Express Gifts bad debt as a % of revenue

This is an assessment of the impairment charges incurred in respect of Express Gifts' trade receivables, which enables management to assess the quality and performance of its trade receivables. It is calculated using the impairment loss for the year before individually significant items, as follows:

	2018 £000	2017 £000
Impairment losses recognised (see note 15)	28,156	63,178
Less individually significant items	—	(35,215)
Adjusted impairment losses	28,156	27,963
Express Gifts total revenue	393,377	365,291
Bad debt as a % of revenue	7.2%	7.7%

Net debt

This measure takes account of total borrowings less cash held by the Group and represents our total indebtedness. Management use this measure for assessing overall gearing.

It is calculated as follows:

	2018 £000	2017 £000
Total bank loans	257,504	252,534
Obligations under Finance leases	1,069	1,614
Less cash and cash equivalents	(26,244)	(29,173)
Net debt	232,329	224,975

Core net debt

This measure excludes obligations under finance leases and securitisation borrowings from net debt to show borrowings under the revolving credit facility net of cash held by the Group. This is our preferred measure of indebtedness of the Group and is relevant for covenant purposes.

It is calculated as follows:

	2018 £000	2017 £000
Net debt	232,329	224,975
Obligations under finance leases	(1,069)	(1,614)
Less securitisation borrowings*	(157,504)	(142,534)
Core net debt	73,756	80,827

* Disclosed within bank loans

Debt funding consumer receivables

The majority of the trade receivables of Express Gifts are eligible to be funded in part from the securitisation facility, with the remainder being funded from core net debt. This measure indicates the value of trade receivables (before any impairment provision) capable of being funded from the securitisation facility.

It is calculated as follows:

	2018 £000	2017 £000
Securitisation loans (71%)	157,504	142,534
Cash and bank (29%)	64,333	58,218
Eligible receivables (100%)	221,837	200,752

Free cashflow

Free cash flow generation is a key operational metric which forms part of the remuneration targets for the Executive Directors.

Free cash flow is reconciled to cash generated by operations as follows:

	2018 £000	2017 £000
Free cashflow	16,371	13,268
Securitisation loans drawn	(14,970)	(13,623)
Purchases of property plant and equipment and software	10,545	11,723
Tax and other	(507)	(214)
Net cash generated from operating activities	11,439	11,154

Adjusted earnings per share

This measure shows the earnings per share given when individually significant items and fair value movements on derivative financial instruments are excluded from the profit after tax figure. Details of how the adjusted earnings per share are calculated can be found in note 11 of the consolidated financial statements.

Underlying effective tax rate

This measure shows the Group's effective tax rate when the tax impact of individually significant items and other non-recurring items are adjusted for. It is calculated as follows:

	2018 £000	2017 £000
Tax (charge)/income	(2,542)	1,659
Exclude impact of additional recognition of deferred tax in respect of tax losses in Education	(2,830)	—
Exclude impact of change in deferred tax rate on pension scheme surplus (see note 8)	749	—
Exclude tax impact of individually significant items	—	(6,462)
Adjusted tax charge	(4,623)	(4,803)
Profit before tax and individually significant items	22,120	22,785
Underlying effective tax rate	20.9%	21.1%

Principal Risks and Uncertainties

Risk	Root cause	Key mitigating controls
Pressures on the levels of disposable income available to lower socio-economic groups, who form a core part of Express Gifts' customer base.	The economic outlook is uncertain, particularly in relation to the impact of Brexit and more broadly changes in interest rates and inflation and wage restraint.	The expansion of our digital activity and a shift in customer acquisition strategy has broadened the overall customer footprint and reduced our dependency on older, lower socio-economic customer segments. Successful implementation of our strategies to recruit and retain customers, thereby increasing our customer base, will dilute this impact.
Growth in credit income could slow within the financial services business of Express Gifts.	Regulatory changes impacting customer acquisition and credit limit management; and our strategy to put the customer at the heart of the business by balancing financial performance and customer conduct risks.	Express Gifts has reviewed its integrated model of retail and financial services in terms of both customer conduct risk and financial performance and developed a business plan on this basis. The review included stress testing various scenarios. These factors will require an evolutionary change in our business model placing a greater requirement on the profitability arising from the retail side of Express Gifts. The plans set out in this Strategic Report reflect this.
Potential disruption to our business support systems and the storage and protection of our customers' data.	The business remains highly dependent upon legacy systems both in the support of running the business on a daily basis and the storage and protection of customer data. The combination of increasing cyber activity, fraud rings and the level of change being deployed in the business makes this an area of higher potential risk.	Resilience testing and recovery plans are in place. The business has continued to invest to update its technology solutions as it seeks to lower its dependency on legacy systems. Notable examples include the enhancement in website capabilities at Education and the development of Financier, a new Financial Services platform, at Express Gifts. In addition, an enhanced fraud solution accompanied by improved operational practices within EGL's customer and financial services departments are being deployed.

Risk	Root cause	Key mitigating controls
The accounting provisions booked against the financial services customer redress activity at Express Gifts may be insufficient.	Response rates could be higher than we anticipated when determining the level of the provisions. There is the potential for changes to industry outcomes to be required by FOS and/or the FCA.	In conjunction with the FCA, Express Gifts has an agreed plan of customer redress activity and has taken a balanced approach to the level of provisions required, which have been booked in previous years. Activity to date is well advanced, is tracking in line with expectations and is targeted to be completed during FY19.
Execution and liquidity risks from a substantial three-year plan of transformation and growth at Express Gifts.	Funding growth within our integrated retail and credit business model is dependent on the continued availability of debt facilities. Any weakness in project and change management in the delivery of key priorities. High level of demand on planning and resource management to ensure timely and on budget delivery.	Appropriate facilities are in place for the medium term and regular and rigorous viability exercises are undertaken. Fiscal controls, including business forecasting in support of stock and cash flow management. A Change Board has been established to scrutinise, prioritise and oversee resourcing and delivery of transformation projects. We are adopting an enhanced process of integrated cash management to meet the demands of (i) change and capital deployment within the business; alongside (ii) daily operational requirements.
Attracting and retaining the right talent in the business, particularly in the highly competitive areas of digital marketing, IT development and cyber security, to support the deployment of our high growth digital strategy.	Limited available experienced staff in key business and technical areas and high demand for those people.	Significant progress has been made in attracting new talent to the business resulting in the renewal of the senior management teams throughout the Group. Developing the business as a regional employer of choice is a key objective and as such, enhanced personnel frameworks and reward strategies are being developed.
Any inability to operate from one of our key warehouse facilities centres.	While Express Gifts has a number of warehouse facilities, there is a high dependency on its main facility in Accrington. The consolidation of Education's warehousing into its facility at Nottingham has concentrated its fulfilment activities into a single location that could also potentially become a point of failure risk.	Appropriate disaster recovery plans have been developed and are periodically reviewed and upgraded.

Our people, Our products, Community and the Environment

Our Corporate Social Responsibility Report is set out on pages 64 to 67 and covers the following principal areas:

- examples of initiatives in place within the Group's businesses to support and develop our employees;
- an outline of the structures in place and examples of activities during the period to manage the health and safety risks inherent in the Group's activities;
- the Group's approach to product safety and sourcing;
- the impact of the Group's activities on the environment, measures we take to mitigate those impacts and our environmental performance over the period; and
- examples of the social and community related activities around the Group.

Gender Diversity and Pay Gap Reporting

Each of our operating subsidiaries, Express Gifts Ltd and Findel Education Ltd, has reported the required data on Gender Pay Gaps on the Government website and have also included those details within a longer narrative report on their respective websites (www.express-gifts.co.uk and www.findel-education.co.uk). In accordance with the regulations Express Gifts and Education will calculate and publish these numbers annually from this point forwards.

Although not required under the reporting regime we have compiled a consolidated view of all UK employees within the Group including the small head office team of less than 20 employees. In reading the results set out below it is important to remember the difference between gender pay and equal pay. Gender pay gap measures the difference in average male and female pay across the whole business on 5 April each year. Equal pay is a longstanding set of regulations which ensures that men and women are paid equally and fairly for doing the same work. As a result, a difference in the gender pay gap does not mean that we are rewarding people unfairly or treating people unequally.

And, by way of explanation, in the table below a positive number means that pay is in favour of men whilst a negative means that pay is in favour of women.

Hourly Pay & Bonus Summary	Consolidated Findel Group
Mean Gender Pay Gap	17.5%
Median Gender Pay Gap	-0.1%
Mean Bonus Gender Pay Gap	39.7%
Median Bonus Gender Pay Gap	62.5%
Proportion of Males with a bonus	3.1%
Proportion of Females with a bonus	5.1%

Gender Split	Combined Consolidated Findel Group
Females	922 (51%)
Males	887 (49%)

Quartile Summary	Consolidated Findel Men	Women
Lower	59.6%	40.4%
Lower Middle	40.4%	59.6%
Upper Middle	45.6%	54.4%
Upper	53.8%	46.2%

Whilst we are pleased to be able to report no significant median gender pay gap across the Group as a whole, the mean gender pay gap is an area which is recognised as needing attention and we are conducting further analysis to understand more about its causes. Different parts of our organisation face differing challenges resulting from their respective workforce profiles. However, taking the Group picture as a whole, our workforce is well balanced with 51% of our workforce being female and 49% male. A higher proportion of male colleagues are in both the lower and upper quartiles, and whilst we have more women in the lower and upper middle quartiles, it is the upper quartile that drives our mean gender pay gap.

Our management teams are developing a range of strategies to seek to address our gender pay gap but the issue is a complex one and reaching parity is a long-term challenge for most businesses, including Findel. These strategies will be specifically tailored to the different challenges faced in each area of our business, but some examples which will feature in appropriate areas include:

- Reviews of our organisational design to reinforce our corporate culture and values
- Recruitment processes: whilst we will always look to employ the best person for the job based on their skills and experience, we will broaden our attraction methods to improve the number of applications received from women at senior levels
- Continual training, development and progression planning across our workforce to help raise aspirations and challenge gender stereotypes
- Steps to identify and remove unconscious bias
- "Returnships" – the targeting of recruitment activities at those who are looking to return to work after career breaks and provision of appropriate workplace support
- Promotion of Flexible Working

Our aim, across the business, is to ensure that we reward our people based on the role they are asked to perform and their performance in that role. Progression opportunities will be open to all regardless of any personal characteristics or personal working pattern. Furthermore, we will continue to review our reward policies and their application to ensure they are based on personal merit and that the potential for any bias is removed.

This Strategic Report is approved on behalf of the Board.

Ian Burke
Chairman

Phil Maudsley
Chief Executive Officer

5 June 2018

Contents

Directors, Officers and Statutory Information
Board of Directors

1 2 3 4 5 6 7 8

1. Mr M I Burke, 61[(a)]
Chairman

Ian Burke joined the Board on 12 January 2017. He has spent the majority of his career in the leisure industry and is currently Chairman of The Rank Group, having previously overseen the growth of that business as Chief Executive. He is also chairman at VetsPartners Holdings Ltd. Previously, he has served as Chief Executive of Thistle Hotels and has also held the position of Managing Director at both Holiday Inn Worldwide and Gala Clubs.

2. Mr P B Maudsley, 57
Chief Executive Officer

Phil Maudsley joined the Group in 1987 as general manager of a manufacturing subsidiary. He became managing director of the Home Shopping Division in 1994 and was appointed to the Board on 5 April 2004. He was appointed Managing Director of Express Gifts in 2010 before being appointed as Group Chief Executive Officer in April 2017.

3. Mr S M Caldwell, 46
Chief Financial Officer

Stuart Caldwell joined the Group finance team in October 2010 and held the post of Acting CFO from April 2017 before his appointment to the Board on 13 July 2017. He is a qualified Chartered Accountant and a fellow of the Association of Corporate Treasurers. After qualifying within the profession, he held a number of roles with Provident Financial plc before moving to Findel.

4. Mr E F Tracey, 69[(a)(b)(c)(d)]
Senior Non-Executive Director

Eric Tracey was appointed to the Board on 28 August 2009. He is chairman of investment manager GO Investment Partners LLP, a trustee director of the Stroke Association and chairman of Goodenough College and two New Zealand related charities and a property management company. Prior to this, Eric was Senior Independent Director, an independent director and Chairman of the Audit Committee at Chloride Group plc and chairman of the Audit Committee at Burtons Holdings Ltd and The NEC Group and Group Finance Director of Amey plc and then Wembley plc having previously been a partner in Deloitte & Touche LLP.

5. Mr F R Coumau, 46[(a)(c)(d)]
Non-Executive Director

Francois Coumau was appointed to the Board on 12 August 2013. He was recently Group Managing Director at Immediate Media Company Limited having previously held a series of senior roles at eBay, most recently as General Manager for Continental Europe. Prior to this, his career has included senior roles at L'Oreal and Mars.

6. Mr W Grimsey, 66[(a)(b)(d)]
Non-Executive Director

Bill Grimsey joined the Board on 1 March 2012. He has held a variety of senior executive and non-executive roles with companies in the retail sector such as Tesco, Kingfisher, Wickes and the Big Food Group. Most recently he was the non-executive chairman of Focus (DIY) Ltd. He is currently non-executive chairman of The Physical Company Ltd.

7. Mr G F Ball, 55[(a)(b)(c)]
Non-Executive Director

Greg Ball was appointed to the Board on 23 February 2016. He has held a number of executive and non-executive roles in retail and regulated financial services, including senior positions at Home Retail Group plc and Littlewoods Organisation plc. He is currently a non-executive director of Ageas UK, chairman of Ingelby (2016) Ltd, trading as Panther Logistics and of Asset Solutions Group. He is also a director of GF Ball Consultancy Ltd.

8. Ms E M O'Donnell, 47[(a)(b)(c)(d)]
Non-Executive Director

Elaine O'Donnell was appointed to the Board on 1 February 2018. She is a former Partner at EY with over 20 years' experience operating in a senior advisory capacity across a range of industry sectors and situations. She is currently a non-executive director, chair of the Nomination and Remuneration Committees and a member of the Audit Committee at Games Workshop Group plc, and a non-executive director at MSIF, a not for profit organisation offering business funding in the North West. Elaine was also formerly a non-executive Director at The Manufacturing Institute, a charity focused on promoting and improving manufacturing in the UK.

(a) Member of the Nomination Committee

(b) Member of the Audit Committee

(c) Member of the Risk Committee

(d) Member of the Remuneration Committee

Secretary and Registered Office
M Ashcroft
Church Bridge House
Henry Street
Accrington
BB5 4EE

Company Number
549034

Auditor
KPMG LLP
1 St Peter's Square
Manchester
M2 3AE

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

Directors' Report

The directors present their annual report and accounts on the affairs of the Group, together with the financial statements and Auditor's report for the 52 week period ended 30 March 2018. The Corporate Governance Report set out on pages 30 to 33 forms part of this report.

Strategic Report

Pursuant to sections 414A-D Companies Act 2006, the Strategic Report can be found on pages 3 to 23. This includes a review of the Group's activities; the principal risks and uncertainties facing the Group; the main trends and factors likely to affect the future development, performance or position of the Group's business; and the key performance indicators identified by management. The Directors' Report and the Strategic Report also comprises the management report for the purposes of the FCA Disclosure and Transparency Rules (DTR 4.1.8R). All such information as is required to be contained in this report by s.417 of the Companies Act 2006 is incorporated by reference into this report.

Going concern

In determining whether the Group's financial statements for the period ended 30 March 2018 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 its cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities in the current economic climate. The financial position of the Group, its cash flows, liquidity position and borrowing facilities and details of those key risks and uncertainties are set out in further detail in the Finance Review on pages 16 to 18.

The directors have reviewed the Group's trading and cash flow forecasts as part of their going concern assessment, including considering the potential impact of reasonably possible 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 regulatory licensing and compliance. Although at certain times the level of facility and/or covenant headroom reduces to a level which requires cash flow initiatives to be introduced to ensure that the funding requirements do not exceed the committed facilities or result in non-compliance with covenants, management are confident that such actions are supportable, and that further controllable mitigating actions are available that could be implemented if required. The Group's current banking facilities mature in November 2019.

Taking into account the above circumstances, the directors have formed a judgement that there is a reasonable expectation, and there are no material uncertainties, that the Group and the Company have adequate resources to continue in operational existence for a period of at least 12 months.

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

Viability Statement

While the financial statements have been prepared on a going concern basis, the provisions of the UK Corporate Governance Code require the directors to make a statement in the annual report with regard to the viability of the Group, including explaining how they have assessed the prospects of the Group, the period of time for which they have made the assessment and why they consider that period to be appropriate.

The Board has reviewed the viability of the Group for the three-year period up to March 2021. The Board selected this period of review as it aligns with the Group's normal strategic planning process which results in the development and approval by the Board of medium-term business plans each year. These plans consider the Group's future projections of sales growth, profitability, cash flows, capital requirements and resources for each of its divisions, together with covenant compliance and other relevant financial and regulatory ratios over the forecast period.

The plans were then subjected to sensitivity analyses that considered the Group's resilience to the occurrence of reasonable downside scenarios. Consideration was also given to the likely impact of the Group's principal risks over that planning horizon after taking account of the mitigation actions that could be taken to reduce the impact or occurrence of those risks, which are set out in the principal risks and uncertainties section on pages 20 to 21. In particular, it was noted that the Group's committed borrowing facilities fall due for renewal during the three-year period ending March 2021. The Board formed the view that it was reasonable to assume that the Group would be able to access the debt capital markets on broadly similar terms at the appropriate time.

On the basis of this review, the Board confirms that it has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the three year period up to March 2021.

Dividends

The directors have determined that no interim dividend will be paid (FY17: nil) and are not recommending the payment of a final dividend (FY17: nil).

The Board will focus on strengthening the financial position of each of the operating subsidiaries' balance sheets and that of the parent company. As such the Company does not have plans to re-instate dividend payments at this stage.

The rights of the holders of convertible shares to restrict dividends are set out below.

Financial Risk Management

Policies on financial risk management are set out in note 27, on page 59 of the Report of the Audit Committee, on page 62 of the Report of the Risk Committee and on page 18 of the Strategic Report.

Capital Structure

Details of the issued share capital, together with details of the movements in the Company's issued share capital during the year are shown in note 23 and such information is incorporated into this report.

The Company has two classes of share, neither of which carries rights to fixed income. The rights and obligations attaching to both classes of share are contained in the Articles of Association, a copy of which is available for inspection at the registered office of the Company. The ordinary shares carry the right to attend and speak at general meetings of the Company, to one vote on each resolution at such meetings, to appoint proxies to exercise full voting rights and to participate in any distribution of income or capital. The holders of convertible shares have a right to attend meetings but no voting rights (save in respect of any resolution relating to the rights of the convertible shares). The following rights and restrictions attach to the convertible shares:

- rights attaching to the convertible shares may only be varied by resolution passed by the holders of 85% or more of the nominal value of the convertible shares then in issue;
- consent of 85% of the holders of convertible shares is required before the Company declares any dividend or distribution in excess of 50% of the Group's net income in respect of any accounting reference period, and the convertible shares have the right to participate in any dividend to the extent that it exceeds 50% of the Group's net income in respect of any accounting reference period;
- the right to elect to participate in any return of capital on a voluntary winding-up of the Company as if the convertible shares had been converted into ordinary shares;
- the right to convert the convertible shares into ordinary shares between 28 February 2013 and 28 February 2021 (Conversion Period) if the volume weighted average ordinary share price is greater than 479.4p;
- the convertible shares will automatically be converted into ordinary shares in the event of a takeover offer;
- on conversion into new ordinary shares the convertible shares will rank *pari passu* with existing ordinary shares;
- until expiry of the Conversion Period, or earlier conversion, the Company is subject to certain restrictions including that it shall not, without the consent of 85% of the holders of convertible shares:
  - vary the rights attached to the ordinary shares;
  - create a new class of shares ranking ahead of the ordinary shares;
  - convert the Company from a public company to a private company (other than pursuant to a takeover offer);
  - issue loan stock or debt instruments or enter into any borrowing save on arm's length terms.

If the convertible shares have not converted into ordinary shares within the Conversion Period they will automatically convert into non-voting deferred shares with no voting or profit participation rights.

There are no specific restrictions on the size of a holding or on the transfer of ordinary shares or convertible shares and there are no requirements for prior approval of any transfers; all such matters are governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreements between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights. The Articles of Association may only be changed with agreement of shareholders.

Details of employee share schemes are set out in note 22. Shares held by the Company's Employee Benefit Trust rank *pari passu* with the ordinary shares in issue and have no special rights, but abstain from voting.

No person has any special rights of control over the Company's share capital and all issued shares are fully paid.

There are a number of agreements that take effect, alter or terminate upon a change of control of the Company such as commercial contracts, bank loan agreements, property lease arrangements and employees' share plans. Any such situation would be carefully managed to ensure that any effect on the business was minimised. Furthermore, the directors are not aware of any agreements between the Company and its directors or employees that provide for compensation for loss of office or employment that occurs as a consequence of a takeover bid, other than as disclosed in the Board Report on Directors' Remuneration.

Acquisition of own shares

The Company did not obtain authority from shareholders at the AGM held in August 2017 to purchase its own shares. The Company made no purchases of its own shares during the financial year and no shares were acquired by forfeiture or surrender or made subject to a lien or charge.

Directors' Report

Directors

The directors of the Company at the date of this report are shown on page 25. Information concerning their interests in the share capital of the Company as at 30 March 2018 and as at 5 June 2018 is included in the Board Report on Directors' Remuneration on pages 34 and 55. All the directors served throughout the year save that Stuart Caldwell was appointed to the Board and as CFO on 13 July 2017, following the resignation of Tim Kowalski from the Board on 5 April 2017; and Elaine O'Donnell joined the Board as an independent non-executive director on 1 February 2018. Eric Tracey, having served almost nine years, will retire from the Board at the conclusion of the 2018 AGM. A summary of the rules relating to the appointment and removal of directors by shareholders and details regarding the powers of the directors are set out in the Corporate Governance Report on pages 30 to 33. Notwithstanding those rules the Board has decided that all continuing members of the Board will now put themselves up for election or re-election on an annual basis.

Following the annual performance evaluation, the Chairman confirms that the performance of each of the directors has been effective throughout the period, or throughout the period since their appointment, and that they have continued to demonstrate commitment to their roles. The Nomination Committee endorses their proposed reappointment at the forthcoming 2018 Annual General Meeting and having reviewed the performance and continued commitment of the Chairman also recommends the reappointment of the Chairman at that meeting.

Each of Phil Maudsley and Stuart Caldwell has a service contract with the Company which provides a six-month notice period. Ian Burke as non-executive chairman does not have a service contract with the Company but has a one-month notice period under his letter of appointment. Mr Tracey as a non-executive director does not have a service contract with the Company, but his letter of appointment provides for a three-month period of notice. There will be no payment made to Eric Tracey on his retiring from the Board, beyond his standard director's fees accrued up to and including the date of the 2018 AGM and usual expenses claims. The other non-executive directors do not have service contracts with the Company and their letters of appointment do not provide for a period of notice.

The appointment of non-executive directors is normally for an initial period of three years, subject to review and re-election in General Meeting. In the normal course non-executive directors will be asked to serve two terms of three years although the Board reserves to itself the discretion to extend terms beyond the two terms of three years, on an annual basis, if the particular circumstances warrant it. Further details of the service contracts and letters of appointment of directors can be found on pages 52 and 53 of the Board's Report on Directors' Remuneration.

Directors' and Officers' Insurance and Indemnity

The Group maintained insurance for directors and officers of the Group during the financial year, indemnifying them (to the extent permitted by law and the Company's Articles of Association) against certain liabilities incurred by them when acting on behalf of the Group. The Company has executed deeds of indemnity for the benefit of each director in respect of liabilities which may attach to them in their capacity as directors of the Company. Neither the insurance nor the deeds of indemnity provide cover where the relevant director or officer has acted fraudulently or dishonestly.

Employees

The Company recognises its social and statutory duty to employ disabled persons and pursues a policy of providing, wherever possible, the same employment opportunities to disabled persons as to others, and training for employees who have become disabled during the period when they were employed by the Group. Information to employees regarding the Company and factors affecting its performance and that of its subsidiaries is provided through normal management channels and regular consultation.

Environmental matters

Information on environmental matters, including our greenhouse gas emissions is disclosed in the Corporate Social Responsibility Report on pages 64 to 67.

Overseas Branches

The Group does not have any branches outside the United Kingdom.

UK Corporate Governance Code

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 30 to 33. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by its cross reference.

Political donations, expenditure and contributions

No political donations, expenditure or contributions were made during the financial year (2017: £nil).

Substantial Shareholdings

As at 30 March 2018 the Company had been notified pursuant to the Disclosure and Transparency Rules of the following material interests of 3% or more in its share capital:

	Number of shares	Proportion of share capital	Number of voting rights Direct	Indirect	Proportion of voting rights
Sports Direct International plc	25,850,000	29.90%	25,850,000	—	29.90%
Schroders plc.	16,991,188	19.65%	—	16,991,188	19.65%
Toscafund Asset Management LLP	15,852,006	18.33%	—	15,852,006	18.33%
River & Mercantile Asset Management LLP	3,850,000	4.45%	3,850,000	—	4.45%
FIL Ltd	8,644,253	9.99%	—	8,644,253	9.99%
Aberforth Partners Ltd	3,535,768	4.09%	—	3,535,768	4.09%
Henderson Global Investors Limited	4,253,193	4.94%	—	4,253,193	4.94%

There had been no further notifications between 30 March 2018 and 1 June 2018.

Auditor

KPMG LLP has notified its willingness to continue as auditor to the Company and a resolution concerning their re-appointment will be proposed at the Annual General Meeting together with a resolution to authorise the directors to set the remuneration of the auditor. An analysis of audit and non-audit fees earned by the auditor during the year is set out in note 9 to the accounts.

Disclosure of information to the auditor

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

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

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

Annual General Meeting

A separate circular comprising the notice of annual general meeting to be held on 26 July 2018 is being posted to shareholders with this Annual Report & Accounts and includes details of the business to be transacted at the meeting and an explanation of all resolutions to be considered at the Annual General Meeting.

Voting

Full details as to how to vote will be contained in the Notice of AGM and associated Form of Proxy to be issued to shareholders with this 2018 Annual Report & Accounts.

Recommendation

The Board considers that all business to be proposed at the 2018 AGM is in the best interests of the Company and its shareholders as a whole and unanimously recommends that shareholders vote in favour of each resolution at the AGM. The full recommendation of the Board will be included in the Notice of AGM to be issued to shareholders with this 2018 Annual Report & Accounts.

By order of the Board

Mark Ashcroft
Company Secretary

5 June 2018

Corporate Governance Report

Compliance

The Board considers that throughout the year under review the Company has complied with the relevant provisions of the 2016 issue of the UK Corporate Governance Code (the "Code"), and with the rules of the UK Listing Authority, save that the Board operated with an Executive Chairman during the first six days of the financial year. A copy of the Code can be located at https://www.frc.org.uk.

Application of the principles of the Code

This report explains how the Company has applied the main principles of the Code to its activities. The section of the Code entitled 'Main Principles of the Code' sets out the main and supporting principles of good governance for companies, which are split into the following topics: leadership; effectiveness; accountability; remuneration; and relations with shareholders.

The Board

At 30 March 2018, the Board was made up of eight members comprising the Chairman, Ian Burke; the Chief Executive, Phil Maudsley; the Chief Financial Officer, Stuart Caldwell; and five non-executive directors. The non-executive directors are each considered by the Board to be independent of management and free of any relationship which could materially interfere with the exercise of their independent judgement. Biographical details of each of the directors, which illustrate their range of experience, are set out on page 25.

The Chairman, Ian Burke, joined the Board on 12 January 2017 initially as executive chairman. On 5 April 2017 Ian Burke became non-executive chairman. The Board considers Ian Burke to be independent at the time of his appointment and on the change of his status notwithstanding his short period of executive service which the Board considers to be a very short-term transitionary period and in respect of which he did not participate in any incentive plans. Ian Burke's other commitments are summarised in the biographical details on page 25. During the year Ian has taken up the chairmanship of VetPartners Holdings Ltd, a private equity backed group. The Board considers that Ian's other commitments are not a constraint on his agreed time commitment to the Company.

On 5 April 2017, as Ian Burke stepped back into a non-executive chairman role, Phil Maudsley was appointed Chief Executive of the Company, returning the Board to a more usual governance structure. On the same date, Tim Kowalski stepped down from the Board. He was replaced as CFO by Stuart Caldwell, initially in the capacity of Acting CFO and then in a permanent capacity, following a formal recruitment process managed by the Nomination Committee and using external recruitment consultants, Odgers Berndston. Stuart Caldwell joined the Board on 13 July 2017.

As part of the Board's succession planning Elaine O'Donnell was appointed as a non-executive director on 1 February 2018 following a formal recruitment process managed by the Nomination Committee and using external recruitment consultants, Zygos. She has been appointed as a member of the Audit, Remuneration, Risk and Nomination Committees. Brief biographical details of Elaine O'Donnell are set out on page 25. The Board has also announced that Eric Tracey will retire from the Board at the conclusion of the 2018 AGM, following almost nine years of service and that Elaine O'Donnell will take over the chair of the Audit Committee at that time.

Upon his retirement from the Board, Eric Tracey will be replaced as the Senior Independent Director by Greg Ball. The Senior Independent Director is the director whom shareholders may contact if they feel their concerns are not being addressed through the normal channels. During the period when the Company operated with an Executive Chairman the role of the Senior Independent Director was enhanced, including in the following ways, to ensure continued independent oversight by the Board:

- Chairing the Nomination Committee
- Agreeing Board agenda and minutes with the Executive Chairman
- An enhanced role in shareholder meetings
- Carrying out the annual appraisal of Board performance
- Reporting to shareholders via a Nomination Committee Report in the annual report.

Following the change of status of the Chairman to that of a non-executive chairman and the appointment of Phil Maudsley as CEO, all on 5 April 2017, the role of the Senior Independent Director has reverted to a more normal brief and Ian Burke has taken over the role of chair of the Nomination Committee. The non-executive directors met without the executive directors being present and met separately to review the Chairman's performance after the end of FY2017/18.

The Board assesses annually whether each non-executive director is independent against the criteria set out in the Code and confirms that it has concluded that each of the non-executive directors is independent on that basis.

Directors are subject to election at the next annual general meeting following their appointment and are subject to reappointment at least every three years. The Board has determined that in the normal course non-executive directors will be asked to serve two terms of three years. However, the Board reserves to itself the discretion to extend terms beyond the two terms of three years, on an annual basis, if the particular circumstances warrant it.

The Board considers that, bearing in mind the changes being made to the chair of the Audit Committee and the Senior Independent Director, it is appropriate in the interests of continuity to extend the appointment of Bill Grimsey beyond the normal second term of three years for a further year, with the position to be reviewed further next year. Consequently, the Board will recommend to shareholders that Bill Grimsey is re-appointed at the 2018 AGM.

The appointment and replacement of directors of the Company is governed by the Company's Articles of Association, the Code, the Companies Act 2006 and related legislation. The Articles themselves may be amended by special resolution of the shareholders. The powers of directors are described in the Articles and the Main Board Terms of Reference, copies of which are available on request, and are summarised in the Corporate Governance Report on pages 30 to 33.

Notwithstanding the above the Board has determined that all directors should in future stand for election or re-election on an annual basis and this approach will continue to be adopted at the 2018 Annual General Meeting.

During the period ended 30 March 2018, no director had any material interest in any significant contract to which the Company or any subsidiary was a party.

Conflicts of Interest

The Company has a procedure for the disclosure, review, authorisation and management of directors' conflicts of interest and potential conflicts of interest, in accordance with the provisions of the Companies Act 2006. The procedure is included in the Articles of Association and has been adhered to by the Board since its introduction. In deciding whether to authorise a conflict or potential conflict of interest, the directors must have regard to their general duties under the Companies Act 2006. The authorisation of any conflict matter, and the terms of authorisation are reviewed by the Board as appropriate and, as a minimum, on an annual basis.

Board Procedures

The Board met formally in person or by telephone conference call on 11 occasions during the period and individual attendance at those meetings and at the meetings of the Audit Committee, the Remuneration Committee, the Risk Committee and the Nomination Committee is set out in the table below. The Board receives adequate and timely information to enable the directors to discharge their duties. In addition to matters statutorily reserved for a board, there is an agreed schedule of matters reserved for the Board for collective decision including:

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

The Board delegates to management the day to day management of the Company's businesses and other matters not specifically reserved to the Board.

Further details relating to the Company's internal control and risk management systems in relation to the financial reporting process can be found in the Report of the Audit Committee on pages 57 to 60 and in the Report of the Risk Committee on pages 61 to 63. The Reports of the Audit Committee and the Risk Committee form part of this Corporate Governance Report and are incorporated into this Corporate Governance Report by reference.

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

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

Corporate Governance Report

Attendance at Board and Committee Meetings

The following table shows the attendance of directors at meetings of the Board and of its standing committees during the period to 30 March 2018:

	Board	Audit Committee	Risk Committee	Remuneration Committee	Nomination Committee
Ian Burke	11	*	*	*	5
Phil Maudsley	11	*	*	*	*
Stuart Caldwell^	7	*	*	*	*
Eric Tracey	11	5	4	5	5
Greg Ball	10	5	5	*	5
Francois Coumau	11	*	4	6	5
Bill Grimsey	11	5	*	6	5
Elaine O'Donnell‡	2	1	1	1	1
Number of meetings in the year	11	5	5	6	5

* Where an asterisk appears in the table the director listed was not a member of the committee during the period

^ Stuart Caldwell joined the Board on 13 July 2017 and attended all Board meetings held since that date.

‡ Elaine O'Donnell joined the Board on 1 February 2018 and attended all Board and Committee meetings held since that date.

Three of the above referenced Board meetings and one each of the above referenced Audit Committee and Nomination Committee meetings were held by telephone conference call. On the occasions when a full complement could not attend a meeting the Chairman, or the chairman of the relevant committee subsequently discussed the issues covered with the Board member concerned.

Board Effectiveness

During the previous year the Board completed its first independently facilitated review of its effectiveness, and the effectiveness of its standing committees. The review was facilitated by Mr Tom Bonham Carter of Armstrong Bonham Carter LLP and he discussed his reports with each of the Chairman, the Senior Independent Director and the respective chairmen of the standing committees before a full Board discussion was held in March 2017. Subsequently the Chairman held one to one meetings with each of the directors to discuss feedback regarding that director's performance. The Board accepted the conclusions of the review and is implementing further improvements in its processes and performance identified in that evaluation process

During the current year the Board has built on the outcomes from the previous year's external assessment and augmented them through an internal self-assessment questionnaire process and the Chairman has held one to one reviews with each director.

The Senior Independent Director met following the end of the financial year with each of the non-executive directors to discuss the performance of the Chairman. The Senior Independent Director has discussed the results of that assessment with the Chairman.

The Chairman together with two non-executive directors carried out performance review discussions with the CEO, and then a discussion on his performance was held with the remaining non-executive directors.

Relations with Shareholders

The Company recognises the importance of communicating with its shareholders, to ensure that its strategy and performance are understood. This is achieved principally through the Interim Report, periodic trading statements, the Annual Report and the Annual General Meeting. In addition, a range of corporate information is available to investors on the Company's website (www.findel.co.uk).

The Chairman, the CEO and the CFO are primarily responsible for investor relations. The Company has a concentrated share register, with Sports Direct (29.9%), Schroders (19.6%), Tosca (18.3%) and Fidelity (9.9%) having significant voting rights. Feedback from major shareholders is reported to the Board and discussed at its meetings and from time to time the Chairman also discusses the views of the Company's major shareholders with the non-executive directors. Formal presentations are made to institutional shareholders following the announcement of the Company's full year and half year results. During the early part of the year the Senior Independent Director also discussed with a number of the Company's major shareholders the leadership changes in April 2017, and the Chairman of the Remuneration Committee exchanged correspondence with major shareholders and the main proxy voting agencies ahead of the proposed Remuneration Policy being put to the 2017 AGM and the making of 2017 share incentive awards.

On 6 March 2018 the Board announced that it had agreed that Liam Rowley observe the Company's Board meetings on behalf of Sports Direct, who hold in excess of 29% of the Company's shares. Mr Rowley receives board papers (redacted as appropriate to address conflict issues) and attends, but has no right to vote at Board meetings. He does not attend Committee meetings. The terms of this arrangement are set out in an exchange of letters between the Chairmen of the two companies and is also regulated by a Non-Disclosure Agreement between the two companies. The Board is seeking opportunities to develop a number of commercial opportunities with Sports Direct, including co-ordinated approaches to the marketing and sale of their branded goods.

The Board recognises that the Annual General Meeting is the principal forum for dialogue with private shareholders. All directors normally attend the Annual General Meeting and are available to answer any questions that shareholders may wish to raise. The Notice of Meeting is sent to shareholders at least 20 working days before the meeting. Shareholders vote on a show of hands, unless a poll is validly called and after completion of the voting the percentage of proxy votes received for and against each resolution is announced. Details of the proxy votes are announced to the market and on the Company's website after the close of the meeting.

Powers of the Board

The directors manage the business of the Company subject to the Companies Act 2006 and the Articles of Association of the Company and subject to such directions as are prescribed by the Company by special resolution.

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital and to issue debentures and other securities whether outright or as collateral security, for any debt, liability or obligation of the Company or of any third party. The Board must restrict the borrowings of the Company and exercise all powers of control exercisable over its subsidiaries (if any) so that the total amount of the Findel Group's borrowings (exclusive of inter-group borrowings) do not exceed £450,000,000. However, the Company may pass an ordinary resolution allowing borrowings to exceed such limit.

The Board may, subject to the provisions of the Companies Act and shareholder approval where required, exercise its authority to allot shares, grant rights to subscribe for shares or to convert any security into shares. Shares may be issued with such rights or restrictions as may be approved by resolution of the shareholders and shares may be issued on terms that they are, or at the option of the Company may be liable to be, redeemed. The Board may, prior to allotment, determine the terms, conditions and manner in which shares can be redeemed by the Company.

Committee Membership

During the year the membership of the Board's standing committees remained as before, save that Ian Burke took over the chairmanship of the Nomination Committee from the Senior Independent Director, following Ian's change of status to non-executive chairman on 5 April 2017; and Elaine O'Donnell joined each of the Audit, Nomination, Remuneration and Risk Committees upon her joining the Board on 1 February 2018.

Since the year end Greg Ball has been appointed to the Remuneration Committee and Bill Grimsey has been appointed to the Risk Committee.

Upon Eric Tracey retiring from the Board at the conclusion of the 2018 AGM, Elaine O'Donnell will take over as chair of the Audit Committee and Greg Ball will step into the role of Senior Independent Director.

Details of the membership of the committees as at the end of the period under review are included on page 25.

Audit Committee

The Audit Committee operates under written terms of reference which are available on the Company's website (www.findel.co.uk) and is comprised solely of independent non-executive directors. It is currently chaired by Eric Tracey. Elaine O'Donnell will take over the chair of the Committee upon Eric Tracey retiring from the Board at the conclusion of the 2018 AGM. The Committee's report is set out on pages 57 to 60. The Audit Committee as a whole has the required competence relevant to the sectors in which the Group operates.

Risk Committee

The Risk Committee operates under written terms of reference which are available on the Company's website (www.findel.co.uk) and is comprised solely of independent non-executive directors. It is chaired by Greg Ball. The Committee's report is set out on pages 61 to 63.

Remuneration Committee

The Remuneration Committee operates under written terms of reference which are available on the Company's website (www.findel.co.uk). It is comprised solely of independent non-executive directors and Bill Grimsey is the chairman. The Committee's report is set out on pages 34 to 55.

Nomination Committee

The Nomination Committee operates under written terms of reference which are available on the Company's website (www.findel.co.uk) and is comprised of the Chairman, and the independent non-executive directors. Ian Burke took over as chairman of the Committee from the Senior Independent Director on 5 April 2017, being the date on which Ian reverted to being a non-executive chairman following a very short period of transition as executive chairman. The Committee's report is set out on page 56.

On behalf of the Board

Mark Ashcroft
Company Secretary

5 June 2018

Board Report on Directors' Remuneration

Dear Shareholder

On behalf of the Board, I am pleased to present the Directors' Remuneration Report for the year ended 30 March 2018.

This report comprises an annual report on remuneration (pages 46 to 55) which describes how the shareholder approved directors' remuneration policy was implemented for the year ended 30 March 2018 and how we intend for the policy to apply for the year ending 29 March 2019. This report, together with this annual statement, will be put to an advisory shareholder vote at the 2018 AGM.

Our approach to remuneration is governed by our directors' remuneration policy which received binding shareholder approval at the 2017 AGM and came into formal effect from that date. The current intention is for the policy to operate over the three-year period to 2020 and shareholders will not therefore be asked to approve any revisions at the 2018 AGM. However, to ensure clarity and transparency we have republished our directors' remuneration policy report herewith (pages 36 to 45).

Performance and remuneration for 2017/18

As detailed in the Strategic Report, FY18 has seen an excellent performance from Express Gifts in growing its business and profits, and good execution from Findel Education in implementing its turnaround strategy. Overall the Group's Adjusted Profit Before Tax (PBT) performance has been slightly above internal expectations set at the start of the year which were designed to be stretching. The Group has also made good progress in its Free Cash Flow (FCF) with strong working capital generation being well ahead of expectations and legacy outflows performing in line with existing provisions.

Our FY18 performance-related bonus was subject to PBT and FCF targets alongside a number of non-financial objectives relating to business transformation, customer service and personal performance.

The threshold level of profit was exceeded and so bonus payments have resulted from each of the PBT, FCF and non-financial objectives set at the start of the year. PBT of £26.8m compared to a threshold requirement of £25.5m and a maximum target of £29.5m and generated a bonus payment of 19.3% of salary out of a potential maximum of 37.5%. FCF of £16.7m compared to a threshold of £11.1m and a maximum of £13m and generated a full 37.5% of salary payment. Both executive directors performed extremely well during the year relative to their personal objectives and earned a full 25% payout against this element of the bonus plan. In total each of the CEO and CFO will receive a bonus payment in respect of FY2017/18 equivalent to 82.3% of salary.

With regards to our longer-term performance, the FY16 Performance Share Plan ("PSP") awards which were granted on 1 March 2016 (following a prolonged close period) were subject to absolute share price appreciation targets. The share price achieved failed to meet the stretching threshold target and so the awards lapsed in full.

Implementation of remuneration policy for 2018/19

The remuneration package for our executive directors will continue to be made up of base salary, plus pension contributions and benefits, and, subject to stretching performance conditions, an annual bonus paid in cash and shares awarded under a PSP. Within this framework we will be taking the following approach to the implementation of the remuneration policy for the year ending 29 March 2019:

- **Salary** – The Chief Executive's salary will be increased by 2.5% effective 1 August 2018. This is in line with the standard salary increase for employees across the workforce. The Chief Financial Officer's salary will be increased by 8% effective 1 August 2018 and the context for this increase is described below.
- **Bonus** – The maximum annual bonus will remain at 100% of salary for both executive directors. The financial performance measures used will continue to be based on the achievement of targeted levels of PBT and FCF. These will continue to operate alongside a minority element based on pre-agreed personal objectives. Any pay-out under the bonus (including for the personal performance element) will be subject to PBT being above the threshold target and there being no material incidence of bad behaviour in relation to Treating Customers Fairly during the year.
- **PSP** – It is intended that the executive directors will receive PSP awards of 100% of salary in 2018. Consistent with previous years, the 2018 PSP awards will be subject to performance conditions measured over a period of three years with half based on EPS targets and half based on absolute total shareholder return (TSR) targets.
- **Enhancing shareholder alignment** – In addition to ensuring that the short- and long-term performance measures and targets we set are closely linked to the achievement of the Company's key strategic and business objectives, pay is subject to recovery and withholding provisions, a two-year post-vesting holding period operates for PSP awards and significant share ownership guidelines apply – all features intended to further enhance the alignment of interest between executive directors and shareholders and to contribute to an appropriate level of risk mitigation.

The Board is satisfied that the policy continues to provide a good balance between potential rewards to executive directors on the one hand, and, on the other, measures and targets which are appropriately stretching and that are aligned with the delivery of the overall long-term success of the Company.

Changes to the Board

On 13 July 2017 we announced the appointment of Stuart Caldwell to the Board as Group Chief Financial Officer (previously Stuart had held the role of Acting CFO since April 2017, prior to which he was Group Financial Controller). On appointment to the Board his salary was set at £250,000, at a significant discount to the salary of the previous incumbent (£295,500) and reflecting Stuart's experience and the fact that this is his first PLC Board role. His salary on appointment was set to leave room for a further step up after 12 months and his salary will be increased by 8% to £270,000 effective 1 August reflecting the excellent progress he has made in the role. It is expected that future salary increases will be in line with the normal policy (i.e. broadly in line with increases applied across the wider workforce in normal circumstances).The rest of Stuart's package is fully in line with our approved remuneration policy.

On behalf of the Board, I would like to thank shareholders for their continued backing and look forward to your support for our remuneration report at the 2018 AGM.

William Grimsey
Chair of the Remuneration Committee

5 June 2018

Remuneration Policy Report

Introduction

This part of the directors' remuneration report sets out the key parts of the remuneration policy which was approved by shareholders at the AGM on 29 August 2017. The policy took formal effect from the date of approval and is intended to apply until the 2020 AGM. In the interests of clarity, this policy section includes some minor annotations to additionally show, where appropriate, how the policy will be implemented in 2018. A full version of the original shareholder approved policy can be found in the Annual Report for the year ended 31 March 2017 available on our website at www.findel.co.uk.

Policy on Remuneration of Executive Directors

The key objectives of the remuneration policy for Executive Directors remain:

- To provide a competitive remuneration package which will attract and retain the highest calibre of executive;
- To ensure that individual rewards and incentives are properly aligned with personal performance, the performance of the Group, and the interests of shareholders;
- To structure remuneration packages so a significant proportion is performance related;
- To operate simple, transparent incentive structures with a clear aim to reward for long-term shareholder value creation; and
- To set executive pay packages having had due regard to pay and employment conditions in the wider workforce.

In forming this policy, the Committee has taken into account the UK Corporate Governance Code together with guidance from the FCA, institutional investors and investor bodies (including ISS and the Investment Association). The Committee endeavours to structure remuneration for Executive Directors and senior executives so that it should not raise environmental, social or governance (ESG) risks by inadvertently motivating irresponsible behaviour and that it should reward sustainable, long-term performance and sound risk management.

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

The Committee takes due account of remuneration structures elsewhere in the Group when setting pay for the Executive Directors (for example, consideration is given to the overall salary increase budget).

Policy table

Purpose and Link to Strategy	Operation	Maximum	Performance Metrics
Base Salary			
To attract and retain high calibre executives.	Reviewed on an annual basis with increases effective from 1 August. Takes into account: • pay levels in companies of comparable size and complexity; • skills, knowledge and experience of the individual; • individual performance and development within the role; • any change in responsibilities; • rates of inflation and market wide wage increases in comparable companies; and • pay and employment conditions elsewhere in the Group.	Salary levels are normally reviewed annually and are eligible for increases during the three-year policy period. While no maximum applies, the Committee will be guided by the salary increase budget (in percentage of salary terms) set across the workforce generally. Increases beyond those linked to the workforce (in percentage of salary terms) may be awarded in certain circumstances such as where there is a change in responsibility, experience or a significant sustained increase in the scale of the role and/or size, value and/or complexity of the Group or where salary levels have become out of line with market rates for fulfilling similar roles in companies of comparable size and complexity.	A broad assessment of individual and corporate performance is considered as part of the annual review process.
Pension			
To provide market competitive long-term retirement benefits and reward mechanisms.	Pension benefits are typically provided either through (i) a contribution to a personal pension arrangement or (ii) a cash supplement in lieu of pension provision or a mix of both. Only basic salary is pensionable.	The Company's policy, other than in the case of legacy arrangements, is to limit pension contributions to 20% of salary. Phil Maudsley's company pension contribution is set at £83,020. For new directors, a pension contribution of up to 15% of salary may be made.	None.

STRATEGIC REPORT 1—23
GOVERNANCE 24—76
CONSOLIDATED FINANCIAL STATEMENTS 77—128
COMPANY FINANCIAL STATEMENTS 129—140

Remuneration Policy Report

Purpose and Link to Strategy	Operation	Maximum	Performance Metrics
Benefits			
To provide cost effective employee benefits.	Other benefits include a company car or car allowance, fuel, private medical insurance, home telephone costs and any all employee share incentive plan adopted by the Company. The Committee may elect to offer Executive Directors other employee benefits on broadly similar terms as other employees. In the event that an Executive Director is required to relocate, reasonable expenses or an allowance may be payable.	The value of insured benefits may vary year-on-year based on the cost of providing the insured benefit, and is included in the single total figure table. Any all-employee share incentive will be operated within the limits set by HMRC from time to time.	None.
Performance-related bonus			
To incentivise and reward for the achievement of short-term targets linked to the Company's annual KPIs.	A bonus is paid based on the achievement of performance conditions set at the beginning of the financial year. The annual bonus is paid in cash although Committee may elect to defer a portion of the performance related bonus into Company shares for a period of time (to be determined by the Committee on award). Clawback provisions enable the Committee to reclaim any bonus paid as a result of performance that is later the subject of a restatement of the Company's results within a two-year period.	Bonus opportunity of 100% of salary.	Annual bonus will be earned based on performance against a subset of the Company's key performance indicators. A majority of annual bonus will be earned against a challenging graduated scale of financial targets (e.g. profit) with the targets set with reference to the Company's planning for the year. A minority of the bonus may be based upon the achievement of a number of key business objectives tailored to the individual executive (e.g. personal targets or business unit objectives). For achieving the threshold performance targets, typically no more than 20% of the maximum bonus opportunity is payable. Maximum payment can only be earned as a result of performance above the Company's business plan for the year with a graduated scale operating between threshold and maximum performance levels. The Committee will review the bonus outcome to ensure that it reflects underlying Company performance over the year. The Committee may amend the pay-out to better reflect performance if it feels it is appropriate to do so.

Purpose and Link to Strategy	Operation	Maximum	Performance Metrics
Performance Share Plan ('PSP')			
To incentivise and reward for the achievement of long-term targets which support the business strategy. Aligns Executives' interests with those of shareholders.	Annual grant of share-based awards which are subject to performance conditions and normally vest three years from grant. A holding period applies which requires all vested shares (net of tax) to be held by the executive for a period of two years. Participants may be entitled to any dividends payable on vested shares. Clawback provisions enable the Committee to reclaim any amount paid in the event of a restatement of the Company's results, an error, a significant failure of risk management or gross misconduct.	PSP grants of up to 150% of salary (or 200% of salary in exceptional circumstances such as recruitment).	PSP awards vest subject to the achievement of performance conditions linked to Company strategy. The current performance conditions are based on absolute TSR and EPS growth targets. If alternative measures are introduced in conjunction with or in place of EPS and TSR, this would be subject to prior consultation with major investors. Up to 20% of an award may vest for threshold performance with full vesting taking place for equalling, or exceeding, the maximum performance targets. The Committee will review the vesting outcome to ensure that it reflects underlying Company performance over the performance period. The Committee may amend the pay-out to better reflect performance if it feels it is appropriate to do so.
Share ownership Guidelines			
To provide a continued focus on long-term sustainable value creation and to further align executives' and shareholders' interests.	Executive Directors are expected to retain no fewer than 50% of any shares delivered under the PSP net of taxes until such time as their share ownership guideline has been achieved.	The share ownership guideline is currently set at 100% of salary for directors and this shall be kept under review over the life of the policy.	N/A

Remuneration Policy Report

Purpose and Link to Strategy	Operation	Maximum	Performance Metrics
Non-Executive Director Fees			
To attract and retain individuals with relevant experience and knowledge to enhance the Board.	The Committee is responsible for setting the Company Chairman's fee. The Chairman receives a single fee encompassing all his responsibilities. The Board as a whole (excluding the non-executive directors) is responsible for setting the level of remuneration for non-Executive Directors. Non-executives' fees are paid in cash and comprise a base fee and additional fees for chairing Board committees or holding the senior independent director role. Fee levels are reviewed periodically and take into account: • skills, knowledge and experience of the individual; • the expected time commitments, scope and responsibilities of each role; and • market rates at companies of a comparable size and complexity. Non-Executive Directors are excluded from any discussions relating to their own fees. Reasonable expenses may also be reimbursed.	The current fee levels will be eligible for increases during the three year period that the remuneration policy operates to ensure they continue to appropriately recognise the time commitment of the role, increases to fee levels for Non-Executive Directors in general and fee levels in companies of a similar size and complexity. Non-Executives are not eligible to participate in any incentive arrangements.	None.

STRATEGIC REPORT 1—23
GOVERNANCE 24—76
CONSOLIDATED FINANCIAL STATEMENTS 77—128
COMPANY FINANCIAL STATEMENTS 129—140

Operation of the Annual Bonus Plan & LTIP Policy

The Committee will operate the annual bonus plan and PSP according to their respective rules and in accordance with the Listing Rules and HMRC rules where relevant. The Committee retains discretion, consistent with market practice, in a number of regards to the operation and administration of these plans. For example, these include the following (albeit with quantum and performance targets restricted to the descriptions detailed in the policy table above):

- Participants of the plans;
- The timing of grant of award and/or payment;
- The size of an award and/or a payment;
- The determination of vesting;
- Discretion required when dealing with a change of control (e.g. the timing of testing performance targets) or restructuring of the Group;
- Determination of a good/bad leaver for incentive plan purposes based on the rules of each plan and the appropriate treatment chosen;
- Adjustments required in certain circumstances (e.g. rights issues, corporate restructuring, events and special dividends); and
- The annual review of performance measures weighting, and targets for the annual bonus plan and Performance Share Plan from year to year.

The Committee also retains the ability to adjust the targets (up or down) and/or set different measures and alter weightings for the annual bonus plan and to adjust targets for the PSP if events occur (e.g. material divestment of a Group business or events relating to the Company's issued share capital) which cause it to determine that the conditions are no longer appropriate in the circumstances and the amendment is required so that the conditions achieve their original purpose and are not, in the opinion of the Committee, materially more or less challenging to satisfy in the circumstances.

All historic PSP awards that were granted but remain outstanding (detailed on page 52 of the Annual Report on Remuneration) remain eligible to vest based on their original award terms.

Choice of performance measures and approach to target setting

The performance metrics that are used for annual bonus and long-term incentive plan are a subset of the Group's key performance indicators.

Under the annual bonus plan, reflecting the Company's focus on delivering profitable growth and generating cash in its businesses, the majority of bonus is subject currently to the achievement of challenging profit and free cash flow targets.

In addition to challenging financial targets, a minority of bonus may be set subject to business objectives tailored to each individual's role and responsibilities (e.g. individual targets are set to provide reward opportunity for delivering specific in-year objectives) the achievement of which will enable the Company to maintain or improve its upward trajectory in delivering against its business plans.

In terms of long-term performance targets, outstanding awards currently vest subject to (i) challenging EPS growth targets that are aligned with the long-term levels of earnings growth targeted by the Company and (ii) absolute TSR targets which provide clear alignment of interests between shareholders and executives in terms of delivering successful progress in the Group's businesses. New measures which are aligned to the Company's medium to long term strategy may be introduced and will be subject to prior consultation with leading investors.

Targets are generally set based on graduated scales that take account of internal planning and external market expectations for the Company. Only modest rewards are available for delivering threshold performance levels with maximum rewards requiring substantial out-performance of the challenging plans approved at the start of each year over one and up to three year time periods.

Remuneration Policy Report

How Executive Directors' remuneration policy relates to the wider Group
The remuneration policy described in the policy table provides an overview of the structure that operates for Executive Directors.

Outside the Executive Director population, different structures and incentive quantum apply that take due account of the Company's overall remuneration policy, the specific objectives of individuals' roles and practice in companies of comparable size.

Base salaries for employees are set by reference to industry specific comparator groups. Consideration is given to the overall salary increase budget and general employment conditions, when setting Executive Director base salaries.

The performance-related bonus scheme operates with targets and quantum that are set by reference to individual role and responsibility. More emphasis on divisional performance and/or personal performance is included at less senior levels.

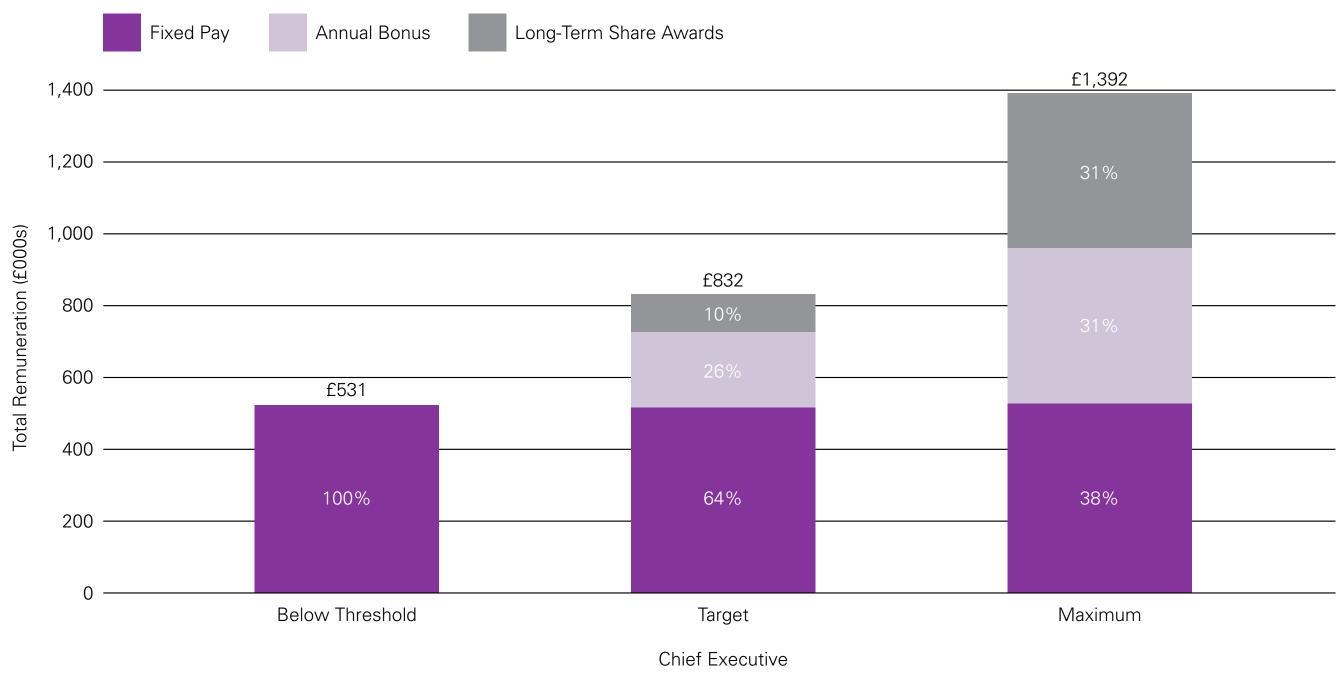
The PSP is offered on a discretionary annual basis to senior executives. Awards are limited to this grade of employees as they are anticipated as having the most potential to influence performance at a Group level. These awards are generally subject to the same performance conditions as detailed in the remuneration policy table, although awards to divisional executives are also subject to specific divisional performance conditions and underpins.

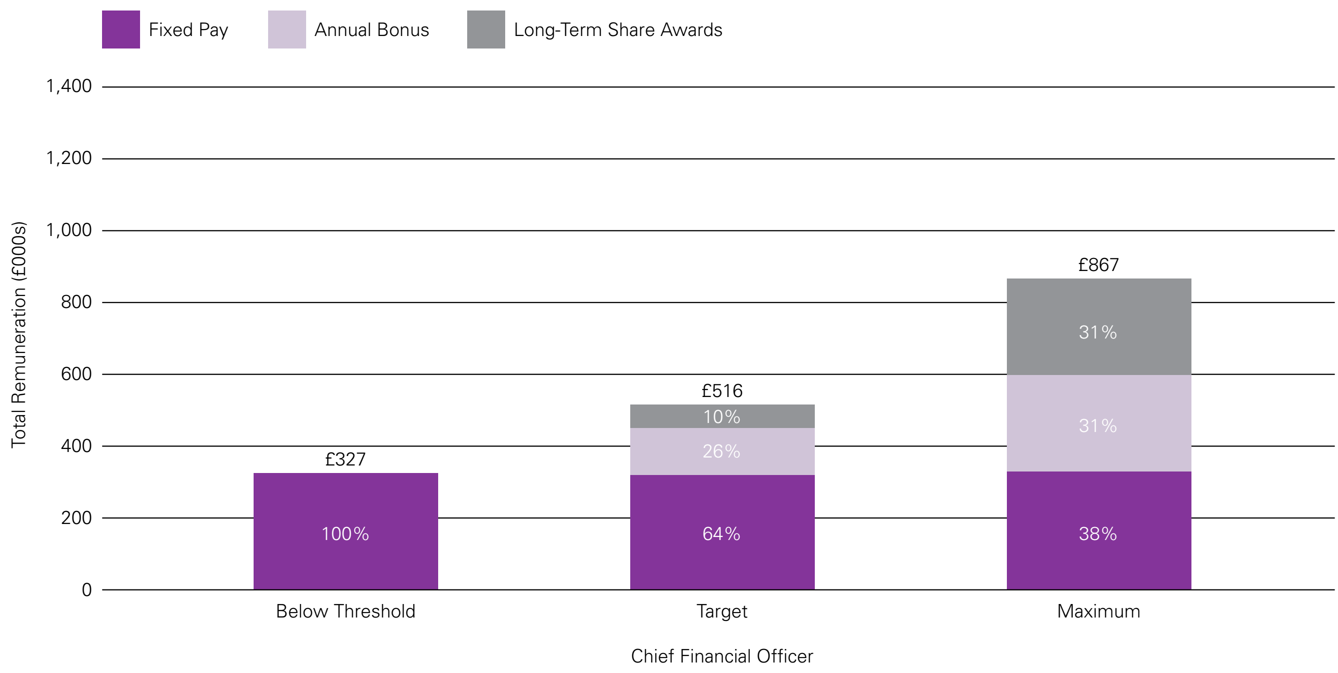
How employees' views are taken into account
The Committee does not directly consult with employees on executive remuneration.

However, the Committee is provided with an overview of employee and executive remuneration structures at the Company. The Committee is kept up to date, more generally, with pay and employment conditions elsewhere in the Company and is informed of the salary increase budget for the Group as a whole when setting Executive Directors pay increases (if any) each year.

How shareholders' views are taken into account
As a matter of course, after the AGM, the Committee will consider feedback from shareholders and relevant guidance from shareholder representative bodies. The Committee will also seek feedback from shareholders from time to time as part of a wider shareholder dialogue if considered appropriate. This feedback is then considered as part of the Committee's ongoing review of remuneration policy.

Illustration of application of policy
The Company's policy results in a significant portion of remuneration received by executive directors being dependent on Company performance. The graphs below illustrate how the total pay opportunities for the Chief Executive and Chief Financial Officer vary under three different performance scenarios: below threshold, on-target and maximum. When reviewing the charts that follow, it should be noted that these have been prepared based on the policy detailed in the table above but ignoring the potential impact of future share price growth





Assumptions

- Below threshold – fixed pay only being 2018/19 base salary, the annualised value of 2017/18 benefits and 2018/19 pension contribution
- Target – fixed pay plus 50% of 2018/19 bonus payable and 20% vesting of 2018 PSP award
- Maximum – fixed pay plus 100% of 2018/19 bonus payable and 100% vesting of 2018 PSP award

Assumes 2018 PSP award of 100% of salary and ignores potential share price growth.

Remuneration Policy Report

Recruitment and Promotion Policy

For Executive Director recruitment and promotion situations the Committee will use the following guidelines:

Remuneration Element	Policy
Base Salary	Base salary levels will be set by reference to the experience of the individual, taking into account relevant market data and internal relativities. If a new recruit has a below market salary set on appointment, they may experience phased multi-period increases in excess of other Executive Directors (and the wider workforce) to bring them into line with the market as they develop in the role, subject to continued performance in post.
Benefits	Benefits as provided to current Executive Directors. Where necessary the Committee may approve the payment of relocation expenses to facilitate recruitment and flexibility is retained for the Company to pay for legal fees and other costs incurred by the individual in relation to their appointment.
Pension	A defined contribution or cash supplement limited to 15% of salary.
Annual Bonus	The maximum ongoing incentive opportunity under the Company's policy is 100% of salary. The annual bonus will operate as outlined for current executives, with the respective maximum opportunity, albeit pro-rated for the period of employment. Dependent on the timing of the appointment and the nature of the role, it may be necessary to set different performance measures and targets for the first year of operation.
Long-Term Incentives	PSP awards will be granted in line with the policy outlined for the current Executive Directors. An award may be made shortly after an appointment (subject to the Company not being in a prohibited period). The maximum ongoing annual award level is 150% of salary under the PSP but an award, in exceptional circumstances (as determined by the Committee), may be granted up to 200% of salary under the rules of the PSP. For an internal hire, existing awards would continue over their original vesting period and remain subject to their terms as at the date of grant.
Buy-out Awards	To facilitate an external hire, the Committee may be required to offer additional cash and/or share-based elements which includes the use of awards made under 9.4.2 of the Listing Rules. Any such payments would be made to compensate for remuneration forfeit when leaving a former employer or role and would take into account where possible, the type of remuneration forfeit, the time horizon to vesting and the impact of any performance conditions. The Committee will make an announcement to shareholders, detailing the remuneration arrangements, at the time of appointment.

Service Contracts & External Appointments

Executive Directors

Future Contract Policy

It is the Committee's policy that service agreements for Executive Directors should be terminable on not more than 12 months' notice which is in line with current market practice. Contracts will not include liquidated damages clauses guaranteeing a specified level of remuneration on termination. Contracts will, at the Company's discretion, enable the Company to make a payment in lieu of notice comprising up to 12 monthly instalments of base salary which would reduce to the extent that alternative employment was taken up.

The Committee will retain discretion, on appointment of a new Executive Director, to agree a service contract with a 24 month notice period (e.g. in the event that the Company was the subject of takeover speculation) which would reduce on a monthly basis during the first 12 months of appointment to a 12 month notice period or less. While this provision is not considered part of 'normal' policy, it is considered appropriate to retain flexibility should exceptional circumstances arise which would be detailed in the Annual Report on Remuneration at the relevant time.

New contracts will not provide enhanced protection in relation to contractual terms on a change of control.

General provisions

In certain circumstances such as gross misconduct, the Company may terminate employment immediately without notice or payment for each of the current or future Executive Directors. In the event of early termination of a service agreement, the Committee would consider appropriate use of mitigation and phased compensation payments where possible. In addition, any statutory entitlements or payments to settle or compromise claims in connection with a termination of any existing or future Executive Director would be made as necessary. The Committee also retains the discretion to meet any outplacement costs if deemed necessary.

Unless the Committee determines otherwise, annual bonuses are not normally payable if an Executive Director has left or is under notice at the payment date. Any annual bonus payments would normally only be made to an Executive Director who has left or is under notice if the Committee determines him a 'good leaver' (e.g. death, injury or disability, redundancy, serious long-term illness, transfer or sale of the employing company, retirement with the Company's agreement or other circumstances at the discretion of the Committee), in which case a bonus entitlement would be calculated based on the period of active employment and performance.

The treatment for share-based incentives previously granted to an Executive Director will be determined based on the relevant plan rules. The default treatment will be for outstanding awards to lapse on cessation of employment.

However, in relation to awards granted under the PSP (approved by shareholders at the 2016 AGM), in certain prescribed 'good leaver' circumstances (e.g. death, injury or disability, redundancy, serious long-term illness, transfer or sale of the employing company, retirement with the Company's agreement or other circumstances at the discretion of the Committee) awards may remain eligible to vest subject to performance conditions, which will be measured over the original performance period or up to the date of cessation, with time pro-rating applied unless the Committee considers it inappropriate to do so.

Outside appointments

The Company currently allows the Executive Directors to undertake outside interests and appointments, subject to the prior approval of the Board, in which instances they are allowed to retain any fees that they receive in respect of such activities.

Non-Executive Directors

The appointment of Non-Executive Directors is for an initial period of three years, subject to review and re-election in General Meeting. They do not have service agreements.

The service contracts for Chief Executive and letters of appointment for the Chairman and the Non-Executive Directors are available for inspection at the Company's registered office during normal business hours and at the AGM (for 15 minutes prior to the meeting and during the meeting).

Board Report on Directors' Remuneration

Annual Report on Remuneration

The regulations require the auditors to report to the Company's members on the 'auditable parts' of the annual report on remuneration and to state whether, in their opinion, the parts of the report that have been subject to audit have been properly prepared in accordance with the relevant legislation. The parts of this report which have been audited have been highlighted accordingly.

Remuneration Committee

The remuneration of the Executive Directors and the Chairman is determined by the Committee.

The members of the Committee during the year were all independent non-Executive Directors. Mr Grimsey chaired the Committee throughout the year and Messrs. Coumau and Tracey were members. Since the year end Ms O'Donnell and Mr Ball have joined the Committee. No member of the Committee has any personal financial interest, other than as a shareholder, in the matters to be decided, nor any potential conflict of interest arising from cross-directorships, nor any day-to-day involvement in running the business throughout the period.

The Chairman of the Company and the Chief Executive normally attend meetings of the Committee by invitation except when matters concerning their own remuneration are discussed. The Committee is assisted when required by New Bridge Street (a trading name of Aon plc) who are appointed by the Committee, are members of the Remuneration Consultants Group and have signed up to its Code of Conduct. Apart from providing advice in respect of the design, establishment and operation of remuneration arrangements, New Bridge Street (nor any other part of Aon plc) provides no other services to the Company and during the year charged fees of £58,014 (excluding VAT) (FY17: £139,915). The Committee has reviewed the operating processes in place at NBS and is satisfied that the advice it receives is independent and objective.

The Company Secretary acts as the secretary to the Committee.

The Committee meets three or more times a year and met six times in 2017/18. Individual attendance details can be found within the Corporate Governance Report on page 32. The Committee's terms of reference are available on the Company's website (www.findel.co.uk). During the year the key matters which were discussed were:

- The salary levels of the Executive Directors;
- The bonus out-turn for the 2016/17 annual bonuses;
- The terms of the 2017/18 annual bonus plan;
- The quantum and performance targets for the 2017/18 Performance Share Plan awards;
- Testing of the 2014 Performance Share Plan award's performance targets;
- Approval of remuneration changes and the remuneration of new appointments of any employee within the remit of the Committee;
- Review of the 2017-2020 Directors' Remuneration Policy;
- Review of the regulatory guidance on remuneration;
- Approval of 2016/17 Directors' Remuneration Report;
- Initial design of the 2018/19 annual bonus plan;
- The annual self-evaluation of the effectiveness of the Committee; and
- Consideration of developments in market and best practice.

Shareholder Voting at the 2017 AGM

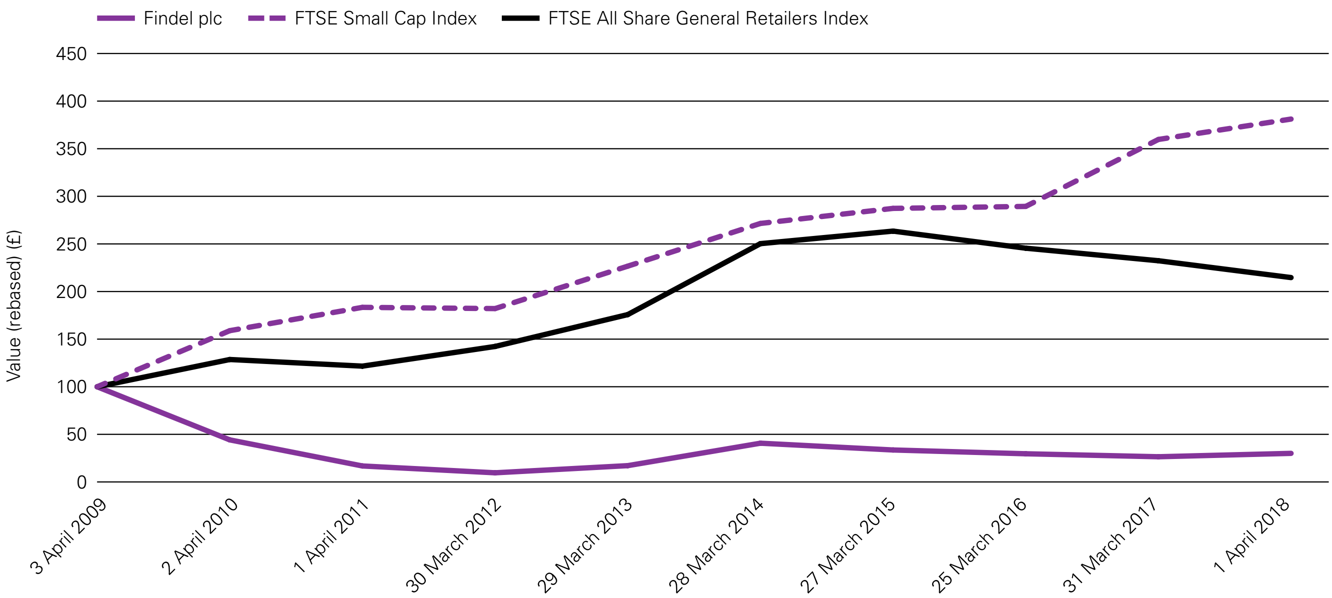
At last year's AGM, the Annual Report on Remuneration and the Directors' Remuneration Policy received the following votes from shareholders:

	Annual Report on Remuneration		Directors' Remuneration Policy	
Resolution	Total number of votes	% of votes cast	Total number of votes	% of votes cast
For	80,037,650	100.0%	80,003,710	100.0%
Against	3,963	0.0%	37,903	0.0%
Total votes cast (for and against)	80,041,613	100%	80,041,613	100%
Withheld votes	1,354	N/A	1,354	N/A
Total votes cast (including withheld votes)	80,042,967	N/A	80,042,967	N/A

Performance Graph

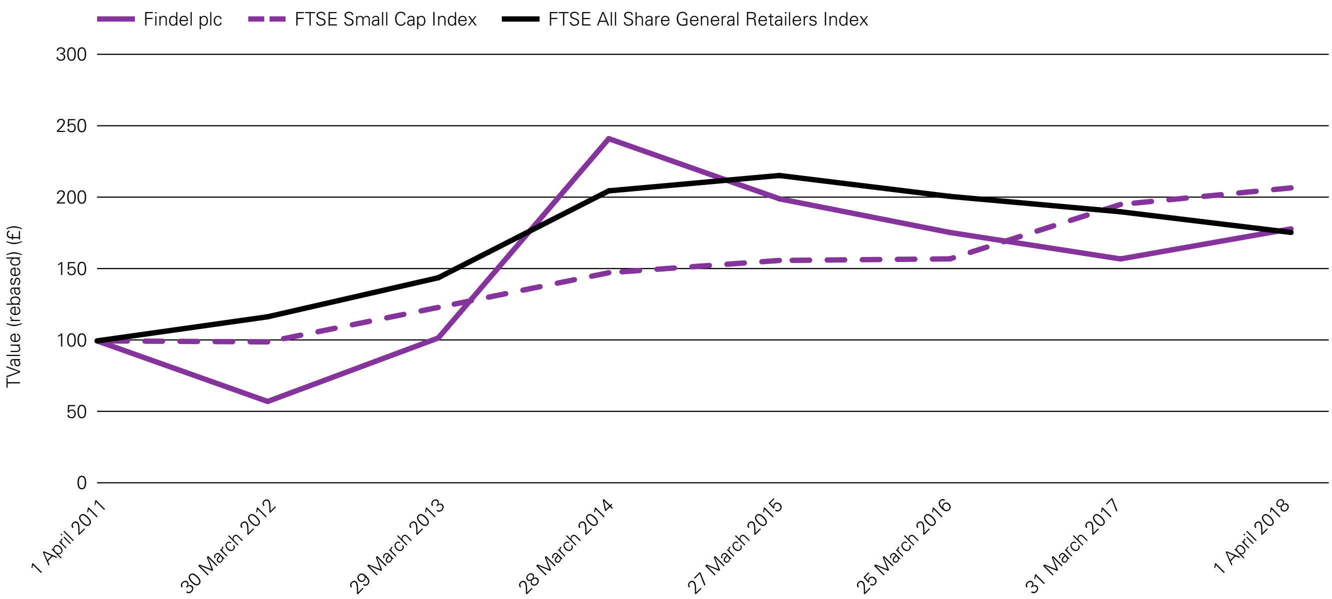
The following graphs contrast the total shareholder return of the Company with the FTSE Small Cap Index and FTSE All Share General Retailers Index. These indices were selected as being, in the opinion of the Committee, the most appropriate for comparison because Findel is currently a constituent member of each.

The first graph shows the total shareholder return over the nine financial years to 1 April 2018 as required by the reporting requirements. However, the Committee considers that the total shareholder return over the seven financial years to 1 April 2018 to be a relevant additional disclosure since this timeframe relates to the period during which the executive team were executing the Board's recovery and growth strategy for the Group.



This graph shows the value, by 1 April 2018, of £100 invested in Findel plc on 3 April 2009, compared with the value of £100 invested in the FTSE Small Cap and FTSE All Share General Retailers Indices on the same date. The other points plotted are the values at intervening financial year-ends.

Source: FactSet



This graph shows the value, by 1 April 2018, of £100 invested in Findel plc on 1 April 2011 compared with the value of £100 invested in the FTSE Small Cap and FTSE All Share General Retailers Indices on the same date. The other points plotted are the values at intervening financial year-ends.

Source: FactSet

Board Report on Directors' Remuneration

The table below sets out the total remuneration figure for the Chief Executive role over the last nine years.

	Year ending											
	P B Maudsley[1]		R W J Siddle[2]					D Sugden[3]		M I Burke[4]		P B Maudsley[5]
Executive	2010	2011	2011	2012	2013	2014	2015	2016	2017	2017	2018	2018
Total Remuneration (£000)	£771	£607	£484	£496	£745	£2,650	£509	£428	£332	£55	£3	£864
Annual bonus (as % of maximum)	0.0%	14.9%	64.9%	0.0%	62.3%	67.9%	0.0%	0.0%	0.0%	n/a	n/a	82.3%
LTIP vesting (as % of maximum)	0.0%	0.0%	0.0%	0.0%	0.0%	36.3%	0.0%	n/a	n/a	n/a	n/a	0.0%

1. Stepped down as Chief Executive in September 2010 (figures are the total annual remuneration received during each full financial year).
2. Appointed Chief Executive in September 2010 and stepped down from the position of Chief Executive at the conclusion of the 2014/15 financial year.
3. With effect from the start of the 2015/16 financial year, David Sugden became Executive Chairman. As detailed in last year's Remuneration Report David Sugden does not receive any long-term incentives in light of his appointment to the role being for a short-term period. David Sugden left the Board on 12 January 2017.
4. Joined the Board as Executive Chairman on 12 January 2017 and received base salary only and reverted to non-executive status on 5 April 2017.
5. Appointed CEO on 5 April 2017.

Emoluments of the directors (subject to audit)

The emoluments of the directors in the period ended 30 March 2018 is shown below:

	Salary and fees[2]		Taxable benefits[3]		Pensions[4]		Annual bonus[5]		Long-term incentives[6]		Termination payments		Total[7]	
£000	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Chairman														
M I Burke[(1)]	151	55	—	—	—	—	—	—	—	—	—	—	151	55
Executive Directors														
S M Caldwell[(1)]	180	—	12	—	27	—	199	—	—	—	—	—	418	—
T J Kowalski[(1)]	13	296	—	21	1	44	—	—	—	—	365	—	379	361
P B Maudsley[(1)]	419	374	17	20	83	83	345	—	—	—	—	—	864	477
Non-Executive Directors														
E F Tracey	60	68	—	—	—	—	—	—	—	—	—	—	60	68
F Coumau	39	38	—	—	—	—	—	—	—	—	—	—	39	38
W Grimsey	49	48	—	—	—	—	—	—	—	—	—	—	49	48
G Ball	49	44	—	—	—	—	—	—	—	—	—	—	49	44
Elaine O'Donnell	7	—	—	—	—	—	—	—	—	—	—	—	7	—
Previous Directors														
D A Sugden[(1)]	—	266	—	13	—	53	—	—	—	—	—	—	—	332
Totals	967	1,189	29	54	111	180	544	—	—	—	365	—	2,016	1,423

Notes:

1. M I Burke joined the Board on 12 January 2017 as Executive Chairman and became Non-Executive Chairman on 5 April 2017; S M Caldwell joined the Board on 13 July 2017; T J Kowalski stepped down from the Board on 6 April 2017 – values reflect remuneration received as a director and full details regarding payments made to Mr Kowalski in relation to his loss of office can be found on page 52; P B Maudsley was promoted to the position of Chief Executive from his previous position as MD, Home Shopping on 5 April 2017; and D A Sugden stepped down from the Board on 12 January 2017.
2. Mr Maudsley's salary was increased from £376,944 to £420,000 in April 2017 on his promotion to Chief Executive from his previous position as MD, Home Shopping. Mr Caldwell's salary was set at £250,000 on his appointment to the Board in July 2017.
3. Taxable benefits comprise the private use of a motor car (or a cash allowance in its place), fuel, private health insurance and home telephone costs.
4. Pension values include contributions to defined contribution pension plans or cash allowances in lieu of pension contributions.
5. Further details of the annual bonuses payable to Executive Directors in relation to the year under review are set out below.
6. As detailed on page 51, the 2015 PSP awards which were based on a performance period ending at the conclusion of the 2017/18 financial year lapsed.
7. The figures above represent emoluments paid to directors during their tenure in the relevant financial period, with the exception of annual bonus payments and Long-Term Incentives, which relate to performance in the period under review but paid/expected to vest after the year-end.

2017/18 Annual bonus

The 2017/18 performance-related bonus plan maximum was 100% of salary for both the Chief Executive and Chief Financial Officer.

Mr Kowalski stepped down from the Board on 5 April 2017 and did not receive a bonus in respect of 2017/18.

With regards to the proportion of the total bonus that could be earned against each element, 75% of the maximum opportunity was based on financial performance (37.5% Adjusted Group Profit Before Tax and 37.5% Group Free Cash Flow), with 25% based on a number of individually tailored personal objectives.

The entire bonus was subject to an underpin of threshold profitability. In addition, the bonus was also subject to a further underpin that enables the Committee to scale back the bonus (including to zero) if there were any material instances of inappropriate outcomes for customers.

Performance against targets

The 2017/18 financial targets were:

Profit Performance	Threshold	Max	FY 2017/18 Actual	% of salary payable
Group profit before tax*	£25.5m	£29.5m	£26.8m	19.8%
Group free cash flow**	£11.1m	£13.0m	£16.4m	37.5%

* Adjusted Group profit before tax is calculated as per the Alternative Performance Measure described on page 19 and is stated before individually significant items and fair value movements on foreign currency derivative financial instruments.

** Free Cash Flow ('FCF') is calculated as per the Alternative Performance Measure described on page 19 and stated as net cash flow generated from operations, plus securitisation inflows, capital expenditure and individually significant items, but before interest, finance lease repayments and investments.

In total, 57.3% of salary (out of a maximum of 75% of salary) was therefore payable for 2017/18 financial performance.

Non-financial objectives

The Executive Directors had a number of personal objectives set at the beginning of 2017/18. Achievement against these objectives was assessed by the Committee based on demonstrated progress against agreed milestones.

The strong performance of the Chief Executive and the Chief Financial Officer against their personal objectives resulted in 25% of salary (out of a maximum of 25% of salary) becoming payable to each.

Board Report on Directors' Remuneration

Details of the non-financial objectives are set out in the tables below:

Chief Executive

Objective	Success measure	Weighting	Performance assessment
Delivery of the 2017/18 budgeted demand/sales plan Grow overall net customer base; with a focus on the target demographic of 26-45 Accepting 15% tolerance on customer recruitment	Budget Sales Closing Base CY17 1,790,000 vs Closing Base CY16 1,562,000 At least 39% of new customers to be aged 26-45 (CY17: 34.2%)	20%	Fully achieved Sales for year £479m Closing base 1,797,000 Age 26-45 = 40.6%
Transformation Programme 'Digital 1st' Implement 3-year plan, with a focus on 2017/18 deliverables that enables the delivery of the business strategy with a focus on the transition to a 'Digital 1st' company	Increase online penetration in FY18 to 63.6%	20%	Fully achieved Online penetration of 68%
Complete organisation design changes	Recruiting and on-boarding key senior staff	20%	Fully achieved New teams in place at Express Gifts and Findel Education
Deliver a minimum £2m of profit improvement beyond the budget	£2m annualised saving ensuring independence from transformational deliverables	20%	Fully achieved Annual savings in excess of £2m achieved
Drive the people plan to support the required cultural shift and empower our people to deliver a digital first strategy, whilst also delivering operational excellence by continually seeking opportunities to become more efficient and effective	Overall business employee engagement score of 75% or above with effective improvement planning forums in place across the business	20%	Fully achieved Employee engagement score of 77% Enhanced planning forums in place including Express Gifts Change Board managing strategic projects and their competing demands for resource

Chief Financial Officer

Objective	Success measure	Weighting	Performance assessment
Group Finance Team: effective management of the Group finance team and forecasting process	Absence of material financial surprises	20%	Fully achieved Board and Audit Committee regularly updated with outline quantification of risk where applicable. A prudent approach to contingency management was used successfully during the year to manage expectations on trading
Education: material reduction in the cost base beyond budget	Lead a project to achieve cost savings of £1m beyond budget	20%	Fully achieved Semi-variable and fixed costs reduced by £1.2m vs budget

Objective	Success measure	Weighting	Performance assessment
Refresh/upgrade the Group's new Finance Team	The finance team is in place or recruitment is far advanced to achieve that e.g. people are recruited but not yet started would be achievement	20%	Fully achieved New finance teams in place at Express Gifts, including in Financial Planning and Analysis
Improve KPI reporting and MI for the Board	Inclusion in regular Board Reports	20%	Fully achieved Summarised KPIs have been included within the CFO report throughout the year, with more detailed KPIs included within the divisional MDs' monthly reports
Manage an effective FY17 year end process	Effective and efficient audit process and management of associated Board and Audit Committee processes	20%	Fully achieved Revised timetables and meeting schedules were established, external expectations were appropriately managed. Board/Audit Committee were kept appraised of developments. Ultimately led to an Audit Report from KPMG that contained no material Unadjusted Accounting Differences

Total annual bonus payments were therefore 82.3% of salary to both executive directors. This percentage has been applied to their respective salary payments received during the year, both before and after their current role appointments.

Directors' pension entitlements (subject to audit)

No director was a member of a defined benefit scheme during FY2018. Mr Maudsley previously participated in the Findel Group Pension Fund but elected to transfer his benefits out of the scheme in December 2015.

Directors' Share Options and Long-Term Incentive Plans (subject to audit)

Awards vesting in relation to FY2017/18

The performance conditions for the awards granted in FY2015/16 were based on share price appreciation targets. In summary the absolute share price targets range from 310p to 410p (prior to any dividend adjustment).

The average share price for the three months to 30 March 2018 was 216p. This was below the threshold target so the award lapsed in full.

The performance against targets was assessed by independent consultants (with appropriate liaison between the Audit and Remuneration Committees).

PSP Awards granted in FY2017/18

During FY2017/18 the following awards of nil-cost options were made under the PSP to Executive Directors:

Executive	Award (as a % of salary)	Share price at date of grant*	Number of shares subject to award	Face value of award	% of face value which vests at threshold
Chief Executive	100%	197.2p	212,982	£420,000	20%
Chief Financial Officer	100%	181.3p	137,873	£250,000	20%

* Based on the average share price over the 5 trading days immediately preceding 4 July 2017 for the Chief Executive and 20 July 2017 for CFO, being the date of grant in each case.

Board Report on Directors' Remuneration

As set out in the FY2016/17 report, the award is subject to Absolute TSR growth (50% of the award) and EPS targets (50% of the award). EPS remains the primary measure of our long-term financial success with TSR providing clear alignment with shareholders. Targets for the FY2017/18 grants are:

Annual Compound Growth in TSR (to 31 March 2020 from the 31 March 2017 base year)	Annual Compound Growth in EPS (to 31 March 2020 from the 31 March 2017 base year)	Percentage of Shares subject to the Award that vests
Below 10% p.a.	Below 10% p.a.	0%
10% p.a.	10% p.a.	20%
Between 10% and 18.5% p.a.	Between 10% and 19.4% p.a.	Between 20% and 100% on a straight-line basis
Above 18.5% p.a.	Above 19.4% p.a.	100%

TSR is measured based on a three-month averaging at the start and the end of the performance period. The above ranges of targets were calibrated after taking into account both internal and external growth expectations such that they were felt to provide a balance between being realistic at the bottom end of the range and very demanding at the top end of the range (e.g. the maximum absolute TSR target performance requirement at 18.5% p.a. growth, which remains above the typical upper quartile performance level required to achieve full vesting in a relative TSR condition against a general index such as the FTSE Small Cap).

The award is also subject to an underpin that there are no material breaches of our commitment to 'treating customers fairly' during the performance period. When assessing the outcome of the performance the Committee will also have regard to the overall performance of the Group and has the discretion to reduce the award (including to zero) if it is felt that the outcome does not reflect underlying performance.

A two-year holding period will apply to any vested shares.

Details of all directors' outstanding interests in shares under the Performance Share Plan (subject to audit)

The table below details the current outstanding share awards under the PSP:

	31 March 2017	Granted	Exercised	Lapsed	30 March 2018	Award date	Vesting date
S M Caldwell	20,143	—	—	(20,143)	—	20 Jun 14	20 Jun 17
	33,333	—	—	—	33,333	10 Feb 16[1]	10 Feb 19
	44,771	—	—	—	44,771	5 Aug 16	5 Aug 19
	—	137,873	—	—	137,873	20 Jul 17	20 Jul 20
T J Kowalski	102,912	—	—	(102,912)	—	20 Jun 14	20 Jun 17
	145,946	—	—	(145,946)	—	1 Mar 16[1]	1 Mar 19
	185,034	—	—	(185,034)	—	5 Aug 16	5 Aug 19
P B Maudsley	128,182	—	—	(128,182)	—	20 Jun 14	20 Jun 17
	389,978	—	—	—	389,978	1 Mar 16[1]	1 Mar 19
	—	212,982	—	—	212,982	4 Jul 17	4 Jul 20

1. The notional grant date for these awards is 29 July 2015, the same date of grant as awards made to other participants. Due to a prolonged close period awards could not be made to a select group of senior executives until 10 February 2016 in the case of Mr Caldwell, and 1 March 2016 in the case of Mr Maudsley. The performance period in each case was the three year period ending on or about 31 March 2018. These awards have lapsed following an assessment against the performance conditions carried out since the year end.

Compensation for loss of office (subject to audit)

The former Group Finance Director, Mr Kowalski stepped down from the Board and ceased employment on 5 April 2017. In line with his service agreement and the approved remuneration policy, it was agreed that Mr Kowalski would receive monthly payments of salary and benefits in lieu of his 12 month notice period subject to a reduction if alternative employment was found while payments were being made. The aggregate value of emoluments paid to Mr Kowalski over this 12 month period was £365,000. Mr Kowalski did not receive a bonus in respect of 2017/18 performance and all his outstanding PSP awards as set out above have lapsed. No further payments will be made to Mr Kowalski.

Payments to former directors (subject to audit)

No other payments to former directors were made during the period under review.

Service contracts and letters of appointment

The service contract of Mr Maudsley dated 6 October 1997 (amended 18 January 2011) was amended on 5 April 2017 to reflect his promotion to Chief Executive. Mr Maudsley's contract contained a 12 month notice period from either party until 31 March 2018, after which time it has reduced to a six month notice period from either party. There are no express provisions included in the contract on termination other than the Company may require the employee to remain away from work during his notice period during which time he would continue to be remunerated.

Mr Caldwell has a service agreement dated 13 July 2017 containing a six month notice period from either party. There are no express provisions included in the contract on termination other than the Company may require the employee to remain away from work during his notice period during which time he would continue to be remunerated.

Mr Burke joined as Executive Chairman on 12 January 2017 under a service agreement dated 16 December 2016. The employment was subject to a six month notice period from either party. Mr Burke subsequently became Non-Executive Chairman on 5 April 2017 and his service agreement was terminated by mutual consent and without compensation. This was replaced by a letter of appointment, dated 5 April 2017 which includes an initial term of three years, unless terminated by either party giving one month's notice.

The letter of appointment for Mr Tracey is dated 11 November 2009; for Mr Grimsey, 30 January 2012; for Mr Coumau, 2 August 2013; for Mr Greg Ball, 16 February 2016 and for Ms O'Donnell, 24 January 2018.

Mr Tracey's letter of appointment entitles him to 3 months' notice of termination. The letters of appointment of the other Non-Executive Directors are terminable at will. Save for any payment of fees in lieu of notice to Mr Tracey there is no entitlement to compensation for loss of office in connection with the termination of the services of the Non-Executive Directors. Mr Tracey is retiring from the Board at the conclusion of the 2018 AGM, having served almost nine years, and he will receive no payments beyond his fees and expenses for the period up to that date.

Percentage increase in the remuneration of the Chief Executive

	2017/18	2016/17	% Change
Executive Chairman/Chief Executive (£'000)			
Salary	419	321	30%
Benefits	100	66	50%
Bonus	345	—	n/a
Total	864	387	123%
Average of Comparator Group*			
Salary	167	174	(4%)
Benefits	26	27	(4%)
Bonus	61	2	2,950%
Total	254	203	25%

* The comparator Group chosen comprises the most senior managers in the Company who participate in a similar annual incentive structure and so this population has been chosen to best provide a consistent like-for-like comparison.

The table above shows the movement in the salary, benefits and annual bonus for the Chief Executive/Executive Chairman between the current and previous financial year compared to total employee cost for the same elements for the senior management level. The 2016/17 values are based on the sum of remuneration paid to Messrs Sugden and Burke in their capacity as Executive Chairmen. A more meaningful comparison would be the year on year movement of remuneration received by Mr Maudsley in his capacity as Managing Director of Express Gifts during 2016/17 and then as CEO of Findel PLC for substantially the whole of 2017/18. This is shown in the table below.

	2017/18	2016/17	% Change
P B Maudsley (£'000)			
Salary	419	374	12%
Benefits	100	103	(3%)
Bonus	345	—	n/a
Total	864	477	81%

Relative importance of the spend on pay

	2017/18	2016/17	% Change
Staff Costs (£m)	57.9	54.9	5%
Distributions to shareholders (£m)	—	—	—
Adjusted Profit* (£m)	26.8	22.2	21%

* Profit Before Tax from continuing operations before individually significant items and fair value movements on foreign currency derivative financial instruments.

Board Report on Directors' Remuneration

Directors' interests (subject to audit)

The beneficial interests of the directors, together with non-beneficial interests, in the ordinary shares of the Company are shown below (the interests in shares have been stated based on the equivalent post consolidation number at each reporting date).

			PSP Awards		
	Beneficially 30.03.18	Legally Owned 31.03.17	Unvested	Vested but not exercised	Total 30.03.18
Executive directors					
P B Maudsley*	238,606	238,606	602,960	—	841,566
S M Caldwell*	8,184	3,076	182,644	—	190,828
Former directors					
T J Kowalski[(1)]	181,779	181,779	—	—	181,779

1. Mr Kowalski's value is based on his holding on cessation of employment on 5 April 2017.

* Based on current beneficially owned shares and the year-end share price of 228p, Mr Maudsley satisfies the Company's 100% of salary share ownership guideline and Mr Caldwell does not yet satisfy this same guideline.

There have been no changes in the interests of executive directors during their service with the Company since the end of the financial year.

			PSP Awards		
	Beneficially 30.03.18	Legally Owned 31.03.17	Unvested	Vested but not exercised	Total 30.03.18*
Non-executive directors					
M I Burke	40,00	40,000	—	—	40,000
F R Coumau	18,803	18,803	—	—	18,803
W Grimsey	25,000	25,000	—	—	25,000
E F Tracey	45,173	45,173	—	—	45,173
G Ball	—	—	—	—	—
E O'Donnell	—	—	—	—	—

* There have been no changes in the above interests since the end of the financial year.

The concentrated nature of the Group's major shareholders, as noted in the Directors' Report, is putting the Company's compliance with the Listing Rules "free float" requirement under stress and the Board has therefore adopted a moratorium on its members acquisition of additional Company shares for the time being.

Company Share Price

The market price of the ordinary shares at 29 March 2018, being the last day of stock market trading before the period end, was 228p and the range during the period was 150p up to 231p.

Implementation of Policy for FY2018/19

Executive Directors

Salary

The salaries of the executive directors were not increased in July/August 2017 bearing in mind their recent appointments and salary reviews. The Committee has recently carried out their annual review of the salaries of the Executive Directors taking into account the role, responsibilities, performance and experience of the individual, the overall employee salary increase budget and wider inflationary indicators and have agreed increases which will be effective on 1 August 2018.

The base salaries effective 1 August 2017 and 1 August 2018 are as follows:

Director	1 August 2018	1 August 2017	% change
Chief Executive[(1)]	£430,500	£420,000	2.5%
Chief Financial Officer[(2)]	£270,000	£250,000	8.0%

1. On 5 April 2017 we announced that Phil Maudsley had been appointed as Chief Executive (from his previous role as MD, Home Shopping). To reflect his new role, his salary was increased from £376,944 to £420,000.
2. On 13 July 2017 we announced the appointment of Stuart Caldwell to the Board as Group Chief Financial Officer (from his previous role of Acting CFO since April 2017, prior to which he was Group Financial Controller). On appointment to the Board his salary was set at £250,000. The initial salary level was set at a discount to the salary of the previous incumbent (£295,500) and reflects the relative experience of Mr Caldwell and the fact that this is his first PLC Board role. His salary on appointment was set to leave room for a further step up after 12 months and in light of the excellent progress he has made in the role his salary will be increased by 8% to £270,000 effective 1 August 2018. Following this realignment of his pay, it is expected that future salary increases will be in line with the normal policy (i.e. broadly in line with increases applied across the wider workforce in normal circumstances).

For comparison, the average salary increase awarded across the Company for 2018/19 is 2.5%.

Performance-related bonus

In 2018/19, the Executive Directors will be eligible for annual bonus awards up to 100% of salary with performance assessed against the following measures:

- 37.5% Group Profit Before Tax
- 37.5% Group Free Cash Flow
- 25% personal objectives

Any pay-out under the bonus will be subject to Group PBT being above the threshold target and there being no material incidence of breaches of our commitment to Treating Customers Fairly during the year. Disclosure of the exact targets is commercially sensitive but it is expected that there will be full disclosure of the targets and performance against them in the FY2019 Annual Report on Remuneration.

Long-term incentive awards

In 2018/19, the Executive Directors will be eligible for PSP awards of 100% of salary. Awards will continue to be based on Absolute TSR and EPS performance conditions.

The targets for this award have been set taking account of the stronger financial and operational position of the Group from which performance will be measured and the planned investment in sustainable growth within the business' current forecasts. They are intended to be at least as stretching as the targets set for the previous year's awards and will be as follows:

	Weighting	Threshold (20% vesting)	Maximum (100% vesting)
EPS targets	50%	7.5% p.a. CAGR	15% p.a. CAGR or higher
Absolute TSR targets	50%	7.5%p.a. CAGR	15% p.a. CAGR or higher

Any vested shares will be subject to a two-year holding period and any incentive payments will be subject to recovery and withholding provisions as set out in the Directors' Remuneration Policy.

Non-executive directors

The Board reviews the fees of its Non-Executive Directors periodically, with the last increase in fees having taken place in 2008. During the year the Board increased the base fee for its Non-Executive directors from £37,500 to £40,000, reflecting the significant increases in responsibilities of non-executives since the previous fee level had been set. The Board has reviewed the fees of the Non-Executive Directors and has agreed that there will be no increase for FY2018/19. The fees for the Chairman and Non-Executive Directors in 2018/19 will therefore be as follows:

- Chairman fee: £150,000;
- Base fee for other Non-Executive Directors: £40,000;
- Senior Independent Director fee: £10,000;
- Chairman of the Audit Committee fee: £10,000;
- Chairman of the Risk Committee fee: £10,000; and
- Chairman of the Remuneration Committee fee: £10,000.

On behalf of the Board

William Grimsey
Chairman of the Remuneration Committee

5 June 2018

Nomination Committee Report

The Nomination Committee operates under written terms of reference which are available on the Company's website (www.findel.co.uk). Its principal duties are to periodically review the composition of the Board and to recommend suitable candidates for approval by the Board to fill executive and non-executive vacancies and to oversee succession plans.

During the year the Committee comprised the Chairman and the independent non-executive directors. At the start of the year, the committee chairman was Eric Tracey, the Senior Independent Director. This reflected the enhanced role for the Senior Independent Director agreed by the Board while the Company operated with an executive chairman. On 5 April 2017, following a very short period of transition, I reverted to the position of non-executive Chairman of the Company and took over the chairmanship of the Nomination Committee from the Senior Independent Director.

The general approach of the Committee in relation to Board appointments is to engage external recruitment specialists to carry out a search for appropriate candidates. Committee members meet a short list of candidates before discussing and agreeing a recommended candidate to the Board. Where there are appropriate internal candidates they are included in the external assessment process.

The Board has adopted a policy on Board diversity which recognises that diversity (including but not restricted to gender) is an important factor in ensuring that the profile of Board members provides the necessary range of perspectives and skill-sets to ensure effective stewardship.

The Committee's work during FY2018 included the finalisation of the leadership changes at the chairman and executive director levels in April 2017 resulting in the change in status to non-executive chairman for Ian Burke, the appointment of Phil Maudsley as CEO and resignation of Tim Kowalski from the Board and as Finance Director. Following on from those changes the Committee oversaw the external recruitment exercise for a replacement CFO into which Stuart Caldwell was added as an internal candidate. Odgers Berndtson carried out the recruitment exercise which concluded with the Committee unanimously recommending the appointment of Stuart Caldwell to join the Board as the new CFO. The Board finalised that appointment on 13 July 2017.

Subsequently, the Committee turned its attention to succession planning for Eric Tracey as the current Chair of the Audit Committee and Senior Independent Director, with his tenure due to reach almost nine years at the conclusion of the 2018 AGM. The Committee engaged The Zygos Partnership to seek appropriate candidates to join the Board as an independent non-executive director and to take over as chair of the Audit Committee later in 2018. Following a lengthy exercise and interviews with several candidates by the individual members of the Committee, Elaine O'Donnell was recommended to the Board for that role and her appointment was made effective on 1 February 2018. The Board has also accepted the recommendation of the Nomination Committee to appoint Greg Ball to the role of Senior Independent Director with effect from the conclusion of the 2018 Annual General Meeting of the Company.

The Committee also considered the tenure of Bill Grimsey, who would complete his second term of three years at the 2018 AGM. Whilst noting that ordinarily the Board's policy would result in Bill stepping down from the Board at that time, the Committee considered that in light of the changes being made to the roles of chair of the Audit Committee and Senior Independent Director, it would be advisable not to seek also to replace an experienced chair of the Remuneration Committee at the same time. Consequently, the Committee recommended to the Board and the Board accepted that Bill Grimsey's term of office be extended for a further year (to the 2019 AGM) and that the position be reviewed further during FY2018/19. Bill's re-appointment will be recommended to shareholders at the 2018 AGM.

In the final quarter of the year the Committee also started to discuss a wider succession plan for the independent non-executive directors over the next several years, with a view to ensuring a regular refreshing of the Board and the leadership of its standing committees. This work and the development of executive director succession planning, and the oversight of talent management and succession planning at the next level of senior executive management are expected to be the key focus areas for the Committee in FY2018/19.

During the previous year the Committee undertook an evaluation of its effectiveness using external consultants, Armstrong Bonham Carter. In FY2017/18 the annual review of effectiveness of the Committee was carried out by way of an internally generated self-assessment questionnaire and individual discussions with the Chairman. The Committee considers this to be the most appropriate way to build on the value added by the external consultants.

That process has enabled the Committee to review the performance and commitment of each of the directors, all of whom are to be proposed for election/re-election at the 2018 annual general meeting and on the recommendation of the Committee the Board is recommending those elections/re-elections to shareholders. The Committee has also concluded that I was independent at the time of my appointment and on the change of my status to non-executive chairman notwithstanding my short period of executive service, which is considered to be a very short term transitional period and in respect of which I did not participate in any incentive plans. These conclusions have been ratified by the Board.

The Committee met on five occasions during FY2018. The attendance record of Committee members is set out in the Corporate Governance Report on page 32. The Committee plans to hold at least two scheduled meetings during the coming year.

Ian Burke
Chairman of the Nomination Committee

5 June 2018

Audit Committee Report

On behalf of the Committee, I am pleased to present this year's Audit Committee Report, which provides an overview of how we, as a Committee, have discharged our responsibilities, setting out the significant issues we have reviewed and concluded on in the year.

This report focuses mainly on:

- Committee governance;
- The key risks facing the business;
- Our focus since the last annual report, including the impact of changes in the UK corporate governance regime;
- Internal controls; and
- The operation of the internal and external audit functions.

Committee Governance
The Audit Committee operates under written terms of reference, which were reviewed during the year and are available on the Company's website (www.findel.co.uk).

From the start of the year until 31 January 2018, the Committee was comprised of three independent non-executive directors. Elaine O'Donnell was also appointed to the Committee upon joining the Board on 1 February 2018 and will succeed me as Chair of the Committee upon my retirement from the Board in July 2018. Brief biographical details of the committee members, including their expertise and experience, are set out on page 25 and the number of meetings and attendance are set out on page 32. The executive directors, the chairman of the Board and the head of internal audit attended each meeting by invitation. Divisional executives were also invited to meetings during the year in relation to some of the specific matters under review listed below. The external auditor also attended all meetings.

The committee has not used its powers to engage external advisers other than those appointed in conjunction with management in the year under review. Private meetings are held at least twice a year with the external auditor and with the Head of Internal Audit. In these meetings the committee probed the efficiency and effectiveness of the internal and external audit, including the co-operation received by the auditors, recommendations for improvements to processes and timeliness of addressing control and process recommendations.

The committee's agenda is linked to events in the company's financial calendar and its assessment of key business risk as well as other matters for review recommended by the Board, the Risk Committee and the Remuneration Committee in their meetings. The effectiveness of the Committee is assessed as part of the annual Board and Committee effectiveness review, further detail on which is contained in the report on corporate governance on pages 30 to 33.

Our focus since the last annual report – accounting and audit
The most significant matters relating to the annual accounts considered were:

(a) Recoverability of trade receivables in Express Gifts;

(b) Anticipated impact of new accounting standards for FY19;

(c) Financial services redress provisions;

(d) Recoverability of unamortised intangible assets;

(e) Individually significant items;

(f) Carrying amount of inventories;

(g) Recoverability of deferred tax assets; and

(h) Onerous lease provisions.

The committee received a paper from the Group CFO supporting his judgements in each of these areas and another report from the external auditor setting out their opinions and subjective assessments of the level of prudence involved in the key judgements. The committee challenged the robustness of these proposals. In all cases, the committee was guided by the overriding mantras of 'fair, balanced and understandable' and 'true and fair view'.

Audit Committee Report

The particular challenges by the committee in relation to the matters listed above were:

(a) Receivables provisioning – a new bad debt provisioning model to provide a more robust and granular assessment of potential loss was developed by Express Gifts in FY17. This year, we needed to challenge whether the new model's output continued to be applied consistently, particularly in light of the implementation of the new financial services platform, Financier, midway through the year.

The increased sale of non-performing receivables to third parties, including trials of sales of debt with customers where forbearance arrangements have been agreed, produced greater levels of recovery than in previous years. Were the assumed recovery rates for future sales appropriately reflected in the provision for doubtful debts, and were recoveries achieved in FY18 appropriately disclosed in the financial statements?

The committee received satisfactory responses to all these challenges.

(b) Anticipated impact of new accounting standards for FY19 – how was the business adapting its bad debt provisioning models in readiness for the adoption of IFRS9 in FY19? What changes to governance were required to incorporate new inputs on economic scenarios into the models? What impacts would the changes to revenue recognition under IFRS15 have in FY19? How was the Group planning to implement IFRS16 on leases in FY20? What disclosures would need to be made in the FY18 Annual Report and how did management plan to educate shareholders and analysts on the financial impacts? The committee received satisfactory responses to these challenges.

(c) Financial Services redress provisioning – were the forecast assumptions underpinning the calculation of provisions made in previous periods still appropriate, in the light of both the Company's data collection and the interactions of the Company with the FCA? Had the business's internal control framework identified any other areas of potential exposure to legacy refunds? The committee received satisfactory responses to these challenges.

(d) Intangible asset recoverability – following the reduction in the carrying value of assets assigned to the Education CGU made in FY17 and the introduction of a new turnaround strategy for the division in FY18, did the valuation of the remaining intangible assets remain appropriate? Given the relatively early stage of the turnaround, were the medium-term forecasts underpinning that assessment based on reasonable assumptions and downside sensitivities? Given the sensitivity to changes in assumptions, is the disclosure around sensitivities adequate? The committee received satisfactory responses to its challenges.

(e) Individually significant items – given the Group's history of disclosing many individually significant items, does the absence of such items in this year's accounts provide a true and fair comparison between the current and previous year's results? Are there any items that should be disclosed for the current year or omitted from the previous year's individually significant items to achieve the desired comparability? The committee received satisfactory responses to its questions.

(f) Stock provisioning – were the stock provisions adequate given the Company's continued reduction in the volume of slow moving items and the continued increase in the proportion of clothing sold by Express Gifts? The committee was satisfied with the responses to its challenges.

(g) Recoverability of deferred tax assets – given the relatively early stage of the turnaround strategy for the Education CGU, was it appropriate to recognise additional deferred tax losses associated with future forecast profits in this CGU? Had the appropriate tax rates been used in valuing this asset? The committee received satisfactory responses to these challenges.

(h) Onerous lease provisions – were the subletting assumptions implicit in the onerous lease provisions for vacant sites appropriate given market conditions? Were the discount rates used in the present value of subletting income appropriate? The committee received satisfactory responses to those challenges.

The committee also considered:

(i) at the planning stage of the audit, how the auditors defined and applied materiality in their audit. The committee was satisfied with the responses;

(j) towards the conclusion of the audit, the materiality of adjusted and unadjusted errors as reported by the external auditor to the committee. As there were no adjusted mis-statements and the unadjusted mis-statements in total would have a profit effect of less than £200,000, the committee noted the improvement over past years;

(k) the going concern assessment – the committee was satisfied with the responses to its questions about how the Group could manage various sensitivities to the central estimates;

(l) the viability statement – the committee approved the choice of three years as the period over which to assess viability and examined the extent of contingency built into the second and third years of the forward projections, the key risks or threats to the Group's viability and the amount of disclosure proposed around the key risks. The committee was satisfied with the responses received; and

(m) the overall level of prudence in the accounts – how consistent were the judgements and assessments with the equivalent judgements and assessments of the previous year? Were the key judgements and assessments consistent with the Board discussions of the businesses' performance throughout the year and with the conclusions of the Board's annual strategic review? The committee was satisfied on each of these points.

In reviewing the annual report on behalf of the Board and making recommendations that were adopted by the Board in relation to the overall 'fair, balanced and understandable' test, the committee considered the report in the light of the tone and content of papers presented to the Board over the year by the Chairman, Head of Internal Audit, business heads and the Group CFO, and assessed the balance of positive and negative comments on each business in the light of the business's performance for the year.

The committee also considered and accepted management's review of Group accounting policies.

Our focus since the last annual report – internal control

The committee has responsibility for the regular review of the Group's system of internal control and its effectiveness and reports its findings to the Board. It is the role of management to implement the Board's policies on risk and control through the design and operation of appropriate internal control systems. Operating management is charged with the ongoing responsibility for identifying risks facing each of the operating units and for putting in place procedures to mitigate, manage and monitor risks. The system of internal control is designed to manage rather than eliminate the risk of failing to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

Management uses a 'three lines of defence' approach, where the first line of defence is in the management of the business units, who are responsible for ensuring that a robust risk and control environment is established as part of their daily operations. The second line of defence is provided by the oversight functions within the business and at Group level, setting policies, procedures, and compliance and governance frameworks. The third line of defence is the internal and external auditors who offer independent challenge to the levels of assurance provided by the business operations and oversight functions.

In the year since the last annual report, the committee has also monitored and challenged:

(a) how the Group's businesses were dealing with the challenges of the digitalisation of aspects of their interfaces with suppliers and customers, the changes in customer buying behaviour and the adequacy of the businesses' defences against cyber-attack;

(b) the plans and implementation of the new financial services platform at Express Gifts, noting in particular efforts to minimise customer disruption;

(c) the pace at which outstanding internal control improvements were implemented by Express Gifts, and the interaction of those plans and other transformation activities in the business. It was noted that the development of transformation policies had led to a slower pace of implementing improvements during FY18 leading to a larger number of actions being required in FY19;

(d) the approach to documenting the group's fraud detecting activities and controls around them; and

(e) the plans and use of a co-sourcing partner to complete the legacy financial services redress programme for former customers.

The committee used the experience and expertise of its members to meet with management outside of committee meetings to ensure that their experience was available to management. In relation to all of these matters the committee also had presentations from the Express Gifts management team, at which plans were reviewed and challenged. The committee noted that notwithstanding the significant progress made in the year, a significant amount of work was still required to achieve the level of behavioural change, understanding of the interaction between product and financial services policies and efficiency desired by the Board.

The committee oversees the adequacy of Findel's whistleblowing arrangements, ensuring that they are proportionate for the Group and enable staff and contractors to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The committee considered a report on the whistleblowing arrangements within the Group and an overview of instances of whistleblowing. The Chairman of the committee also received his annual report on the service by the independent external service provider and no issues were raised.

The committee has conducted its annual review of the effectiveness of the Group's system of internal control.

External auditor

The committee reviewed the independence of the external auditor and the safeguards that they have in place, including partner and staff rotation and extent of non-audit services, to avoid such independence and objectivity being compromised.

The Company's policy is that the Company should tender the audit at least once every ten years and would not expect to retain the same audit firm for a period of longer than twenty years. With KPMG having been first appointed in 2011, a compulsory tender in auditor is not required before 2021. However, in the light of current focus on auditor appointments, independence and regulation, the committee will keep this matter under review in the current financial year.

Audit Committee Report

The Group policy on the provision by the external auditor of audit and non-audit services is based on the principle that the external auditor should not also provide non-audit services unless exceptional circumstances convince the committee to make an exception to the policy. The policy is reviewed annually by the Audit Committee and approved by the Board.

The detailed disclosure of the fees payable to KPMG LLP for both audit and non-audit services performed during the year is set out in note 9 to the consolidated financial statements and reflects the committee's recommendation that greater explanation be provided than is required by law.

The committee also considered the level of non-audit fees paid to KPMG LLP and noted that there were no such fees in FY18 save for the review of the Group's interim accounts. The committee was therefore satisfied with the level of fees, independence, objectivity and effectiveness of KPMG LLP.

The committee reviewed the effectiveness of the external audit of the FY17 financial statements by discussing the audit separately with the executive directors and senior finance officers, the Company Secretary and the external auditors. Accordingly, in the light of the above, the Board accepted the committee's recommendation that a resolution for the appointment of KPMG LLP as auditors of the Company will be proposed at the forthcoming annual general meeting. A review of the effectiveness of the FY18 audit will be carried out following the issue of this annual report.

Internal audit

The role of internal audit combines an in-house internal audit department together with an appropriate level of co-sourcing of specialised internal audit services in the areas of financial services and IT. The head of internal audit holds discussions with the chairman of the committee at least four times each year and has direct access to him at any time.

The team has delivered improvements in four areas:

- Capacity – the size of the team increased during the year, leading to the delivery of a significant uplift in reviews completed in the second half of the year;
- Capability – the team's technical and geographical base has been strengthened to match the business in terms of retail, financial services and core finance skills;
- Focus – clearer, shorter reporting has been introduced together with regular communication with key customers aligned against a visible, rolling assurance plan; and
- Risk – conversations with review sponsors have focused on controls, risk management and the appropriate toleration of exposure.

The committee chair was involved directly in the recruitment of a new Head of Internal Audit when her predecessor left the Group following a Group relocation of the Internal Audit offices. The committee followed closely the internal audit work related to the introduction of the Financier system referred to in the Strategic Report and the refreshment of the Group's gifts and hospitality policies.

The committee approved the internal audit programme for the FY19 financial year, including the limited use of independent third parties.

Eric Tracey
Chair of the Audit Committee

5 June 2018

Risk Committee Report

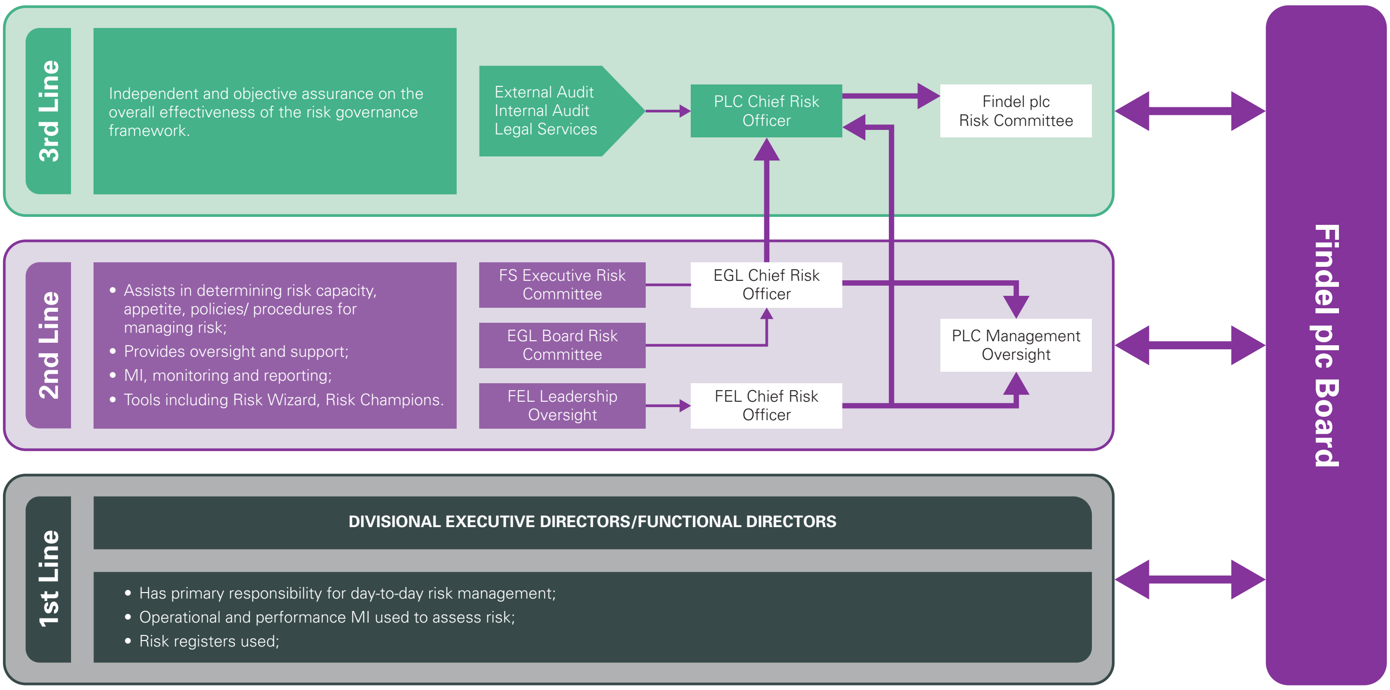
On behalf of the Committee I am pleased to present the Findel Risk Committee report for the financial year ended 30 March 2018 (FY18).

The Board operates a separate Risk Committee whose purpose is to provide assurance and advice to the Board on the adequacy, effectiveness and execution of risk management in the Group. Its primary role is to monitor the assessment and management of strategic risks in the context of agreed appetite levels. Strategy can then be developed by management and the Board within risk appetite and the executive can report on when risks are outside of agreed tolerances. The Committee's written terms of reference are available on the Company's website.

Governance

At the start of the year the Committee was comprised of three independent non-executive directors, myself as Committee Chairman together with Eric Tracey and Francois Coumau. This membership continued through the year and Ms O'Donnell also joined the Committee on her appointment to the Board on 1 February 2018. Brief biographical details of the Committee members are set out on page 25 and the number of meetings and attendance records are set out on page 32. The executive directors, the Chairman of the Board, the Company Secretary and the Head of Internal Audit attended each meeting by invitation, together with other senior managers as appropriate. Since the year-end, an additional independent non-executive director, Mr Grimsey has been appointed to the Committee.

In terms of the broader structure of risk management within the business, a combination of structured governance including oversight committees, capture and reporting tools, alongside a programme of education are being utilised. In particular, during FY18, a new approach to dynamically assess possible risk outcomes was utilised in assessing Risk Appetite with an accompanying set of Key Risk Indicator (KRI) measures and tolerances.



Risk Committee Report

Key risks facing the business.

The business continuously reviews its key risks and these are summarised below:

- The economic outlook is uncertain, particularly in relation to the impact of Brexit and more broadly changes in interest rates and inflation, impacting the levels of disposable income available to lower socio-economic groups, who form a core part of Express Gifts' customer base.
- As part of our strategy of putting the customer at the heart of the business, Express Gifts has reviewed its integrated model of retail and financial services in terms of both customer conduct risk and financial performance. Recently announced and potential regulatory changes which are likely to affect customer acquisition and credit limit management, will impact on credit income. This will require an evolutionary change in our business model and place a greater requirement on the profitability arising from the retail side of Express Gifts. The plans set out in the Strategic Report reflect this.
- The business remains highly dependent upon legacy systems both in the support of running the business on a daily basis and the storage and protection of customer data. Whilst resilience testing and recovery plans are in place, the combination of increasing cyber activity, fraud rings and the level of change being deployed in the business makes this an area of higher potential risk.
- In conjunction with the Financial Conduct Authority ("FCA"), Express Gifts has an agreed plan of customer redress activity and has taken a balanced approach to the level of provisions required, which have been booked in previous years. Activity to date is well advanced, is tracking in line with expectations and is targeted to be completed during FY19. However, it remains possible that response rates or changes to industry outcomes currently being assessed by Financial Ombudsmen Service ("FOS") and the FCA, may place a greater burden of cost upon the business than has been provisioned.
- Express Gifts has a three-year plan of transformation which impacts right across the business. This plan requires robust project and change management in the delivery of priorities, placing a high level of demand on planning and resource management to ensure delivery. As part of this, we are adopting an enhanced process of integrated cash management to meet the demands of change and capital deployment within the business alongside daily operational requirements.
- Attracting and retaining the right talent in the business in a competitive environment should be a concern of all businesses. This remains equally true for Findel, particularly in the deployment of our high growth digital strategy.
- The consolidation of Education's warehousing into its facility at Nottingham has concentrated its fulfilment activities into a single location that could potentially become a point of failure risk. The same is also true of Express Gifts' main warehouse facility in Accrington. Whilst these risks are low, appropriate disaster recovery plans have been developed.

Progress during the year

During the course of the year significant progress has been made in our understanding of key risks. Examples of the key mitigating actions taken during the year include:

- The expansion of our digital activity and a shift in customer acquisition strategy has broadened the overall customer footprint and reduced our dependency on older, lower socio-economic customer segments.
- The business has continued to invest in up-to-date technology solutions as it seeks to lower its dependency on legacy systems. Notable within this is the enhancement in website capabilities at Education and the development of a new Financial Services platform at Express Gifts. In addition, an enhanced fraud solution accompanied by improved operational practices within Express Gifts' customer and financial services departments are being deployed.
- The requirements of the new GDPR legislation have been understood and have been substantially implemented within the business.
- To meet the strategic challenges set out within our plan, Express Gifts has established a Change Board to scrutinise, prioritise and oversee transformation projects.
- Significant progress has been made in attracting new talent to the business resulting in the renewal of the senior management teams throughout the Group. Developing the business as a regional employer of choice is a key objective and as such, enhanced personnel frameworks and reward strategies are being developed.
- A higher level of fiscal controls has been put in place including improvements to business forecasting that have assisted in stock and cash flow management. The management of capital during rapid growth remains an area of close monitoring by the Group.

Effectiveness

The executive team have fully engaged in the development of the risk plan, which is supported by senior management, such that:

- Financial and operational authorisation levels, alongside risk appetite statements can continue to be enhanced in line with core risks; and
- Escalation and de-escalation is clearly communicated as necessary to decision makers.

This work enabled the Committee to report to the Board on the key business risks facing the Company. The Board then used this reporting as a basis to carry out a robust assessment of the principal risks facing the Company, including those that would threaten its business model, future performance, solvency, liquidity and regulatory breach. The principal risks and uncertainties that could impact the performance of the Group are set out on pages 20 and 21.

Future developments of the risk management capability.

As with all operational functions, the business is keeping its risk management framework and approach to risk modelling under constant review to ensure it is not only operating effectively but is as reliable as possible. To this end, over the next 12 months the Committee will:

- Look to deepen further its engagement with management, for instance through a rolling programme of in depth presentations and discussions of selected core business risks;
- Build on and consolidate the existing multiple sources of assurance from 1st, 2nd and 3rd line activities; and
- Enhance its understanding of longer term external risks and their potential impacts on the Company and its businesses.

Greg Ball
Chairman of the Risk Committee

5 June 2018

Corporate Social Responsibility Report 2018

The Board recognises the important role that Corporate Social Responsibility has in the ongoing success of the Findel Group. We remain committed to improvement in all of our interactions with colleagues, customers, suppliers, the environment and the wider community.

Our colleagues

Our workplace colleagues are fundamental to the success of the Company.

We seek to set objectives, monitor performance and determine the development needs of our colleagues, aiming to ensure consistency and to enable colleagues to understand their contribution to the Group objectives. Both our businesses, Express Gifts and Education, have colleague engagement programmes which encourage involvement in the business. We are a fair and consistent employer which is evidenced through our colleague engagement feedback.

We try where possible to offer flexible working solutions which help to maintain a balance between work and life outside of the workplace. For instance, Express Gifts operates a standard flexi-time contract for many of its warehouse employees with initiatives during the year increasing the number of workers on part time arrangements. The percentage of part-time workers for Express Gifts and Education is 16.5% and 17.5%, respectively.

Last year, aware that at least half our workforce are paid at or slightly above the National Minimum Wage, we conducted a Group-wide review of zero-hour contracts. The review concluded that we were compliant with the regulatory requirements but also more generous in terms of additional benefits such as payment for breaks. Express Gifts also took this opportunity to carry out a wider review of its standard employment arrangements and has adjusted its basic permanent warehouse flexi contracts, increasing the minimum hours payable from 20 hours per week to 30 hours per week. These changes have given our colleagues more certainty regarding their working week, and has enabled some to obtain mortgage facilities, whilst retaining the necessary flexibility for the Company.

We offer a number of benefit schemes, including retail discounts and vouchers, technology discount schemes, reduced cost gym membership, NHS checks for the over 40's and a cycle to work scheme, promoting health and wellbeing. During the year, Express Gifts carried out a much needed, major refurbishment at its Accrington offices creating a modern, inviting working environment and this will be rolled out to their Clayton office in the coming year.

We invest in the learning and development of our colleagues and have dedicated training functions that support the development needs and succession planning of the business and track the colleague and customer experience. We offer NVQs and role-specific training programmes, work experience participation and apprenticeship programmes. Our aim is to fulfil the potential of our colleagues to set the business up for success and attract, recruit and retain the best talent.

This year we have conducted a gender pay gap and diversity review and the results for each of Express Gifts and Education have been published on the government website and on the respective company websites. Further details can be found on pages 22 and 23. We also recognise the difference between gender pay and equal pay. The gender pay gap measures the difference in average male and female pay across the whole business on 5 April each year. Equal pay is a longstanding set of regulations which ensures that men and women are paid equally and fairly for doing the same work. As a result, the gender pay gap within the group does not mean that we are rewarding people unfairly or treating people unequally.

In addition, gender diversity is also important. Taking the group as a whole, 51% of our workforce is female and 46% of those in the upper quartile of earnings within the group is female. Further detail can be found on pages 22 and 23.

The Group is predominantly a UK-based employer, although some colleagues are located in Asia. Many of our sites are in multi-cultural areas of the UK and we operate a fair, equal opportunities employment culture which embraces multi-culturalism, equality and diversity. The needs of specific groups are identified and addressed, for example, offering prayer facilities and colleague information in foreign languages where appropriate.

We also have obligations to protect our customers and other stakeholders when making appointments to sensitive roles and our selection processes include using the Disclosure Barring Service (DBS) in appropriate cases. For example, this extends to all roles in the Financial Services Collections team at Express Gifts and the entire Education sales force is covered by DBS checks, given their direct access to schools and nurseries.

Health and Safety

The Group has a comprehensive system to assess, monitor and mitigate health and safety risk within the business which is subject to continuous improvement and review. Our regularly updated Group Health & Safety Policy and business specific Health and Safety Handbooks are available to all colleagues and are covered in our induction processes.

All areas of the business operate a twelve-month rolling risk assessment programme run by qualified Health and Safety professionals. This approach allows for greater focus on individual areas of health and safety. Each site receives several inspections during the year.

Education has successfully renewed its certifications in ISO9001, 14001 and OHSAS18001, the internationally recognised standard for Occupational Health and Safety Management Systems. They are also a registered training centre for the Chartered Institute of Environmental Health. Findel PLC remains a member of the British Safety Council and a member of the Royal Society for the Prevention of Accidents (RoSPA).

The focus on health and safety continues and we work closely with our employers' liability insurers, Aviva, in reviewing and improving risk levels across the business. Aviva and our independent insurance brokers have advised that our claim rates for health and safety related incidents is comparatively low for the type and size of our operations. There was a further decrease of 9% in the total accident numbers in the year to March 2018 and, within this, the number of serious accidents fell from a very low base by 33% year on year.

This year there has been a concentrated review of workplace transport risks across the Group with a view to further enhancing our current systems and this has led us to commit to further expenditure across our warehouse locations over the next financial year to deliver incremental improvements.

A pilot scheme of near miss accident reporting has been introduced and as it is rolled out across the business this should further enhance our systems to identify emerging risks that can be rectified prior to harm being caused.

Business continuity

Express Gifts has reviewed its Business Continuity Framework during the year and is investing heavily to protect its business from unplanned events. Particular focus has been given in the past 12 months to improving our ability to recover critical IT systems and communications infrastructure and we have engaged with IBM to upgrade our resilience in these areas. This significant investment will use multiple recovery technologies and seeks to enhance our ability to recover critical business data within approved time frames. We are also putting in place arrangements to enable up to 250 colleagues to work remotely from their office facility in the event of a major incident that impacts on access to one of the main Express Gifts customer and business support sites.

At Education the business continuity focus this year has been on reviewing and enhancing plans to react to an unexpected loss of their Nottingham warehouse facility.

Our products and supply base

The Group sells a range of *c.* 100,000 stock lines across an extensive range of categories. Our suppliers are diverse from individual factories to large multinational companies. Product safety and quality is at the forefront when selecting any product for our range. Appropriate safety certification is obtained (backed by independent third-party testing where necessary) and each business has a team dedicated to maintaining these standards.

Our standard terms and conditions of purchase are regularly reviewed and updated and the most recent versions include appropriate provisions to require compliance with the Modern Slavery Act and GDPR. We strongly support the Modern Slavery Act and have published appropriate MSA statements.

Education operates a comprehensive Trading Manual with which all suppliers are required to comply. This includes all aspects of ethical trading and has been upgraded to include compliance with the Modern Slavery Act.

Express Gifts require new suppliers to produce an ethical trading statement as part of the set-up process from recognised third party auditors. We have also set up, with the help of Verisio, a system to verify audit certification of our suppliers, which will reinforce standards within the Express Gifts supply chain.

Our sourcing operations in Asia are being consolidated into our Shanghai office resulting in economies of scale and geographical benefits. Findel Asia Sourcing has been sourcing products for group companies and third parties for over 30 years and requires that each of the *c.* 200 factories they deal with has a valid audit certificate in place covering the time of manufacture of our products and there is a programme for ensuring continued compliance by evidencing renewal and remediation of any non-conformance reported. A further level of scrutiny applied, is to require evidence that factories with improvement works required under the audits provide photographic evidence of compliance.

Findel Asia Sourcing have increased the number of dedicated production QA/QC colleagues and FY18/19 will see completion of a software solution to further strengthen processes, control and oversight of the Far-East supply chain.

Within Express Gifts, various products in our household and children's furniture ranges are procured from FSC and sustainable sources. For both Education and Express Gifts, all applicable products are assessed for quality & safety including, Toy Safety Directive, Low Voltage Directive, EMC REACH, ROHS, FSC and EU timber regulations compliance. Education are driving standards forward within the education sector with the release of version 2 of their 2017 Product Compliance Manual, supporting vendors in product quality, safety & mandatory compliance by category.

Express Gifts places the utmost importance on the safety and quality of its products and has seen a 0.2% reduction in its returns rate in the past year. This is in spite of further diversification into clothing ranges which by their nature have a higher rate of return.

Corporate Social Responsibility Report 2018

Our Customers

Express Gifts is an on-line value retailer providing a wide department store offer focused on fantastic value for money. It also provides a flexible account that allows customers to either pay for their purchases within a month or spread the costs using the credit facility. This makes it easier for our customers to manage their budgets. This business model has proven very attractive to our customer base and during the year ended March 2018, 1.8m customers shopped with Express Gifts, an increase of 200,000 customers (+13%) compared to the same point in the previous year.

Express Gifts seeks to keep its customers at the heart of all business decisions and activities and some examples of initiatives driven by this core value include:

- improved website functionality and the way products are presented to customers
- system developments which have enhanced the mobile experience through product recommendations
- the migration of the majority of our parcel deliveries to a new delivery provider enabling improved customer experience through better tracking of their order
- the use of information gained via our Net Promoter Score (NPS) survey and logged customer issues, to inform policy and process changes to enhance the customer experience
- the use of customer impact assessments as part of our major decision-making processes, particularly though not exclusively in relation to our financial services operations
- our new 'Financier' system was a major investment and provides customers with improved and clearer statements, simpler account management through our websites and contact centres
- improvements in our fraud prevention and management systems, which has seen a significant investment in resource during the year

Looking forward, Express Gifts has a roadmap of further digital developments in FY2018/19, including the use of artificial intelligence tools, with regular releases throughout the year. The aim is to develop further our ability to tailor our engagement with customers to their particular requirements. The new Financier system will be utilised to continue to enhance our customer experience with work streams planned regarding the potential introduction of additional financial services products which are better suited to our customers' needs and circumstances; increased options for customers to track orders, reducing the number of customer queries about order delivery; and improved customer online and self-serve technology. Further systems and investment is also planned to strengthen further our fraud protections and management capabilities.

Education has a clear strategy based on delivering value and digital solutions to its customers, with quality product and service – they aim to save schools time and money. The introduction of their online value proposition in September 2017 was based on a customer insight programme which identified customer needs and this has had a strong impact, delivering very positive customer feedback. This will continue to save schools money in an environment where budgets continue to be challenged. Our customer insight has identified a clear pipeline of new and easy procurement solutions.

Our transactional websites were overhauled earlier in the year, to improve search capabilities and introduce other online tools to help save teachers time. The development and initial roll out of Education's "WebFMS" online tool (now set up with 800 customers) provides a smart ordering solution that significantly reduces schools order administration time and plans are in place to significantly grow the user capacity over the next three years.

The in-year results of these initiatives has been a 5% growth in customer numbers since September 2017.

Education's Customer Voice programme has once again shown strong positive trends in customer feedback. Their net promoter score hit a high of 85.2% in FY17/18, with an average of 79.2% for the full year, inclusive of more recently introduced digital feedback.

Convenience is fast becoming the key factor for the education sector when selecting an educational resources provider. We continue to invest in systems, processes and digital techniques that support our market-leading service capabilities.

The Environment

As an online value retail and education supplies business the Group's environmental impact is predominantly through utility consumption and our use and disposal of paper and packaging, although as a non-manufacturing company, our emissions remain relatively low.

The Group's Scope 1 emissions from its vehicle fleet in 2017/18 were 78 tonnes of CO_2, a reduction of 3.2% due to a continued reduction in fleet size. The Scope 2 emissions from our energy usage were 7,113 tonnes of CO_2 which is a decrease of 12.2% from 8,103 tonnes in 2016/17. A key factor in this reduction was the consolidation of our Education warehouses into our Nottingham facility and the closure of the Enfield site.

The high number of relatively low value individual despatches in our businesses continues to make it economically and environmentally efficient to use third party carriers to transport products to our customers. Prior to appointment and on a regular basis thereafter, we ask our third-party carriers to demonstrate their environmental credentials.

Each of our businesses continues to supply its customers with the information necessary to make informed environmental choices. This includes the identification online and in our catalogues of products made from renewable or recycled materials and the energy ratings of our white goods. Our Education division continues to increase its range of eco-friendly products, with a newly created Classmates stationery brand, which includes products made from recycled paper, Fairtrade, energy efficiency A rated appliances, environmentally friendly products and lower carbon footprint UK-sourced products.

All sites within Education have ISO14001 accreditation, an internationally recognised standard for environmental management which ensures each location has a fully compliant Environmental Management System.

Energy

The Group's major use of energy continues to be the heating and lighting of buildings, powered conveyor equipment and in our vehicle fleet. The more efficient use of space combined with energy management initiatives have seen a reduction of total energy consumption in our buildings as reported above. An Energy Saving Opportunities Scheme (ESOS) survey will be carried out across our UK locations during the year and it is expected that further energy saving initiatives will be identified from this process.

Energy efficiency is a material consideration when procuring vehicles, equipment or services. From energy saving lighting installation to the renewal and maintenance of automation in our major Express Gifts warehouse. Our major sites all benefit from centralised control of heating and ventilation systems and are subject to regular monitoring to ensure they are operating as efficiently as possible. Further to the gas reductions seen at the Nottingham Logistics Centre as a result of the self-learning energy management system, we have also adopted an energy management portal which allows us to check, monitor and analyse consumption patterns.

The Group Company Car Policy focuses on lower carbon emission vehicles and has continued to apply a CO_2 limit of 130g/km for new vehicles (previously 160 g/km). We have seen a reduction in the average fleet emissions from 104g/km in 2016/17 to 103g/km in 2017/18.

Paper

The tonnage of paper used in our catalogues and brochures has shown a reduction from 12,827 tonnes in 2016/17 to 10,572 tonnes in 2017/18, a significant reduction of 17.5% as our on line offerings become the more and more dominant customer preference. All paper used for printing by our divisions is now manufactured at mills which have Programme for the Endorsement of Forest Certification (PEFC) chain of custody certification.

Packaging

The Group is constantly seeking innovative ways to minimise the level of packaging used, whilst ensuring that products are received by our customers undamaged. We also actively seek out opportunities with suppliers to reduce packaging.

In the current year, we have once again seen a rise in the overall packaging levels consistent with the increased turnover and reflect the already low levels of packaging achieved by previous initiatives.

Waste

All EGL sites continue to be zero to landfill sites and have been since May 2012. In the last 12 months, 2,381 tonnes of waste was collected, of which 67% was recycled and 33% was recovered via an Energy from Waste (EFW) plant.

Education have achieved a zero to landfill standard at its site in Nottingham and have continued to reduce the landfill element of its total waste to 2.02 % from 2.14% last year.

Community support

Once again, the Group and its colleagues continued to support a number of local and national charities, together with local communities and organisations close to our various bases of operation. Supporting the local community by donating furniture used for photo shoots to local charities and helping those in need.

Both Express Gifts and Education are partnering local schools providing support and guidance to staff and students. Education also support the Greggs Breakfast Club at Moston Lane Primary School in Manchester which helps the children get a great start to their day and promotes health, well-being and development.

Education is, for a third year, supporting the Go4SET scheme. Go4SET is a 10-Week STEM (Science, Technology, Engineering & Maths) project for 12 -14 year olds administered by the Engineering Development Trust (a registered charity). Its mission is to inspire students towards STEM related careers by linking education and industry in real life situations using hands on learning and skills development. A small team of employees will work with a team of students to develop a project that will help enhance their technical, personal and employability skills.

Both Express Gifts and Education also support various colleague managed social events that act as charity events to support several much needed local charities.

For and on behalf of the Board

Phil Maudsley
Chief Executive

5 June 2018

Statement of Directors' Responsibilities in respect of the Annual Report and Accounts

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

Company law requires the directors to prepare Group and parent Company financial statements for each financial year. Under that law they are required to prepare the Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU) and applicable law and have elected to prepare the parent Company financial statements in accordance with UK Accounting Standards, including FRS 101 Reduced Disclosure Framework.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable, relevant and reliable;
- for the Group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent Company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the parent Company financial statements;
- assess the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or parent Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

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

Responsibility statement of the directors in respect of the Annual Report

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole; and
- the Strategic Report includes a fair review of the development and performance of the business and the position of the issuer and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face.

We consider the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy.

The directors of Findel plc are detailed on page 25.

By order of the Board

Ian Burke	Phil Maudsley
Chairman	Chief Executive

5 June 2018

KPMG

Independent auditor's report

to the members of Findel plc

1. Our opinion is unmodified

We have audited the financial statements of Findel plc ("the Company") for the period ended 30 March 2018 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated statement of changes in equity, the Company balance sheet, the Company statement of changes in equity, and the related notes, including the accounting policies in note 1.

In our opinion:

— the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30 March 2018 and of the Group's profit for the period then ended;

— the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards as adopted by the European Union;

— the parent Company financial statements have been properly prepared in accordance with UK accounting standards, including FRS 101 *Reduced Disclosure Framework;* and

— the financial statements have been prepared in accordance with the requirements of the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion. Our audit opinion is consistent with our report to the audit committee.

We were appointed as auditor by the directors to fill a casual vacancy in September 2010 ahead of the March 2011 period end. The period of total uninterrupted engagement is for eight financial periods ended 30 March 2018.

We have fulfilled our ethical responsibilities under, and we remain independent of the Group in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to listed public interest entities. No non-audit services prohibited by that standard were provided.

Overview

Materiality: Group financial statements as a whole	£1.1m (2017:£2.0m) 5.0% of the Group's profit before tax (2017: 0.4% of the Group's revenue)
Coverage	98.3% of the Group's profit before tax (2017: 100% of the Group's revenue)

Risks of material misstatement		**vs 2017**
Recurring risks (unless stated otherwise)	Recoverability of trade receivables in Express Gifts Limited	▼
	Financial services redress provisions	◄►
	Recoverability of non-amortising intangible assets	◄►
	Classification of items as individually significant	▼
	Valuation of inventory	▼
	Recoverable amount of investment in subsidiary – parent company	◄►

The significant risk of material misstatement in:

— the recoverability of trade receivables in Express Gifts Limited has reduced in risk as the new model introduced at the March 2017 period end has continued to provide more granularity and stability in the calculation of the provision;

— the classification of items as individually significant has reduced given the lack of items classified as individually significant in the period; and

— the significant risk of material misstatement in valuation of inventory has decreased due to continued range rationalisation and consequent improvement in stock holding profile.

Independent Auditor's Report

2. Key audit matters: our assessment of risks of material misstatement

Key audit matters are those matters that, in our professional judgement, were of most significance in the audit of the financial statements and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by us, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. We summarise below the key audit matters (unchanged from 2017), in decreasing order of audit significance, in arriving at our audit opinion above, together with our key audit procedures to address those matters and, as required for public interest entities, our results from those procedures. These matters were addressed, and our results are based on procedures undertaken, in the context of, and solely for the purpose of, our audit of the financial statements as a whole, and in forming our opinion thereon, and consequently are incidental to that opinion, and we do not provide a separate opinion on these matters.

	The risk	Our response
Recoverability of trade receivables in Express Gifts Limited (£260.8m, allowance for doubtful debts £55.1m; 2017: £270.1m, allowance for doubtful debts £83.4m) *Refer to page 57 (Audit Committee Report), page 89 (accounting policy) and pages 111 to 113 (financial disclosures).*	**Subjective estimate** The Group has a significant level of trade receivables which are due to be recovered by instalments as a result of credit terms offered to customers by the Express Gifts Limited business. The provision held against trade receivables is most sensitive to assumptions made in respect of the probability of default, the timing and value of cash recoveries, in particular in respect of debt sales, and the emergence period. Small changes in the assumptions and estimates used in the provisioning model can have a significant effect on the results of the Group. As a consequence, adequate disclosure of the assumptions and the areas of estimation uncertainty is also important.	Our procedures included: — **Control design and operation:** Testing key controls over the capture, monitoring and reporting of credit advances to customers. — **Data reconciliation:** Reconciling the impairment model inputs back to core operating systems for completeness and accuracy of raw data inputs and reconciling the impairment model outputs to the financial statements. — **Assessing methodology choice:** Comparing the methodology used in the provisioning model to our interpretation of the requirements of the relevant accounting standards. — **Our modelling expertise:** Using our financial risk modelling specialists, understanding and assessing changes made to the underlying impairment model during the financial period and understanding the impact on the stability and integrity of the model. — **Historical comparisons:** Critically challenging the Group's assumptions regarding the timing and value of cash recoveries based on historical experience, probability of default, emergence period and the Group's approved debt sale strategies. — **Accounting analysis:** Critically assessing the accounting treatment and capture of forborne accounts in the impairment model and that the respective increase in credit risk of forborne loans is accurately reflected in the provision. — **Benchmarking assumptions:** Benchmarking the Group's key assumptions, such as emergence period, and assessed provision coverage to externally available data, with particular focus on similar lending. — **Assessing transparency:** Considering the adequacy of the Group's disclosures of the assumptions and the areas of estimation uncertainty in relation to the impairment provision. **Our results** — We found the recoverability of trade receivables in Express Gifts Limited to be acceptable (2017 result: acceptable).

	The risk	Our response
Financial Services redress provisions (£8.6m; 2017: £25.5m) *Refer to page 57 (Audit Committee Report), page 94 (accounting policy) and page 116 (financial disclosures).*	**Omitted exposure** The Group's provision of credit services to customers means that it operates within a regulated environment which requires the Group to comply with the principles of the Financial Conduct Authority (FCA). There is a risk that any non-compliance with these principles could trigger the need for significant customer redress programmes. **Subjective estimate** Conduct issues have previously been identified in relation to the sale of financial services products, which have resulted in the requirement for significant provisions for redress and refunds. Where a need for customer redress has been identified, a significant level of judgement is required in assessing the level of the Group's expected cash outflow, and hence the provision required. These judgements are based on consultations with the FCA, but also involve directors' assessments, using a complex provisioning model which incorporates assumptions over the timing and value of redress payments.	Our procedures included: — **Compliance data scrutiny:** Reviewing correspondence with the FCA and the Group's external advisors, and inspecting customer complaints for material issues, in order to assess the appropriateness of provisions made for all known material redress issues. — **Personnel interviews:** Making inquiries of internal management, including legal counsel and the Group head of compliance to identify any material issues arising or developing on existing provisions. — **Sector experience:** Assessing the provision methodology against FCA guidelines, and our market experience, to ensure the provision calculations are not out of line with Regulatory requirements or market practice. — **Re-performance:** Re-performing provision model calculations to evaluate the accuracy and completeness of the model, using the methodology from the latest Regulatory directives. — **Historical comparison:** Comparing the customer response rates, claims uphold rates and redress settlement levels used within the provision model to actual. — **Assessing transparency:** Considering the adequacy of the Group's disclosures in respect of the sensitivity of the provisions to the assumptions made. **Our results** — We found the financial services redress provisions recorded to be appropriate (2017 result: appropriate).

Independent Auditor’s Report

	The risk	Our response
Recoverability of non-amortising intangibles (£17.3m; 2017: £17.3m) *Refer to page 57 (Audit Committee Report), page 89 (accounting policy) and pages 107 to 109 (financial disclosures).*	**Forecast-based valuation** The current trading environment remains challenging for Findel Education. Due to the inherent uncertainty involved in forecasting and discounting future cash flows, which are the basis of the assessment of recoverability, this is one of the key judgemental areas that our audit is concentrated on.	Our procedures included: — **Historical comparison:** Assessing the Group’s forecasting accuracy by comparing actual results in the period to the forecast in the prior period. — **Benchmarking assumptions:** Critically evaluating the risk adjusted discount rates, having regard for market observable data with regards to risk free rates and returns on equity for comparator companies. We also evaluated the assumptions for cost inflation and the terminal growth rate. — **Our sector experience:** Using our discount rate tool to determine an appropriate discount rate adjusted for forecasting risk and comparing this to the rate used by the Group. — **Sensitivity analysis:** Performing breakeven analysis on the key assumptions. — **Assessing transparency:** Assessing whether the Group’s disclosures in respect of the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the valuation of non-amortising intangibles. **Our results** — We found the recoverability of non-amortising intangibles to be acceptable (2017 result: acceptable).
Classification of individually significant items (£nil; 2017: £75.7m charge) *Refer to page 57 (Audit Committee Report), page 87 (accounting policy) and page 102 (financial disclosures).*	**Presentation appropriateness** Historically judgement was required in arriving at the categorisation of items as individually significant in the consolidated income statement, in particular as to whether the nature of the costs was unusual by its nature or scale and was of such significance that separate disclosure was required in order to fairly present the financial performance of the Group. Inappropriate classification of items as individually significant could result in a misleading presentation of the trading performance of the Group for the period, or over a period of time. In the prior period there were £82.2m (£75.7m after taxation) of individually significant items of which £59.8m were in respect in increases in provisions. For the current period, whilst there are no items presented as individually significant, potential releases of provisions created in the prior period as individually significant items should be carefully considered for classification as individually significant as there is a risk that Inappropriate classification of items as individually significant could result in a misleading presentation of the trading performance of the Group for the period, or over a period of time.	Our procedures included: — **Tests of detail:** Assessing whether there were any transactions included within the results before individually significant items, including reversal of prior period provisions, which we considered should be classified as individually significant. — **Assessing consistency:** Considering utilisation of provisions brought forward during the period to ensure that utilisation was appropriate. — Considering whether over recoveries on debt sales in the period related to reversal of any of the £35.2m individually significant charge in the prior period in relation to trade receivables impairment. **Our results** — We found the classification of individually significant items to be appropriate (2017 result: appropriate).

KPMG

	The risk	Our response
Valuation of inventories (£55.0m, provisions £1.9m; 2017: £59.0m, provisions £1.9m) *Refer to page 57 (Audit Committee Report), page 91 (accounting policy) and page 110 (financial disclosures).*	**Subjective valuation** The Group has significant levels of inventory and judgements are taken with regard to the categorisation of inventory as obsolete and/or slow moving and which should therefore be considered for provision. Estimates are then involved in arriving at provisions against cost in respect of slow moving and obsolete inventories to arrive at valuation based on the lower of cost and net realisable value. Given the level of inventory against which no provision is held £50.4m, the judgements and estimates involved in this are considered to be a significant audit risk.	Our procedures included: — **Tests of detail:** Comparing inventory levels to historic sales data to corroborate whether slow moving and obsolete inventories has been appropriately identified. Also challenging the Group's categorisation as obsolete or slow moving. — **Historical comparisons:** Considering realisations of inventories during the period and after period end in particular clearance categories, and comparing these to Group's expected recoveries for inventory categorised as slow moving and/or obsolete. — **Assessing transparency:** Assessing the adequacy of the Group's disclosures in respect of the judgement and estimation made in respect of inventory provisioning, including sensitivity analysis. **Our results** — We found valuation of inventory to be appropriate (2017 result: appropriate).
Recoverability of parent's investment in subsidiaries Parent: £23.9m (amounts within the total investments in subsidiaries balance); 2017: £23.9m (amounts within the total investments in subsidiaries balance) *Refer to page 57 (Audit Committee Report), page 86 (accounting policy) and page 134 (financial disclosures).*	**Forecast-based valuation** The carrying amount of the parent company's investments in subsidiaries is significant and at risk of recoverability due to the current trading environment remaining challenging at Findel Education. The estimated recoverable amount of these balances is subjective due to the inherent uncertainty involved in forecasting and discounting future cash flows.	Our procedures included: — **Tests of detail:** Comparing the carrying amount of investments to the recoverable amounts determined by reference to the value in use. — **Historical comparison:** Assessing the Group's forecasting accuracy by comparing actual results in the period to forecasts in the prior period. — **Benchmarking assumptions:** Critically evaluating the risk adjusted discount rates, having regard for market observable data with regards to risk free rates and returns on equity for comparator companies. We also evaluated the assumptions for cost inflation and the terminal growth rate. — **Our sector experience:** Using our discount rate tool to determine an appropriate range for our discount rate, adjusted for forecasting risk, and comparing this to the rate used by the Group. — **Assessing transparency:** Assessing whether the Group's disclosures about the sensitivity of the outcome of the impairment assessment to changes in key assumptions reflect the risks inherent in the valuation of non-amortising intangibles. **Our results:** — We found the recoverability of the parent company's investment in subsidiaries to be appropriate (2017 result: appropriate).

Independent Auditor's Report

3. Our application of materiality and an overview of the scope of our audit

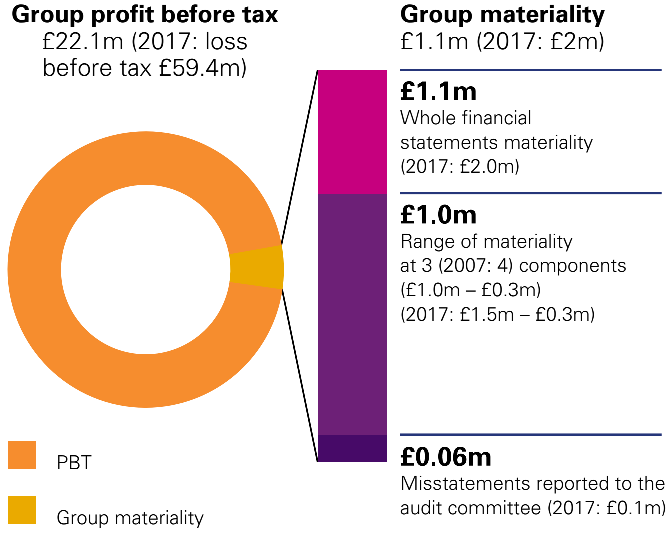
Materiality for the Group financial statements as a whole was set at £1.1m (2017: £2.0m) determined with reference to a benchmark of Group profit before tax (2017: revenue) of which it represents 5.0% (2017: 0.4%). The change in benchmark is due to the Group returning to overall profitability in the current period.

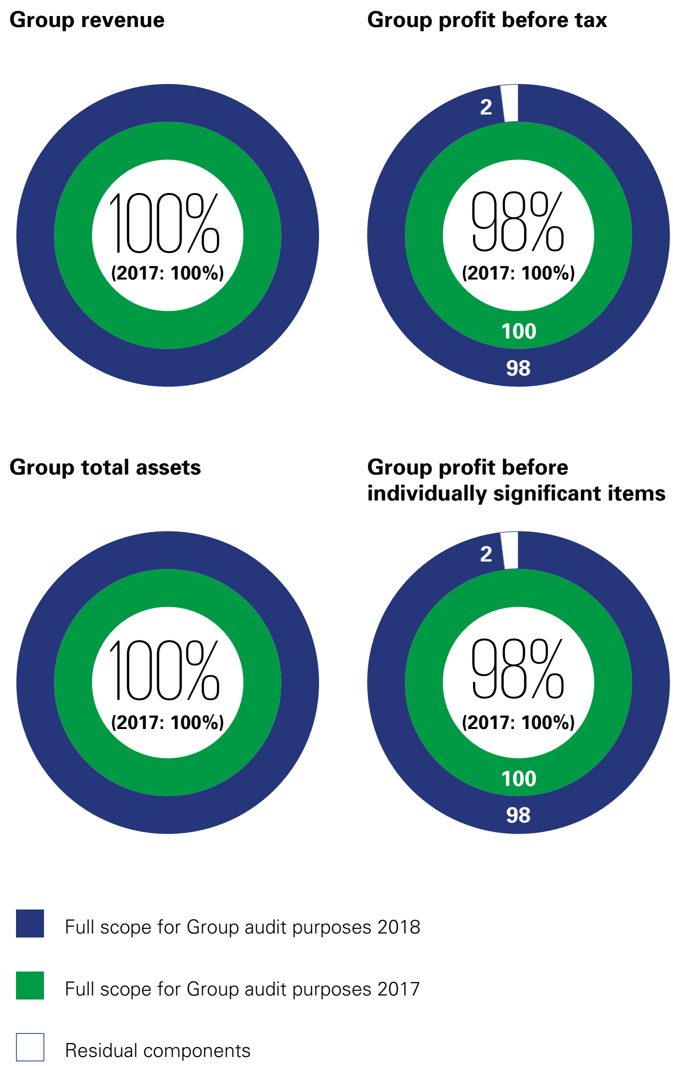
Materiality for the parent company financial statements as a whole was set at £1.0m (2017: £1.0m), determined with reference to a benchmark of Company total assets, of which it represents 0.8% (2017: 0.8%).

We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £0.06m (2017: £0.1m), in addition to other identified misstatements that warranted reporting on qualitative grounds.

Of the Group's four (2017: four) reporting components, we subjected three (2017: four) to full scope audits for Group purposes. For the remaining component we conducted a review of financial information (including enquiry).

The work on all three (2017: four) of the components, including the audit of the parent company, was performed by the Group team. The component materialities ranged from £250k to £1.0m, having regard to the mix of size and risk profile of the Group across the components.





4. We have nothing to report on going concern

We are required to report to you if:

— we have anything material to add or draw attention to in relation to the directors' statement in note 1 on page 86 to the financial statements on the use of the going concern basis of accounting with no material uncertainties that may cast significant doubt over the Group and Company's use of that basis for a period of at least twelve months from the date of approval of the financial statements; or

— the related statement under the Listing Rules set out on page 26 is materially inconsistent with our audit knowledge.

We have nothing to report in these respects.

5. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information presented in the Annual Report together with the financial statements. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work we have not identified material misstatements in the other information.

Strategic report and directors' report

Based solely on our work on the other information:

— we have not identified material misstatements in the strategic report and the directors' report;

— in our opinion the information given in those reports for the financial period is consistent with the financial statements; and

— in our opinion those reports have been prepared in accordance with the Companies Act 2006.

Directors' remuneration report

In our opinion the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Disclosures of principal risks and longer-term viability

Based on the knowledge we acquired during our financial statements audit, we have nothing material to add or draw attention to in relation to:

— the directors' confirmation within the viability statement (page 26) that they have carried out a robust assessment of the principal risks facing the Group, including those that would threaten its business model, future performance, solvency and liquidity;

— the Principal Risks disclosures describing these risks and explaining how they are being managed and mitigated; and

— the directors' explanation in the viability statement, included within the Directors' Report of how they have assessed the prospects of the Group, over what period they have done so and why they considered that period to be appropriate, and their statement as to whether they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the period of their assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Under the Listing Rules we are required to review the viability statement. We have nothing to report in this respect.

Corporate governance disclosures

We are required to report to you if:

— we have identified material inconsistencies between the knowledge we acquired during our financial statements audit and the directors' statement that they consider that the annual report and financial statements taken as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's position and performance, business model and strategy; or

— the section of the annual report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We are required to report to you if the Corporate Governance Statement does not properly disclose a departure from the eleven provisions of the UK Corporate Governance Code specified by the Listing Rules for our review.

We have nothing to report in these respects.

Independent Auditor's Report

6. We have nothing to report on the other matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

7. Respective responsibilities

Directors' responsibilities

As explained more fully in their statement set out on page 68, the directors are responsible for: the preparation of the financial statements including being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the Group and parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the Group or the parent Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or other irregularities (see below), or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud, other irregularities or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

Irregularities – ability to detect

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Group's regulatory and legal correspondence.

We had regard to laws and regulations in areas that directly affect the financial statements including financial reporting (including related company legislation) and taxation legislation. We considered the extent of compliance with those laws and regulations as part of our procedures on the related financial statement items.

In addition we considered the impact of laws and regulations in the specific areas of health and safety, anti-bribery, employment law, regulatory capital and liquidity and certain aspects of company legislation recognising the financial and regulated nature of the Group's activities and its legal form. With the exception of any known or possible non-compliance, and as required by auditing standards, our work in respect of these was limited to enquiry of the directors and other management and inspection of regulatory and legal correspondence. We considered the effect of any known or possible non-compliance in these areas as part of our procedures on the related financial statement items. Further detail in respect of regulatory compliance set out in the key audit matter disclosures in section 2 of this report.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

As with any audit, there remained a higher risk of non-detection of non-compliance with relevant laws and regulations irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

8. The purpose of our audit work and to whom we owe our responsibilities

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

Nicola Quayle

Nicola Quayle (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
1 St Peter's Square
Manchester
M2 3AE

5 June 2018

Contents

Consolidated Income Statement

52-week period ended 30 March 2018

	Notes	Before individually significant items £000	Individually significant items £000	Total £000
Continuing operations				
Revenue		478,959	—	478,959
Cost of sales		(281,176)	—	(281,176)
Gross profit		197,783	—	197,783
Trading costs	4	(161,832)	—	(161,832)
Analysis of operating profit:				
– **EBITDA***		46,370	—	46,370
– Depreciation and amortisation		(10,419)	—	(10,419)
Operating profit	4	35,951	—	35,951
Finance costs	7	(9,130)	—	(9,130)
Profit before tax and fair value movements on derivative financial instruments		26,821	—	26,821
Fair value movements on derivative financial instruments		(4,701)	—	(4,701)
Profit before tax		22,120	—	22,120
Tax expense	8	(2,542)	—	(2,542)
Profit for the period	9	19,578	—	19,578
Earnings per ordinary share				
Basic	11			22.68p
Diluted				22.68p

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

* Earnings before interest, tax, depreciation, amortisation and fair value movements on derivative financial instruments.

Consolidated Income Statement

53-week period ended 31 March 2017 (restated – refer to note 1)

	Notes	Before individually significant items £000	Individually significant items £000	Total £000
Continuing operations				
Revenue		457,030	—	457,030
Cost of sales		(269,385)	(35,215)	(304,600)
Gross profit		187,645	(35,215)	152,430
Trading costs	4	(156,495)	(46,937)	(203,432)
Analysis of operating profit/(loss):				
– **EBITDA***		40,594	(60,276)	(19,682)
– Depreciation and amortisation		(9,444)	—	(9,444)
– Impairment		—	(21,876)	(21,876)
Operating profit/(loss)	4	31,150	(82,152)	(51,002)
Finance costs	7	(8,921)	—	(8,921)
Profit/(loss) before tax and fair value movements on derivative financial instruments		22,229	(82,152)	(59,923)
Fair value movements on derivative financial instruments		556	—	556
Profit/(loss) before tax		22,785	(82,152)	(59,367)
Tax (expense)/income	8	(4,803)	6,462	1,659
Profit/(loss) for the period	9	17,982	(75,690)	(57,708)
Loss per ordinary share				
Basic	11			(66.85)p
Diluted				(66.85)p

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

* Earnings before interest, tax, depreciation, amortisation and fair value movements on derivative financial instruments.

Consolidated Statement of Comprehensive Income

52-week period ended 30 March 2018

	2018 £000	2017 £000
Profit/(loss) for the period	19,578	(57,708)
Other Comprehensive Income		
Items that may be reclassified to profit or loss		
Cash flow hedges	16	(51)
Currency translation gain/(loss) arising on consolidation	293	(149)
	309	(200)
Items that will not subsequently be reclassified to profit or loss		
Remeasurements of defined benefit pension scheme (note 26)	5,227	(5,367)
Tax relating to components of comprehensive income (note 21)	(2,335)	912
	2,892	(4,455)
Total comprehensive income/(loss) for period	22,779	(62,363)

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

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

Consolidated Balance Sheet

at 30 March 2018

Company Number: 549034

	Notes	2018 £000	2017 £000
Non-current assets			
Goodwill	12	—	—
Other intangible assets	12	25,175	26,186
Property, plant and equipment	13	45,350	44,416
Derivative financial instruments	19	41	32
Retirement benefit surplus	26	2,205	—
Deferred tax assets	21	8,813	8,410
		81,584	79,044
Current assets			
Inventories	14	53,091	57,108
Trade and other receivables	15	232,665	212,648
Derivative financial instruments	19	6	556
Cash and cash equivalents	16	26,244	29,173
Current tax assets	8	451	1,748
		312,457	301,233
Total assets		394,041	380,277
Current liabilities			
Trade and other payables	17	(67,047)	(63,474)
Obligations under finance leases	18	(572)	(545)
Derivative financial instruments	19	(4,147)	—
Provisions	20	(9,424)	(27,770)
		(81,190)	(91,789)
Non-current liabilities			
Bank loans	18	(257,504)	(252,534)
Obligations under finance leases	18	(497)	(1,069)
Provisions	20	(10,605)	(12,767)
Retirement benefit obligation	26	—	(5,415)
Deferred tax liabilities	21	(4,564)	—
		(273,170)	(271,785)
Total liabilities		(354,360)	(363,574)
Net assets		39,681	16,703
Equity			
Share capital	23	48,644	48,644
Translation reserve		1,117	824
Hedging reserve		(35)	(51)
Accumulated losses		(10,045)	(32,714)
Total equity		39,681	16,703

Approved by the Board and authorised for issue on 5 June 2018

S M Caldwell
Group CFO

P B Maudsley
Group CEO

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

Consolidated Cash Flow Statement

52-week period ended 30 March 2018

	2018 £000	2017 £000
Profit/(loss) for the period	19,578	(57,708)
Adjustments for:		
Income tax	2,542	(1,659)
Finance costs	9,130	8,921
Depreciation of property, plant and equipment	8,423	7,485
Impairment of property, plant and equipment and software and IT development costs	—	698
Impairment of goodwill	—	17,319
Impairment of other intangible assets	—	3,859
Amortisation of intangible assets	1,996	1,959
Share-based payment expense	199	191
Loss on disposal of property, plant and equipment	192	35
Fair value movements on financial instruments net of premiums paid	4,648	(699)
Pension contributions less income statement charge	(2,500)	(2,291)
Operating cash flows before movements in working capital	44,208	(21,890)
Decrease/(increase) in inventories	4,017	(3,636)
(Increase)/decrease in receivables	(20,018)	14,882
Increase in payables	3,894	4,951
(Decrease)/increase in provisions	(20,662)	16,847
Cash generated from operations	11,439	11,154
Income taxes refunded	581	148
Interest paid	(8,482)	(9,107)
Net cash from operating activities	3,538	2,195
Investing activities		
Interest received	177	3
Proceeds on disposal of property, plant and equipment	50	10
Purchases of property, plant and equipment, software and IT development costs and other intangible assets	(10,595)	(11,723)
Acquisition of subsidiary, net of cash acquired (note 6)	(450)	(1,150)
Sale of subsidiary, net of cash held in subsidiary	—	2,318
Net cash used in investing activities	(10,818)	(10,542)
Financing activities		
Repayments of obligations under finance leases	(545)	(562)
Bank loans repaid	(10,000)	(10,000)
Securitisation loan drawn	14,970	13,623
Net cash from financing activities	4,425	3,061
Net decrease in cash and cash equivalents	(2,855)	(5,286)
Cash and cash equivalents at the beginning of the period	29,173	34,405
Effect of foreign exchange rate changes	(74)	54
Cash and cash equivalents at the end of the period	26,244	29,173

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

Consolidated Statement of Changes in Equity

52-week period ended 30 March 2018

	Share capital £000	Translation reserve £000	Hedging reserve £000	Retained earnings/ (accumulated losses) £000	Total equity £000
At 25 March 2016	48,644	973	—	29,258	78,875
Total comprehensive loss for the period	—	(149)	(51)	(62,163)	(62,363)
Share-based payments	—	—	—	191	191
At 31 March 2017	48,644	824	(51)	(32,714)	16,703
Total comprehensive income for the period	—	293	16	22,470	22,779
Share-based payments	—	—	—	199	199
At 30 March 2018	48,644	1,117	(35)	(10,045)	39,681

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

The accompanying notes are an integral part of this consolidated statement of changes in equity.

Notes to the Consolidated Financial Statements

1 General information and accounting policies

Findel plc is a company incorporated in the United Kingdom under the Companies Act 2006. The address of the registered office is given on page 25. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 3 to 23.

These financial statements are presented in sterling because that is the currency of the primary economic environment in which the Group operates. Foreign operations are included in accordance with the accounting policies set out below.

Impact of accounting standards not yet effective

No standards have been adopted for the first time that affect the reported results or financial position.

At the date of authorisation of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated. The Group does not intend to early adopt these standards:

- IFRS 9 'Financial Instruments' ("IFRS 9")

  IFRS 9 was published in July 2014 and will be effective for the Group from the period beginning 31 March 2018. The standard will be applied prospectively and prior year comparatives will not be restated. IFRS 9 replaces IAS 39 'Financial Instruments: Recognition and Measurement' ("IAS 39") and prescribes:

  – classification and measurement of financial instruments;

  – expected loss accounting for impairment; and

  – hedge accounting.

  The only area which materially affects the Group is expected loss accounting for impairment of trade receivables in Express Gifts.

  The impairment approach under IFRS 9 differs from IAS 39 as follows:

  – IAS 39 adopted an incurred loss methodology whereby provision for impairment was made only when there was objective evidence of impairment at the year-end date, whereas under IFRS 9, provision for impairment is made based on an expected loss basis, utilising a 12-month probability of default ("PD"), based on historic experience.

  – IFRS 9 also requires additional impairment provisions to be made against accounts which have suffered a significant deterioration in credit risk but have not defaulted utilising a lifetime PD, based on historic experience, and recognised on the gross receivable before impairment provision.

  – Under IFRS 9 provisions for impairment are calculated based on an unbiased probability-weighted outcome which takes into account historic performance and considers the outlook for macro-economic conditions.

  The changes above lead to impairment provisions under IFRS 9 being recognised earlier than those under IAS 39, which results in a one-off adjustment to trade receivables, deferred tax and retained earnings on adoption and will result in delayed recognition of profits, whilst the business is in growth. Whilst our modelling and analysis is still being finalised ahead of adoption, the estimated impact at 31 March 2018 is to reduce trade receivables by approximately £25m, to increase the Group's deferred tax asset by approximately £4m, resulting in a net reduction to retained earnings of approximately £21m. In assessing the estimated impact, management has applied a number of judgements and assumptions, particularly around the methodology used to calculate the Group's exposure at default. Since interpretations of the requirements of the new standard around this and other technical aspects differ, these judgements and assumptions are subject to change, which could have material impact on the estimated figures quoted.

  Despite the adjustments required to trade receivables, deferred tax and retained earnings, it is important to note that IFRS 9 only changes the timing of profits made on trade receivables. Express Gifts' underwriting and scorecards will be unaffected by the change in accounting, the ultimate profitability of trade receivables is the same under both IAS 39 and IFRS 9 and more fundamentally the cash flows and capital generation over the life of a trade receivable remain unchanged. The calculation of the Group's bank covenants is unaffected by IFRS 9, as they are based on accounting standards in place at the time they were set.

1 General information and accounting policies – continued

- IFRS 15 'Revenue from Contracts with Customers' ("IFRS 15")

  IFRS 15 was published in May 2014 and will be effective for the Group from the period beginning 31 March 2018. The Group will apply the fully retrospective approach for transition set out in the standard and consequently the balance sheet at 1 April 2017 will be restated along with the results for the period ended 30 March 2018.

  The standard introduces a five-step approach to the recognition of revenue as follows:

  (1) Identify the contract(s) with a customer;

  (2) Identify the performance obligations in the contract;

  (3) Determine the transaction price;

  (4) Allocate the transaction price to the performance obligations in the contract; and

  (5) Recognise revenue when (or as) the entity satisfied a performance obligation.

  The Group has performed a detailed impact assessment, identifying all current sources of revenue in scope of the new standard and assessing their treatment under the five-step model.

  The principal impact of adopting the new standard will be a change in the point at which revenue is recognised in respect of the supply of products to customers (including delivery charges) from the point of despatch to the point of delivery. This is on the basis that the performance obligations identified in these transactions are the supply and delivery of products and that these obligations are not deemed to be completed until the customer obtains control of the products (i.e. on delivery). The supply and delivery of products are not deemed to be separable performance obligations as the customer is obliged to make use of the Group's delivery arrangements.

  The impact of this change will be to delay the recognition of revenue (and gross profit) by an average of 1 to 3 days, reflecting the Group's standard delivery timeframes. Whilst our modelling and analysis is still being finalised, it is estimated that the impact of this change on the balance sheet at 1 April 2017 will result in a reduction to trade receivables of approximately £0.9m, offset by a £0.2m increase in the Group's deferred tax asset, resulting in a net reduction to retained earnings of £0.7m. The profit impact on the period ended 30 March 2018 (and in future periods) is expected to be minimal since revenue (and gross profit) deferred at the end of the period will be approximately equal to the revenue being deferred into the start of the period.

  In addition, certain minor income streams, which are currently netted off against costs, will be recognised as statutory revenue upon adoption of IFRS 15, however the impact on reported revenue is expected to be minimal and the profit impact will be £nil.

- IFRS 16 'Leases' ("IFRS 16")

  IFRS 16 was published in January 2016 and will be effective for the Group from the period beginning 30 March 2019, replacing IAS 17 'Leases'. The main principle of the standard is to eliminate the dual accounting model for lessees under IAS 17, which distinguishes between on-balance sheet finance leases and off-balance sheet operating leases, and to provide a single model for lessee accounting. On the adoption of IFRS 16, lease agreements will give rise to both a right-of-use asset and a lease liability for future lease payables. The right-of-use asset will be depreciated on a straight-line basis over the life of the lease. Interest will be recognised on the lease liability, resulting in a higher interest expense in the earlier years of the lease term. There will be no impact on cash flows although the presentation of the Cash Flow Statement will change significantly.

  The Group is currently in the process of assessing the impact of the new standard and deciding on which of the permitted transition approaches it intends to take. The initial phase of work, which is still in progress, has involved modelling the impact of the new standard on the Group's existing lease commitments, collecting the relevant data and assessing process and system changes which will be required.

  The Group has not yet concluded on a transition approach and as such it is not possible to fully quantify the impact of IFRS 16 at this stage.

Basis of accounting

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

The principal accounting policies adopted are set out below and have been applied consistently in the current and prior period.

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

Going concern

In determining whether the Group's financial statements for the period ended 30 March 2018 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 its cash flows, liquidity position and borrowing facilities and the risks and uncertainties relating to its business activities in the current economic climate. The financial position of the Group, its cash flows, liquidity position and borrowing facilities and details of those key risks and uncertainties are set out in further detail in the Finance Review on pages 16 to 18.

The directors have reviewed the Group's trading and cash flow forecasts as part of their going concern assessment, including considering the potential impact of reasonably possible 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 regulatory licensing and compliance. Although at certain times the level of facility and/or covenant headroom reduces to a level which requires cash flow initiatives to be introduced to ensure that the funding requirements do not exceed the committed facilities or result in non-compliance with covenants, management are confident that such actions are supportable, and that further controllable mitigating actions are available that could be implemented if required. The Group's current banking facilities mature in November 2019.

Taking into account the above circumstances, the directors have formed a judgement that there is a reasonable expectation, and there are no material uncertainties, that the Group and the Company have adequate resources to continue in operational existence for a period of at least 12 months.

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

Basis of consolidation

Subsidiaries

Subsidiaries are consolidated from the date on which control is transferred to the Group. They cease to be consolidated from the date that the Group no longer has control.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The financial statements of all subsidiaries are prepared to the same reporting date as the parent company.

Segmental reporting

IFRS 8 requires operating segments to be identified on the basis of the internal financial information reported to the CODM who is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. The CODM is the Board of Findel plc.

Following a review of the operating segments at the start of the financial year, management made the decision to change the presentation of the internal information presented to the CODM to more accurately reflect how segmental performance and the allocation of resources to the segments is managed. Consequently the Group's operations are now organised into a central cost centre and two operating segments as follows:

- Express Gifts; and
- Education

The CODM now assess the operating performance of each segment by reference to revenue and gross margin by revenue stream, and operating profit after distribution, marketing and administration costs, depreciation and amortisation.

Changes in classification of costs

During the current period management has disclosed the impairment charge in respect of Express Gifts' trade receivables of £28,156,000 within cost of sales, rather than within trading costs as it was disclosed in prior periods. Management believe that this presentation more accurately presents the performance of the business. The comparative figures have been restated on an equivalent basis to allow for a meaningful comparison. Consequently, for the 53-week period to 31 March 2017 an impairment charge of £63,178,000 (of which £35,215,000 was presented as an individually significant item) has been reclassified from trading costs to cost of sales. The net impact on reported profit is £nil.

In addition, in the current period management has disclosed gains made by its treasury function on the purchase of foreign currencies and subsequent sale to trading divisions of £837,000 within cost of sales, rather than within trading costs as it was disclosed in prior periods. Management believe that this presentation gives a more accurate view of gross margin from a Group perspective. The comparative figures have been restated on an equivalent basis to allow for a meaningful comparison. Consequently, for the 53-week period to 31 March 2017 foreign exchange losses of £5,730,000 have been reclassified from trading costs to cost of sales. The net impact on reported profit is £nil.

1 General information and accounting policies – continued

Income statement presentation

Individually significant items

As permitted by IAS 1 'Presentation of financial statements', an item is disclosed separately if it is considered unusual by its nature or scale, and is of such significance that separate disclosure is required in the financial statements in order to fairly present the financial performance of the Group. Such items are referred to as individually significant items and are described in note 5.

Fair value movements on derivative financial instruments

Fair value movements in respect of foreign currency derivative financial instruments are presented separately in the income statement on the basis that they represent gains or losses that may be realised in future periods as the instruments in place unwind.

Alternative performance measures ("APMs")

The directors use several Alternative Performance Measures that are considered to provide useful information about the performance and underlying trends facing the Group. As these APMs are not defined by IFRS, they may not be comparable with APMs shown in other companies' accounts. They are not intended to be a replacement for, or be superior to, IFRS measures.

Revenue recognition

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

Product revenue

Revenue is recognised when the significant risks and rewards of ownership of the products have passed to the buyer, which is considered to be upon despatch, and the amount of revenue can be measured reliably. Product revenue also includes delivery charges, which are recognised at the point at which the service is deemed to have been rendered to the customer. This is considered to be upon the despatch of the products being delivered.

A provision for estimated returns is made based upon past experience and trends, representing the profit on products sold during the period which will be returned and refunded after the period end.

Financial services revenue

Financial services revenue, which includes interest charged on trade receivables in Express Gifts and non-interest related financial income is recognised on a time-proportion basis, using the effective interest method in the case of interest charged and when the relevant service has been provided to the customer in the case of non-interest related financial income.

Sourcing revenue

Sourcing revenue is recognised at the point at which the goods being sourced have been dispatched by the third-party supplier to the end customer and represents the fair value of goods sourced plus an agreed commission.

Volume based discounts and other arrangements with suppliers

Both Express Gifts and Education entered into volume based discount agreements with suppliers in both the current and prior period. Discounts are calculated annually based upon an agreed percentage of purchases made from suppliers with which an agreement is in place. Discounts are agreed with suppliers prior to being recorded in the income statement. In most cases, the discount is set off against outstanding invoices.

Both Express Gifts and Education also receive contributions from suppliers in exchange for their products being listed in publications. These contributions are agreed with suppliers on a case by case basis.

The value of volume based discounts and contributions received in the period ended 30 March 2018 was approximately £4.4m (2017: £4.4m) which represents approximately 1.7% (2017: 1.8%) of product cost of sales.

Foreign currency translation

Functional and presentational currency

Both the consolidated and Company's financial statements are presented in sterling, which is the Company's and Group's functional and presentational currency. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions and balances

Transactions in foreign currencies are recorded at the exchange rate prevailing on the date of the transaction. At each balance sheet date, monetary assets and liabilities denominated in foreign currencies are retranslated at the exchange rate prevailing at the balance sheet date. Translation differences on monetary items are taken to the income statement with the exception of differences on translations that are subject to effective cash flow hedges.

Translation differences on non-monetary items are reported as part of the fair value gain or loss and are included in either equity or the income statement as appropriate.

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

Overseas operations
The results and financial position of the Group's overseas operations are translated into sterling as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet;
- income and expenses are translated at the average exchange rate for the period; and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in overseas operations are taken to equity. Tax charges and credits attributable to those exchange differences are taken directly to equity.

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

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

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

Fair value is usually measured by use of the Stochastic Valuation (aka "Monte-Carlo") model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioural considerations.

Where the parent company grants rights to its equity instruments to the Group's or the Company's employees, which are accounted for as equity-settled in the consolidated accounts of the parent, the Group or the Company as the case may be account for these share-based payments as equity-settled. Amounts recharged by the parent are recognised as a recharge liability with a corresponding debit to equity.

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

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

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

Assets held in the course of construction are not depreciated until they are brought into use.

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

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

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

Business combinations
The acquisition of subsidiaries is accounted for using the purchase method. The cost of acquisition is measured at the aggregate of the fair values, at the date of purchase, of consideration given in exchange for control of the acquiree. The acquiree's identifiable assets and labilities that meet the conditions for recognition under IFRS 3 Business Combinations are recognised at their fair value at the acquisition date.

Acquisition costs are expensed as incurred.

1 General information and accounting policies – continued

Goodwill

Goodwill is the excess of the fair value of the consideration payable for an acquisition over the fair value of the Group's share of identifiable net assets of a subsidiary, associate or joint venture acquired at the date of acquisition. Fair values are attributed to the identifiable assets, liabilities and contingent liabilities that existed at the date of acquisition, reflecting their condition at that date. Adjustments are made where necessary to bring the accounting policies of acquired businesses into alignment with those of the Group.

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in the carrying amount of the investment. Goodwill is stated at cost less any impairment. Goodwill is not amortised but is tested annually for impairment. An impairment charge is recognised for any amount by which the carrying value of goodwill exceeds its recoverable value.

Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold, allocated where necessary on a *pro rata* basis.

Other intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill, if those assets are separable and their fair value can be measured reliably.

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

Brand names

Legally protected or otherwise separable trade names acquired as part of a business combination are capitalised at fair value on acquisition. The fair value of brand names with finite useful economic lives is amortised on a straight-line basis over that period. Brand names that are assumed to have an indefinite life and are not amortised, but are subject to annual impairment tests.

Customer relationships

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

Financial instruments

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

Financial assets

The Group's financial assets are classified as either derivatives or "loans and receivables". The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate ("EIR") is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period, to the principal amount.

Income is recognised on an effective interest basis for loans and receivables.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments are classified as loans and receivables. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

Impairment of financial assets

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

Objective evidence of impairment could include:

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

For trade receivables in Express Gifts, assets that are not individually significant are assessed for impairment on a collective basis. When assessing for collective impairment, the Group estimates incurred losses using a statistical model which multiplies the probability of default ("PD") for each class of customer (using a balance scorecard for the relevant stage of debt) by the loss given default ("LGD") multiplied by the exposure at default ("EaD") to arrive at the projected expected loss. An emergence period is incorporated to provide the estimated level of incurred losses at each reporting date.

An adjustment is made to discount the expected cash flows from the impairment model, at the assets' original EIR, to arrive at the recorded collective provisions.

The model's results are adjusted for management's judgement as to whether current economic, political and credit conditions are such that actual losses are likely to differ from those suggested by historical modelling, increasing model risk within the impairment.

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

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire; or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recorded at the proceeds received, net of direct issue costs.

Where financial liabilities are extinguished by equity instruments issued the difference between the carrying value of the debt extinguished and the fair value of the equity instrument issued is recorded in the income statement.

Financial liabilities

The Group's financial liabilities are classified as either "fair value through profit and loss" or "other financial liabilities".

1 General information and accounting policies – continued

Other financial liabilities

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

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

Derivative financial instruments

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

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

Cash flow hedges

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

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts, interest rate caps and swaps and foreign currency options. Further details of derivative financial instruments are disclosed in note 19 to the financial statements. It is the Group's practice to ensure that its interest rate hedging instruments are structured so as to be "highly effective", whereas its foreign exchange forward contracts and options generally are not structured in this way.

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

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

Inventories

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

Cost is calculated on a weighted average cost basis, and where applicable includes those costs that have been incurred in bringing the inventories to their present location and condition.

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

Impairment of non-financial assets

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

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

Taxation

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

Deferred taxation is provided in full on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if the deferred taxation arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, it is not accounted for. No deferred tax liability is recognised in respect of the initial recognition of goodwill. Deferred taxation is calculated using tax rates that are expected to apply when the related deferred taxation asset is realised or the deferred taxation liability is settled.

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

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

Leases

Finance leases

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

Operating leases

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

Retirement benefit costs

The Group has both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independently administered fund. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. The cost of providing these benefits, recognised in the income statement, comprises the amount of contributions payable to the schemes in respect of the year.

For defined benefit retirement plans, the cost of providing benefits is determined using the Projected Unit Credit method, with actuarial valuations being carried out at each balance sheet date.

2 Critical accounting judgements and key sources of estimation uncertainty

The preparation of consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Critical judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in note 1, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements (apart from those involving estimates, which are dealt with below).

Recognition of deferred tax assets (note 21)

Recognition of deferred tax assets is based on management's assumptions that it is probable that the Group's subsidiary entities will have taxable profits against which the unused tax losses and deductible temporary timing differences can be utilised. In the current period, management have increased the value of deferred tax recognised in respect of tax losses in Education, based on management's judgement that it is probable that Education will have sufficient future taxable profits against which to use these losses.

Key sources of estimation uncertainty

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

Valuation of indefinite-lived intangibles (note 12)

The Group has significant investments in indefinite lived intangible assets at 30 March 2018 as a result of acquisitions of businesses and purchases of such assets. The carrying value of indefinite-lived intangible assets at 30 March 2018 was £17.3m (2017: £17.3m). These assets are held at cost less provisions for impairment and are tested annually for impairment. Tests for impairment are primarily based on the calculation of a value in use for each cash generating unit. This involves the preparation of discounted cash flow projections, which require an estimate of both future operating cash flows and an appropriate discount rate. Estimated future operating cash flows are uncertain so sensitivity analysis is provided in note 12.

Inventory provisioning (note 14)

The Group carries significant amounts of inventory against which there are provisions for slow moving and delisted products. At 30 March 2018 a provision of £1.9m (2017: £1.9m) was held against a gross inventory value of £55.0m (2017: £59.0m).

Provisions are made against inventory based upon its location, the planned method of sale and the level of holding compared to forecast sales levels. The provisioning calculations require a high degree of judgement in assessing which lines require provisioning against and the use of estimates around historical recovery rates for slow moving and delisted products.

The gross value of stock against which no provision is held is £50.4m, of which £10.0m will require more than 12 months' forecast sales to clear but is not provided for on the basis of historic evidence that supports the assumption that it can be sold at greater than cost.

If a further 10% of lines were assessed as being slow moving, then the provision required would increase by approximately £200,000. If the recovery rate assumed decreased by 10% then the provision would increase by approximately £600,000.

Express Gifts' trade receivables (note 15)

Express Gifts' trade receivables are recognised on the balance sheet at original invoice amount less provisions for impairment. At 30 March 2018 trade receivables with a gross value of £260.8m (2017: £270.1m) were recorded on the balance sheet, less a provision for impairment of £55.1m (2017: £83.4m).

Provisions for impairment of receivables within Express Gifts are established when there is objective evidence that the Group will not be able to collect all amounts due. The provision for impairment represents management's best estimate of losses incurred in the portfolio at the balance sheet date. In determining the required level of impairment provisions, the Group uses the output from a statistical impairment model developed and implemented during FY17, which assesses the probability of default at a customer account level based on customer risk scoring, and uses this estimate of probability to calculate an estimated loss based on the level of exposure at the balance sheet date, adjusted for an estimate of future cash flows and the timing of those cash flows, expected to be recovered from defaulted accounts including those through the sale of non-performing trade receivables.

Notes to the Consolidated Financial Statements

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

Provisions for Financial Services redress (note 20)

At 30 March 2018 a provision of £8.6m (2017: £25.5m) was recorded in the balance sheet in respect of redress and refunds for flawed financial services products.

Due to the scale of the charge incurred in increasing the provision in FY17 (£14.7m), and the fact that the issues to which the redress and refund programmes relate did not arise in FY17, management concluded that the additional charge should be separately disclosed as an individually significant item in the income statement. No further charges have been incurred in FY18.

The provision amount represents an estimate of the remaining premiums, interest and fees to be refunded to customers, based on a review of affected customer accounts using an account level calculator developed for the exercise. The affected population falls into two broad categories; those who have a live relationship with the business and those that do not. The former group have now largely been refunded however the remaining population, some of whom may not have traded with the business for a significant period, are in the process of being contacted. In calculating the provision amount at 30 March 2018, an assumed response rate has been applied, taking account of the actual response seen to date. An increase of 5% in this assumed response rate would increase the provision required by *c.*£0.8m.

Provisions for onerous leases (note 20)

At 30 March 2018 a provision of £11.4m (2017: £13.9m) was recorded in the balance sheet in respect of onerous leases for unoccupied areas of the Group's premises at Enfield and Hyde. The provisions were calculated as the net of the remaining unavoidable lease rentals, less an assumed level of sublet income over the remaining terms of the leases of between ten and sixteen years. Because of the long-term nature of the liabilities, the cash flows were discounted using a discount rate that reflects the risks inherent in the future cash flows. Cash outflows were discounted at a risk-free rate of 3%, whilst the inflows were discounted at 6%.

Management have made estimates as to the timing and quantum of sublet income expected to be received based on an assessment of local market conditions, as well as applying judgement in discounting the cash inflows at 6%. The level of provision required is sensitive to these key assumptions. If the properties remained vacant for one further year than planned then the provision required would increase by approximately £1.1m, whilst a 1% increase in the discount rate applied would increase the provision by approximately £0.7m.

Discount rate for pension scheme liabilities (note 26)

At 30 March 2018 the Group's defined benefit pension scheme showed a surplus of £2.2m (2017: deficit of £5.4m). In the current period management have adopted the PwC Single Agency corporate bond yield curve to derive the discount rate applied to the scheme's projected cash flows, in the calculation of its liabilities under IAS 19 Employee Benefits ("IAS 19"). This curve regards a corporate bond with a "AA" rating from a single agency as being "high quality" in compliance with IAS 19, rather than requiring an "AA" rating from two agencies as the previous Merrill Lynch curve required. This allows more bonds to be used in the calculation of an appropriate discount rate. Management believe that the use of this curve will allow for a more robust discount rate going forwards in an environment where the number of corporate bonds available to be referenced for this purpose is declining. The discount rate indicated by the Merrill Lynch curve was 2.55% vs. the 2.65% indicated by the PwC curve. The use of the Merrill Lynch discount rate would have increased the scheme's liabilities by £2.4m.

The carrying amounts of the assets and liabilities detailed above are sensitive to the underlying assumptions used by management in their calculation. It is reasonably possible that the outcomes within the next financial year could differ from the assumptions made, which would impact upon the carrying values assumed.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any of the future periods affected.

3 Subsidiaries

The subsidiaries of Findel plc, the Group's ultimate parent company, at 30 March 2018 were as follows:

Name	Registered Office Address	Activity
Express Gifts Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Trading entity
Findel Education Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Trading entity
SPA 4 Schools Limited	Units 1-2, Down Business Centre, 55 Antrim Road, Ballynahinch, Co Down, BT24 8AN	Trading entity*
Findel Asia Sourcing Limited	Room 1102, Two Harbourfront, 22 Tak Fung Street, Hunghom, Kowloon, Hong Kong	Overseas trading entity
Findel Sourcing (Shanghai) Limited	Unit 1506, Tower A, Financial Street Hailun Center No.440, Hailun Road, Shanghai, PRC	Overseas trading entity*
Express Gifts Philippines Inc.	Second Floor, Clark Center 7, Berthaphil Clark Center, Jose Abad Santos Avenue, Clark Freeport Zone, Pampanga, Philippines	Overseas entity*
Findel Education Group Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Findel Wholesale Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Trading/ non-dormant entity
TCC1 Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Trading/ non-dormant entity
2Care4 Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Ace of Clubs Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Alternative Choice Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Burley House Weddings Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
C.& S.(SUTTON) LIMITED	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Care 4 Schools Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Care Cards Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Care4Free Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Cascade Party Toys Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Christmas-E Limited	Church Bridge House, Henry Street, Accrington United Kingdom, BB5 4EE	Dormant entity
Dean's Childsplay Toys Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Dee Textiles Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Designed For Giving Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Designed For You Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Durban Mills Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
EB2C Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*

Notes to the Consolidated Financial Statements

3 Subsidiaries – continued

Name	Registered Office Address	Activity
Estore Fulfilment Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Express Home Shopping Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
FD1 Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Findel (Toys) Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Findel 2010 Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Findel Educational Supplies Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Findel Europe B.V.	2 Gregory St, Hyde, Cheshire, United Kingdom, United Kingdom, SK14 4TH	Overseas entity
Findel Fundraising Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Findel Gifts Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Findel Healthcare Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Findel Home Shopping Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Findel Interactive Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Findel Properties Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Findel Services Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Findel Stationery Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Fine Art Designs Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Fine Art Developments (Marketing) Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Fine Art Developments (Supplies) Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Fine Art Developments Employee Trust Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Fine Art Developments Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Friends of Nature Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Fundraising Direct Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Galt Education Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
E.J. Arnold & Son Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity

3 Subsidiaries – continued

Name	Registered Office Address	Activity
Heron Educational Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
E.J. Arnold Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
GLS Educational Supplies Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Hamsard 3278 Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Hope Adventureplay Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Hope Education Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Hope Export Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Hope Holdings (U.K.) Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
International Schools Supply Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Ivory Cards Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Jones Williams Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Letterbox Mail Order Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Living and Learning, Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Matchmaker Parties Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Miller Leswyn Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Minitogs Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Mistrale Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Natural Reflections Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Naturally Direct Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
NES Arnold Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Philip & Tacey Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Philip Harris Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Philograph Publications Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Pippa Dee International Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Pippa Dee Parties Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*

Notes to the Consolidated Financial Statements

3 Subsidiaries – continued

Name	Registered Office Address	Activity
Premier Educational Supplies Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Protus Plastics Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Rock Bottom Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Rosgill Group Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Rosgill Holdings Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Say It with Ease.com Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Standard Debt Collections Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Step By Step Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Cards Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Dee Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Studio Retail Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Studio Retail Group Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Sutcliffe Sport Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
The Dee Group P.L.C.	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Designers File Limited (THE)	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
The Findel Educational Company Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Tradersgate Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Unilab Science Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Webb Ivory Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
World Class Learning Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Xpress Gifts Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity

*indirectly held.

All subsidiary undertakings are wholly owned (meaning ownership of 100% of all issued share capital), either directly or indirectly, by Findel plc and operate mainly in the jurisdiction in which they are registered. There are no other related undertakings to disclose.

STRATEGIC REPORT 1—23
GOVERNANCE 24—76
CONSOLIDATED FINANCIAL STATEMENTS 77—128
COMPANY FINANCIAL STATEMENTS 129—140

4 Segmental analysis

Operating segments

IFRS 8 requires operating segments to be identified on the basis of the internal financial information reported to the CODM who is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments. The CODM is the Board of Findel plc.

Following a review of the operating segments at the start of the financial year, management made the decision to change the presentation of the internal information presented to the CODM to more accurately reflect how segmental performance and the allocation of resources to the segments is managed. Consequently, the Group's operations are now organised into a central cost centre and two operating segments as follows:

- Express Gifts; and
- Education.

The CODM now assess the operating performance of each segment by reference to revenue and gross margin by revenue stream, and operating profit after distribution, marketing and administration costs, depreciation and amortisation. Information about these operating segments is presented below.

52 weeks ended 30 March 2018

	Express Gifts £000	Education £000	Central £000	Total £000
Product revenue	285,065	85,582	—	370,647
Financial services revenue	108,116	—	—	108,116
Sourcing revenue	196	—	—	196
Reportable segment revenue	393,377	85,582	—	478,959
Product cost of sales	(198,113)	(54,629)	—	(252,742)
Financial services cost of sales	(28,156)	—	—	(28,156)
Sourcing costs of sales	(205)	(73)	—	(278)
Total cost of sales	(226,474)	(54,702)	—	(281,176)
Gross profit	166,903	30,880	—	197,783
Marketing costs	(40,741)	(3,393)	—	(44,134)
Distribution costs	(35,183)	(10,013)	—	(45,196)
Administrative costs	(47,189)	(13,084)	(1,810)	(62,083)
EBITDA*	43,790	4,390	(1,810)	46,370
Depreciation and amortisation	(7,455)	(1,488)	(1,476)	(10,419)
Operating profit/(loss) before individually significant items	36,335	2,902	(3,286)	35,951
Individually significant items	—	—	—	—
Operating profit/(loss)	36,335	2,902	(3,286)	35,951
Finance costs				(9,130)
Profit before tax and fair value movements on derivative financial instruments				26,821
Fair value movements on derivative financial instruments				(4,701)
Profit before tax				22,120

* Earnings before interest, tax, depreciation, amortisation and fair value movements on derivative financial instruments.

Notes to the Consolidated Financial Statements

4 Segmental analysis – continued

53 weeks ended 31 March 2017**

	Express Gifts £000	Education £000	Central £000	Total £000
Product revenue	262,240	91,739	—	353,979
Financial services revenue	101,080	—	—	101,080
Sourcing revenue	1,971	—	—	1,971
Reportable segment revenue	365,291	91,739	—	457,030
Product cost of sales	(181,247)	(58,345)	—	(239,592)
Financial services cost of sales	(27,963)	—	—	(27,963)
Sourcing costs of sales	(1,747)	(83)	—	(1,830)
Total cost of sales	(210,957)	(58,428)	—	(269,385)
Gross profit	154,334	33,311	—	187,645
Marketing costs	(37,296)	(4,479)	—	(41,775)
Distribution costs	(35,959)	(10,798)	—	(46,757)
Administrative costs	(44,459)	(13,745)	(315)	(58,519)
EBITDA*	36,620	4,289	(315)	40,594
Depreciation and amortisation	(6,441)	(1,624)	(1,379)	(9,444)
Operating profit/(loss) before individually significant items	30,179	2,665	(1,694)	31,150
Individually significant items	(51,448)	(650)	(30,054)	(82,152)
Operating profit/(loss)	(21,269)	2,015	(31,748)	(51,002)
Finance costs				(8,921)
Loss before tax and fair value movements on derivative financial instruments				(59,923)
Fair value movements on derivative financial instruments				556
Loss before tax				(59,367)

* Earnings before interest, tax, depreciation, amortisation and fair value movements on derivative financial instruments.

** Restated – refer to note 1.

2018

Other information

	Express Gifts £000	Education £000	Central £000	Total £000
Additions to property plant and equipment and software and IT development costs	9,687	901	7	10,595
Balance Sheet				
Assets				
Segment assets	356,465	61,717		418,182
Central adjustments			(24,141)	(24,141)
Consolidated total assets				394,041
Liabilities				
Segment liabilities	(246,921)	(59,059)		(305,980)
Central adjustments			(48,380)	(48,380)
Consolidated total liabilities				(354,360)

4 Segmental analysis – continued

2017**

Other information

	Express Gifts £000	Education £000	Central £000	Total £000
Additions to non-current assets:				
Goodwill	—	—	628	628
Other intangible assets	—	—	994	994
Property plant and equipment and software and IT development costs	10,314	1,352	13	11,679
Impairment losses	—	650	21,226	21,876
Balance Sheet				
Assets				
Segment assets	329,345	85,916		415,261
Central adjustments			(34,984)	(34,984)
Consolidated total assets				380,277
Liabilities				
Segment liabilities	(255,157)	(71,903)		(327,060)
Central adjustments			(36,514)	(36,514)
Consolidated total liabilities				(363,574)

** Restated – refer to note 1.

The segment assets and liabilities above include intercompany balances which eliminate on consolidation, but appear in the information presented to the CODM. Central adjustments primarily relate to the elimination of intercompany balances on consolidation, intangible assets arising on consolidation, as well as current tax balances and deferred tax. These are shown against the central cost centre in the information presented to the CODM.

Geographical segments

The Group's operations are located in the United Kingdom and Asia.

The following table provides an analysis of the Group's sales by geographical market, irrespective of the origin of the goods/services.

	2018 £000	2017 £000
United Kingdom	471,452	448,029
Europe	1,772	2,075
Asia	4,226	5,414
Other	1,509	1,512
Total	478,959	457,030

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

	2018 £000	2017 £000
United Kingdom	81,164	78,602
Asia	420	442
	81,584	79,044

Major customers

The Group has no transactions with any single customer that amounts to more than 10% of the Group's total revenue in either the period ended 30 March 2018 or the period ended 31 March 2017.

Notes to the Consolidated Financial Statements

5 Individually significant items

There were no individually significant items identified in the current period. An analysis of individually significant items arising during the prior period is as follows:

	2017 £000
Individually significant trading items	
Restructuring costs	2,330
Express Gifts financial services redress and refunds	14,700
Change in accounting estimate regarding impairment modelling	35,215
Recovery of amounts due from Kleeneze Limited	(133)
Onerous lease provisions	7,532
Impairment of Education web platform	650
Impairment of goodwill and other intangible assets	21,178
Advisory costs relating shareholder proposal	680
	82,152
Tax credit in respect of individually significant items	(6,462)
Total	75,690

Restructuring costs in the prior period of £2,330,000, related to management changes, the relocation of FASL's Hong Kong offices, redundancies and costs associated with the relocation of the head office from Hyde to Accrington.

As highlighted in our 2016 Annual Report, we had set aside a provision of £14.4m in FY16 in respect of creating a provision for customer redress and refunds in respect of flawed financial services products, based upon estimates and assumptions that were subject to change. After further analysis and discussions with the FCA, the provision was increased by a further £14.3m in the prior period, which was recorded as an individually significant item. A further £0.4m was also provided in respect of the Plevin case in the prior period.

Change in accounting estimate in FY17 – Express Gifts' impairment modelling

As disclosed in last year's annual report, during FY17, the Group completed the development of a new statistical model for calculating the impairment of trade receivables at Express Gifts, which enabled the calculation of a more precise impairment provision, based on the risk rating of individual customers.

The granular information provided by the new model enabled management to have greater visibility over the impact of changes introduced to receivables collection processes by Express Gifts in recent periods, including the introduction of a strategy to pursue the sale of non-performing trade receivables to third-parties. As a result, management were able to predict with a greater level of accuracy, based on actual historical performance and specific customer behaviour, the level of provisions required, including for accounts in forbearance arrangements, and to factor in more balanced estimates of the Group's experience of emergence periods. Management also sought to reflect the impact of a more balanced approach to its strategy for the sale of non-performing trade receivables within the year end estimate, which included assumptions around the future value, probability, and timing of the expected cash flows from sales of non-performing trade receivables.

Following the adoption of the new model during FY17, there was an increase in the impairment provision at March 2017 of £35,215,000. This increase represented the impact of changes in accounting estimates in FY17 as a result of the ability to conduct a more granular account by account bad debt estimate, and additional information which became available during FY17. In assessing the appropriate treatment of this increase in provision, management has considered whether an adjustment to the level of provision recognised at 25 March 2016 and prior should be recognised as a prior period adjustment in accordance with IAS 8. As the additional provision arose from the development of the new model during FY17, and was based on information which was not available to the Group in prior years, management recognised the increase in the provision in FY17. Due to the scale of the charge, however, and as the charge did not relate to trading in FY17, management concluded that the additional charge should be separately disclosed as an individually significant item in the income statement.

In FY16 costs of £367,000 were incurred in respect of the write-off of amounts due to Express Gifts from Findel plc's former subsidiary Kleeneze Limited, which were assessed as irrecoverable. £133,000 was recovered during the prior period, which was credited to income statement.

Costs of £7,532,000 (which included £48,000 in respect of fixed asset impairments) were incurred in the prior period in respect of an onerous lease provision for areas of Education's head office, that the business no longer occupies.

An impairment charge of £650,000 was recognised in the prior period in respect of the early retirement of Education's legacy web platforms.

Total charges of £21,178,000 were recorded in the prior period in respect of the impairment of goodwill and other intangible assets. Further details can be found in note 12.

The Board announced in July 2016 that it had received a proposal from Schroders plc, on behalf of Sports Direct International plc (SDI), to seek to appoint Mr Michael Ashley as Chairman of the Company in succession to David Sugden. Individually significant advisory costs totalling £680,000 were incurred in the prior period in dealing with this proposal and other matters relating to SDI.

6 Business Combination and Discontinued operation

Business Combination

Spa 4 Schools Limited ("S4S")

In the prior period, the Group acquired 100% of the share capital and control of S4S for total consideration of £1,600,000. This constituted a business combination as defined by IFRS 3 and consequently goodwill of £628,000, being the difference between the fair value of the consideration payable and the fair value of the net assets acquired (see below), was recognised. No subsequent adjustments have been made to the value of goodwill recognised.

Taking control of S4S has allowed Education to protect its market share in Northern Ireland, to gain access to S4S's contracts with local Library Boards (Library Board contracts are required in order to trade with schools) and to benefit from cost savings through economies of scale. The Library Board contracts were successfully renewed during FY18 (see below).

For the period in which S4S was under the Group's control during FY17 it generated revenue of £392,000.

Consideration transferred

	£000
Cash	1,150
Deferred consideration	450
Total consideration transferred	1,600

The deferred consideration of £450,000, which was already recognised in the acquisition value, was paid in January 2018 following the renewal of the Library Board contracts.

Acquisition-related costs

The Group incurred acquisition-related costs of £109,000 on legal fees and due diligence costs in the prior period. These costs were included in 'administrative expenses'.

Identifiable assets acquired and liabilities assumed

On acquisition, the Group acquired net assets with a fair value of £22,000. In addition, the Group recognised intangible assets of £950,000, in respect of the S4S brand name and customer relationships. Refer to note 12 for further details.

Goodwill

Goodwill arising from the acquisition was recognised as follows.

Fair values at acquisition	£000
Consideration	1,600
Net assets acquired	(22)
Intangible assets recognised on acquisition	(950)
Goodwill	628

The goodwill is attributable mainly to the skills and tacit knowledge of S4S's workforce and the synergies expected to be achieved from integrating the company into the Group's existing Education business.

Discontinued operation

The Group completed the disposal of its sports retail division through the sale of Kitbag Limited and its subsidiaries on 1 February 2016 to Fanatics UK Holdings Ltd, a subsidiary of Fanatics Inc.

The gross consideration received was £13.9m, which comprised an initial payment of £11.6m payable on completion, as well as a further £2.3m received on 20 April 2016 following the agreement of completion accounts.

7 Finance expense

	2018 £000	2017 £000
Interest on bank loans	(8,754)	(8,764)
Net interest cost on defined benefit pension obligations (note 26)	(107)	(45)
Unwind of discount on onerous lease provisions	(151)	46
Fair value movements on interest rate caps	(54)	(60)
Interest on finance lease obligations	(64)	(98)
	(9,130)	(8,921)

Notes to the Consolidated Financial Statements

8 Current taxation

(a) Tax charged/(credited) in the income statement

	2018 £000	2017 £000
Current tax expense/(income):		
Current period (UK tax)	1,404	—
Current period (overseas tax)	63	42
Adjustments in respect of prior periods (UK tax)[1]	(751)	1,615
	716	1,657
Deferred tax expense/(income):		
Origination and reversal of temporary differences	305	(2,424)
Adjustments in respect of prior periods[1]	772	(1,190)
Effect of tax rate change on opening balance[2]	749	298
	1,826	(3,316)
Tax expense/(income)	2,542	(1,659)

1. The prior period adjustment in FY18 relates to the tax treatment of a post balance sheet event recorded in the statutory accounts of Express Gifts Limited, which resulted in the Group's current tax liability for 2016/17 being lower than the level assumed in the FY17 accounts. This led to a reduction in the level of brought forward losses, which resulted in a corresponding adjustment to deferred tax. In FY17 the prior year adjustment related to capital allowances not claimed in respect of 2015/16 which had both a current tax impact and a corresponding deferred tax impact.
2. This relates to the recognition of deferred tax liabilities in respect of the group section of the Findel Group Pension Fund, which is in surplus. In FY18, the deferred tax liability has been calculated at a tax rate of 35%, which reflects the rate of tax payable on any return of defined benefit pension surpluses, rather than the 17% rate assumed in the prior period.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience.

(b) Tax recognised directly in other comprehensive income

	2018 £000	2017 £000
Deferred tax:		
Tax on defined benefit pension plans	2,335	(912)

(c) Reconciliation of the total tax charge/(income)

The tax expense in the income statement for the period differs from the standard rate of corporation tax in the UK of 19% (2017: 20%).

The differences are reconciled below:

	2018 £000	2017 £000
Profit/(loss) before tax	22,120	(59,367)
Tax calculated at standard corporation tax rate of 19% (2017: 20%)	4,203	(11,873)
Effects of:		
Expenses not deductible for tax purposes[3]	264	3,574
Higher tax rates on overseas earnings	135	65
(Deferred tax asset not previously recognised)/arising not recognised[4]	(2,830)	5,852
Impact of change in rate of corporation tax	749	298
Adjustments in respect of prior periods	21	425
Total tax expense/(income) for the period	2,542	(1,659)

3. In FY17, expenses not deductible for tax purposes related predominantly to impairment of goodwill of £17,319,000.
4. In FY18, the Group has increased the value of deferred tax recognised in respect of tax losses in Education, based on management's judgement that it is probable that Education will have sufficient future taxable profits against which to use these losses.

9 Profit/(loss) for the period

	2018 £000	2017 £000
Stated after (charging)/crediting:		
Cost of inventories recognised as expense	(246,344)	(230,477)
Impairment charge for inventories (note 14)	(4,041)	(3,960)
Fair value movements on derivate financial instruments:		
– forward foreign currency contracts	(4,701)	556
– Interest rate caps	(54)	(60)
Depreciation of property, plant and equipment		
– owned	(8,275)	(7,337)
– held under finance lease	(148)	(148)
Operating lease rentals	(10,487)	(16,757)*
Amortisation of intangible assets	(1,996)	(1,959)
Impairment of other intangible assets and software (note 12)	—	(4,500)
Impairment of goodwill (note 12)	—	(17,319)
Impairment of property, plant and equipment	—	(57)
Loss on disposal of property, plant and equipment	(192)	(35)
Impairment charge for receivables (note 15)	(28,226)	(63,198)†
Staff costs (note 10)	(57,889)	(54,860)

* FY17 charge includes £7,484,000 in respect of an onerous lease provision relating to unoccupied sections of the Group's Hyde premises. Refer to note 5 for further details.

† Includes £35,215,000 of costs included within individually significant items in FY17.

Auditor's remuneration

The analysis of auditor's remuneration is as follows:

	2018 £000	2017 £000
Audit of these financial statements	115	115
Amounts receivable by the Company's auditor and its associates in respect of:		
Audit of financial statements of subsidiaries of the Company	260	255
Total audit fees	375	370
Half year review	43	57
	418	427
Taxation compliance services (i.e. related to assistance with corporate tax returns)	—	72
Tax advisory services	—	130
Total services relating to taxation	—	202
Corporate Finance – disposal of Kitbag Limited	—	125
Other	—	22
Total other non-audit services	—	147
Total audit and non-audit fees	418	776

Notes to the Consolidated Financial Statements

10 Staff costs and directors' emoluments

(a) Staff costs
The average monthly number of employees (including executive directors) was as follows:

	2018 No.	2017 No.
Administration	1,150	1,173
Selling and distribution	721	781
	1,871	1,954

	2018 £000	2017 £000
Wages and salaries	51,886	49,168
Social security costs	4,264	3,983
Other pension costs	1,540	1,518
Share-based payments expense	199	191
	57,889	54,860

(b) Directors' emoluments
Directors' emoluments which are included in the above and are detailed further in the Directors' Remuneration Report on pages 34 to 55 are as follows:

	2018 £000	2017 £000
Short-term employee benefits	1,540	1,243
Company pension contributions	111	180
Termination payments	365	—
	2,016	1,423

One (2017: none) of the directors is accruing pension benefits under the Group's defined contribution pension scheme. No directors (2017: none) are accruing benefits under the Group's defined benefit pension scheme.

In the current period 350,855 (2017: 185,034) £nil cost options over ordinary shares were granted to directors in respect of the Performance Share Plan.

11 Earnings/(loss) per share

Weighted average number of shares

	2018 Number of shares	2017 Number of shares
Ordinary shares in issue (note 23)	86,442,534	86,442,534
Effect of own shares held	(114,808)	(114,808)
Weighted average number of shares – basic and diluted	86,327,726	86,327,726

Profit/(loss) attributable to ordinary shareholders

	2018 £000	2017 £000
Net profit/(loss) attributable to equity holders for the purposes of basic earnings per share	19,578	(57,708)
Individually significant items (net of tax)	—	75,690
Fair value movements on derivative financial instruments	4,701	(556)
Net profit attributable to equity holders for the purposes of adjusted earnings per share	24,279	17,426

Earnings/(loss) per share		
Earnings/(loss) per share – basic	22.68p	(66.85)p
Earnings per share – adjusted* basic	28.12p	20.19p
Earnings/(loss) per share – diluted	22.68p	(66.85)p
Earnings per share – adjusted* diluted	28.12p	20.19p

* Adjusted to remove the impact of individually significant items and fair value movements on derivative financial instruments.

The earnings/(loss) per share attributable to convertible ordinary shareholders is £nil.

12 Goodwill and other intangible assets

(a) Goodwill

	£000
Cost	
At 25 March 2016	44,991
Amounts acquired in a business combination	628
At 31 March 2017	45,619
At 30 March 2018	45,619
Impairment	
At 25 March 2016	(28,300)
Impairment	(17,319)
At 31 March 2017	(45,619)
At 30 March 2018	(45,619)
Carrying amount	
Net book value at 30 March 2018	—
Net book value at 31 March 2017	—

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

	2018 £000	2017 £000
Express Gifts	—	—
Education	—	—
	—	—

During the prior period the Group acquired 100% of the share capital of SPA 4 Schools Limited for total consideration of £1,600,000 (see note 6 for details). This constituted a business combination as defined by IFRS 3 and consequently goodwill of £628,000, being the difference between the fair value of the consideration payable and the fair value of the net assets acquired, was recognised. This goodwill was allocated to the Education CGU, which was the CGU that would benefit from the synergies of the combination.

Following the annual impairment review at March 2017, the carrying amount of the Education CGU was determined to be higher than the recoverable amount and an impairment loss of £19,800,000 was recognised. Consequently £16,999,000 of goodwill allocated to the Education CGU was fully impaired.

£320,000 of goodwill allocated to the Express Gifts CGU was also impaired during the prior period, as this related to a brand which was no longer in use within the business and therefore considered to have a fair value of £nil.

Notes to the Consolidated Financial Statements

12 Goodwill and other intangible assets – continued

(b) Other intangible assets

	Software and IT development costs £000	Brand names £000	Customer relationships £000	Total £000
Cost				
At 25 March 2016	16,569	21,160	20,490	58,219
Additions	1,020	44	—	1,064
Amounts acquired in a business conbination	—	500	450	950
At 31 March 2017	17,589	21,704	20,940	60,233
Additions	985	—	—	985
At 30 March 2018	18,574	21,704	20,940	61,218
Accumulated amortisation and impairment				
At 25 March 2016	13,473	—	14,115	27,588
Amortisation for the period	930	54	975	1,959
Impairment loss	641	3,859	—	4,500
At 31 March 2017	15,044	3,913	15,090	34,047
Amortisation for the period	867	109	1,020	1,996
At 30 March 2018	15,911	4,022	16,110	36,043
Carrying amount				
Net book value at 30 March 2018	2,663	17,682	4,830	25,175
Net book value at 31 March 2017	2,545	17,791	5,850	26,186

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

Upon the acquisition of SPA 4 Schools Limited in the prior period, a brand name with a fair value of £500,000 and customer relationships with a fair value of £450,000 were recognised. These are both being amortised over a useful economic life of five years.

The amortisation period for customer relationships, which arose from the acquisition of businesses, is between 2 and 20 years. Management do not consider that any customer relationships are individually material.

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

	2018 £000	2017 £000
Express Gifts	—	—
Education	17,682	17,791
	17,682	17,791

(c) Impairment testing

The Group tests goodwill and indefinite lived brand names for impairment annually, or more frequently if there are indicators of impairment.

The recoverable amount of the Education CGU was determined from a value in use calculation.

12 Goodwill and other intangible assets – continued

Significant judgements, assumptions and estimates

In determining the value in use of the Education CGU it is necessary to make a series of assumptions to estimate the present value of future cash flows. These key assumptions have been made by management reflecting past experience, current trends, and where applicable, are consistent with relevant external sources of information. The key assumptions are as follows:

Operating Cash flows

Management has prepared cash flow forecasts for a three-year period derived from the approved budget for financial year 2018/19. These forecasts include assumptions around sales prices and volumes, specific customer relationships and operating costs and working capital movements.

Risk adjusted discount rates

The pre-tax rate used to discount the forecast cash flows is 17.7% (2017: 17.9%). This discount rate is derived from the Group's weighted average cost of capital as adjusted for the specific risks related to the Education CGU.

Long-term growth rate

To forecast beyond the detailed cash flows into perpetuity, a long-term average growth rate of 1.6% (2017: 1.9%) has been used. This is not greater than the published International Monetary Fund average growth rate in gross domestic product for the next five-year period in the territories where the CGU operates.

Results

The estimated recoverable amount of Education CGU exceeded the carrying value by approximately £4,931,000 (2017: deficiency of £19,800,000) and as such no impairment was necessary (2017: impairment of £19,800,000).

Sensitivity analysis

The results of the Group's impairment tests are dependent upon estimates and judgements made by management, particularly in relation to the key assumptions described above. A reasonably possible change in key assumptions could lead to the carrying value of the Education CGU exceeding its recoverable amount. Sensitivity analysis to potential changes in operating cash flows and risk adjusted discount rates has therefore been reviewed.

The table below shows the risk adjusted discount rate and forecast operating cash flow assumptions used in the calculation of value in use for the Education CGU and the changes in these assumptions required for the recoverable amount to equal the carrying value:

CGU	Education
Value in excess over carrying value (£000)	4,931
Assumptions used in the calculation of value in use	
Pre-tax discount rate	17.7%
Total pre-discounted forecast operating cash flow (£000)	61,464
Change required for the recoverable amount to equal the carrying value	
Pre-tax discount rate	+1.7%
Total pre-discounted forecast operating cash flow (£000)	(7,727)

The carrying value of goodwill and indefinite-lived brands allocated to the Express Gifts CGU was fully impaired during the prior period as this related to a brand which was no longer in use within the business and was therefore considered to have a fair value of £nil. Management have considered the continuing appropriateness of the impairment of the indefinite lived-brands and have concluded that this remains appropriate.

Notes to the Consolidated Financial Statements

13 Property, plant and equipment

	Land and buildings Freehold £000	Leasehold £000	Plant and equipment £000	Total £000
Cost				
At 25 March 2016	17,221	3,192	75,810	96,223
Additions	12	21	10,626	10,659
Disposals	(44)	(130)	(189)	(363)
Exchange differences	11	3	28	42
At 31 March 2017	17,200	3,086	86,275	106,561
Additions	33	71	9,506	9,610
Disposals	—	—	(252)	(252)
Exchange differences	(14)	1	(27)	(40)
At 30 March 2018	17,219	3,158	95,502	115,879
Accumulated depreciation and impairment				
At 25 March 2016	7,599	2,504	44,697	54,800
Provision for the period	339	129	7,017	7,485
Disposals	(44)	(130)	(144)	(318)
Impairment	—	—	57	57
Exchange differences	13	86	22	121
At 31 March 2017	7,907	2,589	51,649	62,145
Provision for the period	340	108	7,975	8,423
Disposals	—	—	(10)	(10)
Exchange differences	(12)	7	(24)	(29)
At 30 March 2018	8,235	2,704	59,590	70,529
Carrying amount				
Net book value at 30 March 2018	8,984	454	35,912	45,350
Net book value at 31 March 2017	9,293	497	34,626	44,416

During the year ended 25 March 2016, plant and equipment with a value of £2,218,000 was acquired under a finance lease in respect of Education's warehouse consolidation project. At 30 March 2018 the net book value of assets held under finance lease agreements was £1,898,000 (2017: £2,046,000). Details of the finance lease arrangement are set out in note 18.

An impairment review has been completed during the year on the basis set out in note 12.

14 Inventories

	2018 £000	2017 £000
Inventories at cost	54,982	58,998
Provision for impairment	(1,891)	(1,890)
	53,091	57,108

	2018 £000	2017 £000
Movement in the provision for impairment:		
Balance at beginning of the period	1,890	1,744
Provision made in the period	4,041	3,960
Provision utilised in the period	(4,040)	(3,814)
Balance at end of the period	1,891	1,890

Inventories recognised as cost of sales in the year amounted to £246,344,000 (2017: £230,477,000).

The methodology for calculating the provision for impairment is detailed in note 2.

15 Trade and other receivables

	2018 £000	2017 £000
Gross trade receivables	269,969	278,816
Allowance for doubtful debts	(55,209)	(83,633)
Trade receivables	214,760	195,183
Other debtors	2,467	2,101
Prepayments	15,438	15,364
	232,665	212,648

Certain of the Group's trade receivables are funded through a securitisation facility arranged by HSBC Bank plc and funded through a vehicle owned by GRE Trust Company (Ireland) Limited. The facility is secured against those receivables and is without recourse to any of the Group's other assets. The finance provider will seek repayment of the finance, as to both principal and interest, only to the extent that collections from the trade receivables financed allows and the benefit of additional collections remains with the Group, since the assets are charged but not transferred. At the period end, receivables of £221,837,000 (2017: £200,752,000) were funded through the securitisation facility, and the facilities utilised were £157,504,000 (2017: £142,534,000).

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

Express Gifts

The average credit period taken on sales of goods is 202 days (2017: 226 days). Interest is charged at 3.1% (2017: 3.1%) per month on the outstanding balance.

Provisions for impairment of trade receivables within Express Gifts are established when there is objective evidence that the Group will not be able to collect all amounts due. The provision for impairment represents management's best estimate of losses incurred in the portfolio at the balance sheet date. In determining the required level of impairment provisions, the Group uses the output from a statistical impairment model developed and implemented during FY17, which assesses the probability of default at a customer account level based on customer risk scoring, and uses this estimate of probability to calculate an estimated loss based on the level of exposure at the balance sheet date, adjusted for an estimate of future cash flows expected to be recovered from defaulted accounts. An emergence period is incorporated to provide the estimated level of incurred losses at each reporting date.

Sensitivity analysis

Management judgement is required in setting assumptions around probabilities of default, cash recoveries and the emergence period which have a material impact on the results indicated by the model.

A 1% increase/decrease in the probability of default would increase/decrease the provision amount by approximately £1.8m.

A 1p increase in the assumed recoveries rate would result in the impairment provision decreasing by approximately £0.6m.

A one-month increase/decrease in the assumed emergence period would result in the impairment provision increasing/decreasing by approximately £3.5m-£4m.

Before accepting any new customer, Express Gifts uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are continually reviewed. There are no customers who represent more than 1% of the total balance of the Group's trade receivables.

Notes to the Consolidated Financial Statements

15 Trade and other receivables – continued

Rest of Group

The average credit period taken on sales of goods is 33 days (2017: 28 days). Trade receivables are provided for based on estimated irrecoverable amounts from the sale of goods, determined by reference to past default experience.

Given the nature of the public-sector customer base within the Education operating segment, it is not considered necessary to utilise formal credit scoring. However, credit references are sought for all new customers prior to extending credit. There are no customers who represent more than 1% of the total balance of the Group's trade receivables.

Included in the rest of the Group's trade receivables balance are debtors with a carrying amount of £125,000 (2017: £184,000) which are past due at the reporting date which are partially provided against. There has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances. The average age of these receivables is 155 days (2017: 150 days).

Movement in the allowance for doubtful debts:

	Express Gifts £000	Rest of Group £000	Total £000
Balance at 25 March 2016	43,051	283	43,334
Impairment losses recognised	63,178*	20	63,198
Amounts written off as uncollectible	(22,780)	(119)	(22,899)
Balance at 31 March 2017	83,449	184	83,633
Impairment losses recognised	28,156	70	28,226
Amounts written off as uncollectible	(56,521)	(129)	(56,650)
Balance at 30 March 2018	55,084	125	55,209

* FY17 figure includes £35,215,000 of costs classified within individually significant items.

Express Gifts

There are no not past due trade receivables which are unimpaired (2017: none).

The aged analysis of the carrying values of not past due and past due trade receivables is as follows:

	2018			2017		
	Trade receivables £000	Trade receivables on forbearance arrangements £000	Total £000	Trade receivables £000	Trade receivables on forbearance arrangements £000	Total £000
Not past due	196,940	9,002	205,942	178,154	17,672	195,826
Past due:						
0 – 60 days	25,461	1,967	27,428	20,985	4,255	25,240
60 – 120 days	12,286	4	12,290	7,041	751	7,792
120+ days	15,110	-	15,110	41,110	181	41,291
Gross trade receivables	249,797	10,973	260,770	247,290	22,859	270,149
Allowance for doubtful debt	(47,370)	(7,714)	(55,084)	(66,876)	(16,573)	(83,449)
Carrying value	202,427	3,259	205,686	180,414	6,286	186,700

15 Trade and other receivables – continued

Rest of Group

The carrying value of not past due trade receivables which are unimpaired is £5,541,000 (2017: £5,924,000).

The aged analysis of the carrying values of past due trade receivables which are unimpaired is as follows:

	2018 £000	2017 £000
0 – 60 days	2,554	1,875
60 – 120 days	529	345
120+ days	325	155
Total	3,408	2,375

The aged analysis of the carrying values of past due trade receivables which are impaired is as follows:

	2018 £000	2017 £000
0 – 60 days	—	—
60 – 120 days	—	—
120+ days	125	184
Total	125	184

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

The directors consider that the Group's maximum exposure to credit risk is the carrying value of the trade and other receivables and that their carrying amount approximates their fair value.

The Group uses a number of forbearance measures to assist those customers approaching, or at the point of experiencing, financial difficulties. Such measures include arrangement to pay less than the minimum payment and the suspension of interest charges to help the customer pay off their debt. We expect customers to resume normal payments where they are able. At the balance sheet date forbearance measures were in place on 19,429 accounts (2017: 35,716) with total gross balances of £10,973,000 (2017: £22,859,000). Provisions are assessed as detailed above.

During the current period, overdue receivables with a gross value of £69,889,000 (2017: £25,993,000) were sold to third party debt collection agencies. As a result of the sales, the contractual rights to receive the cash flows from these assets were transferred to the purchasers.

16 Cash and cash equivalents

	2018 £000	2017 £000
Cash at bank and in hand	26,244	29,173

Cash and cash equivalents comprises cash held by the Group, and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

Notes to the Consolidated Financial Statements

17 Trade and other payables

	2018 £000	2017 £000
Trade payables	45,361	49,523
Other payables	3,239	1,674
Accruals	18,447	12,277
	67,047	63,474

The average credit period taken for trade purchases is 49 days (2017 restated*: 56 days). No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

The directors consider that the carrying amount of trade and other payables approximates their fair value.

* Restated to reflect the reclassification of costs detailed in note 1.

18 Loans and borrowings

(a) Secured bank loans (at amortised cost)

	2018 £000	2017 £000
Bank loans	257,504	252,534
Amount due for settlement within one year	—	—
Amount due for settlement after one year	257,504	252,534
	257,504	252,534

The average interest rates paid on the loans were as follows:

Bank loans	3.48%*	3.53%*

* The average interest rates quoted in the current and prior period includes fees relating to the extension of the Group's lending facilities (described below). The average interest rate excluding these fees was 3.19% (2017: 3.35%).

All bank loans are arranged at floating rates, thus exposing the Group to cash flow interest rate risk. The Group manages this risk by undertaking interest rate hedging as described in note 27.

All the bank loans are denominated in sterling.

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

The Group agreed a four-year rolling credit facility with its lenders on 24 November 2015 maturing in November 2019. The facility was initially set at £120m but reduced to £113.6m on 29 April 2016 following the sale of Kitbag, reduced to £110m on 31 March 2017, and reduced further to £100m on 30 March 2018. It will decrease by a further £10m on 29 March 2019.

The securitisation facility is coterminous with the revolving credit facility. The facility limit was increased to £170,000,000 on 13 November 2017 and was still at that level at 30 March 2018 (2017: £155,000,000).

	2018 £000	2017 £000
Borrowing facilities		
The Group had undrawn committed borrowing facilities as follows:		
Expiring in one year or less	—	—
Expiring in more than two years but not more than five years	—	—
Bank loans	—*	—*

* This figure represents drawn headroom against the available facilities. Total headroom (i.e., including cash and cash equivalents) at 30 March 2018 is £26,244,000 (2017: £29,173,000).

18 Loans and borrowings – continued

(b) Finance leases

	2018 £000	2017 £000
Obligations under finance leases	1,069	1,614
Amount due for settlement within one year	572	545
Amount due for settlement after one year	497	1,069
	1,069	1,614
Notional interest rate	4.72%	4.72%

Finance lease liabilities are payable as follows:

	Future minimum lease payments		Interest		Present value of minimum lease payments	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Within one year	(610)	(610)	(38)	(65)	(572)	(545)
In the second to fifth years	(508)	(1,117)	(11)	(48)	(497)	(1,069)
After five years	—	—	—	—	—	—
	(1,118)	(1,727)	(49)	(113)	(1,069)	(1,614)

(c) Reconciliation of movements in assets/(liabilities) arising from financing activities

	At 31 March 2017 £000	Cash outflow/(inflow) £000	Fair value movements recorded in finance costs £000	Fair value movements recorded through other comprehensive income £000	At 30 March 2018 £000
Interest rate caps	32	53	(54)	16	47
Loans and borrowings	(252,534)	(4,970)	—	—	(257,504)
Obligations under finance leases	(1,614)	545	—	—	(1,069)
	(254,116)	(4,372)	(54)	16	(258,526)

	At 25 March 2016 £000	Cash outflow/(inflow) £000	Fair value movements recorded in finance costs £000	Fair value movements recorded through other comprehensive income £000	At 31 March 2017 £000
Interest rate caps	—	143	(60)	(51)	32
Loans and borrowings	(248,911)	(3,623)	—	—	(252,534)
Obligations under finance leases	(2,176)	562	—	—	(1,614)
	(251,087)	(2,918)	(60)	(51)	(254,116)

Notes to the Consolidated Financial Statements

19 Derivative financial instruments

At 30 March 2018 the Group had outstanding derivative financial instruments as follows:

Non-current assets

	2018 £000	2017 £000
Interest rate cap	41	32

Current assets

	2018 £000	2017 £000
Interest rate cap	6	—
Forward foreign exchange contracts	—	556
	6	556

Current liabilities

	2018 £000	2017 £000
Forward foreign exchange contracts	(4,147)	—

Information about the Group's exposure to credit and market risks, and fair value measurement, is included in note 27.

20 Provisions

	Onerous leases £000	Express Gifts financial services redress and refunds £000	Restructuring provision £000	Total £000
At 25 March 2016	7,505	15,254	1,016	23,775
Provided in the period	7,484	14,700	1,153	23,337
Utilised in the period	(1,133)	(4,472)	(1,016)	(6,621)
Unwind of discount	46	—	—	46
At 31 March 2017	13,902	25,482	1,153	40,537
Utilised in the period	(2,646)	(16,860)	(1,153)	(20,659)
Unwind of discount	151	—	—	151
At 30 March 2018	11,407	8,622	—	20,029
2018				
Analysed as:				
Current	802	8,622	—	9,424
Non-current	10,605	—	—	10,605
	11,407	8,622	—	20,029
2017				
Analysed as:				
Current	1,135	25,482	1,153	27,770
Non-current	12,767	—	—	12,767
	13,902	25,482	1,153	40,537

Onerous leases

A provision was made in prior periods for onerous leases regarding vacated leasehold properties. Refer to note 2 for further details.

Express Gifts financial services redress and refunds

In the prior period, a provision was made in respect of redress and refunds for flawed financial services products. Further details in respect of the amounts provided in the prior period can be found in note 5. The provision is expected to be utilised within 12 months.

Restructuring provision

A provision was made in the prior period in respect of the restructuring exercise undertaken to relocate the head office function from Hyde to Express Gifts' offices in Accrington. The provision was fully utilised in the current financial year.

21 Deferred tax

Recognised deferred tax

	Short-term timing differences £000	Accelerated capital allowances £000	Retirement benefit obligations £000	Tax losses £000	Other intangible assets £000	Total £000
Net balance at 25 March 2016	260	(3,622)	(413)	(1,417)	1,010	(4,182)
Adjustments in respect of prior periods	—	(1,146)	—	—	(44)	(1,190)
Impact of change in rate of corporation tax	(15)	265	23	79	(54)	298
Recognised in other comprehensive income	—	—	(912)	—	—	(912)
(Credit)/charge for the period	(60)	(2,037)	382	(3,393)	2,684	(2,424)
Net balance at 31 March 2017	185	(6,540)	(920)	(4,731)	3,596	(8,410)
Adjustments in respect of prior periods	—	(9)	—	781	—	772
Impact of change in rate of corporation tax*	—	—	749	—	—	749
Recognised in other comprehensive income	—	—	2,335	—	—	2,335
Charge/(credit) for the period	18	1,129	559	(1,395)	(6)	305
Net balance at 30 March 2018	203	(5,420)	2,723	(5,345)	3,590	(4,249)
At 30 March 2018						
Deferred tax liabilities	203	—	4,564	—	3,590	8,357
Deferred tax assets	—	(5,420)	(1,841)	(5,345)	—	(12,606)
At 31 March 2017						
Deferred tax liabilities	185	—	1,447	—	3,596	5,228
Deferred tax assets	—	(6,540)	(2,367)	(4,731)	—	(13,638)

* This relates to the recognition of deferred tax liabilities in respect of the group section of the Findel Group Pension Fund, which is in surplus. In FY18, the deferred tax liability has been calculated at a tax rate of 35%, which reflects the rate of tax payable on any return of defined benefit pension surpluses, rather than the 17% rate assumed in the prior period.

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

The following is the analysis of the deferred tax balances as they are presented in the consolidated balance sheet following the offset:

	Short-term timing differences £000	Accelerated capital allowances £000	Retirement benefit obligations £000	Tax losses £000	Other intangible assets £000	Total £000
At 30 March 2018						
Deferred tax liabilities	—	—	4,564	—	—	4,564
Deferred tax assets	203	(5,420)	(1,841)	(5,345)	3,590	(8,813)
At 31 March 2017						
Deferred tax liabilities	—	—	—	—	—	—
Deferred tax assets	185	(6,540)	(920)	(4,731)	3,596	(8,410)

The reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Group's future current tax charge.

Unrecognised deferred tax

The aggregate value of deferred tax assets which have not been recognised is £6,516,000 (2017: £9,425,000). These amounts primarily relate to carried forward tax losses in the parent company, Findel plc. No asset has been recognised in respect of these differences because there is insufficient evidence that Findel plc will make sufficient future taxable profits against which these assets may be utilised.

	Short-term timing differences £000	Accelerated capital allowances £000	Tax losses £000	Total £000
At 25 March 2016	(232)	(14)	(5,869)	(6,115)
Adjustments in respect of prior periods	(39)	(619)	(1,907)	(2,565)
Impact of change in rate of corporation tax	15	35	432	482
Movements during the period	125	581	(1,933)	(1,227)
At 31 March 2017	(131)	(17)	(9,277)	(9,425)
Adjustments in respect of prior periods	39	9	47	257
Movements during the period	50	1	2,763	2,652
At 30 March 2018	(42)	(7)	(6,467)	6,516

Notes to the Consolidated Financial Statements

22 Share-based payments

Performance Share Plan (equity settled)

(i) Description of scheme
The Group has issued to certain senior employees nil cost options under the Performance Share Plan (PSP) that require the Group to award shares to the employee on the vesting of the award subject to the achievement of certain predetermined performance conditions. The performance period in respect of all outstanding awards is three years after the awards were granted.

The performance conditions that apply to the awards granted since 2015 have been based upon the following bases:

- Awards made during FY16 were subject to a number of vesting criteria, including division-specific criteria for divisional management. The criteria applicable to the Executive Directors was linked to total shareholder return over the three-year period to March 2018.
- Awards made during FY17 were subject to a number of vesting criteria, including division-specific criteria for divisional management. The criteria applicable to the Executive Directors was that half the awards were linked to total shareholder return over the three-year period to March 2019 and half were linked to the adjusted earnings per share for the year to March 2019.
- Awards made during FY18 were subject to a number of vesting criteria, including division-specific criteria for divisional management. The criteria applicable to the Executive Directors was that half the awards were linked to total shareholder return over the three-year period to March 2020 and half were linked to the adjusted earnings per share for the year to March 2020.

(ii) Measurement of fair values
The estimated fair value of the awards granted during the period is £1,748,000 (2017: £1,809,000). In each case these costs are expensed over the three years from the date of the relevant grant.

The fair values of the awards in the current period and prior year were calculated using a Stochastic valuation (aka "Monte-Carlo") or Black-Scholes valuation model. The inputs into the models were as follows:

	2018	2017
Weighted average fair value (pence)	158.5	146.5
Share price at issue (pence)	195.2	159.7
Weighted average exercise price (pence)	—	—
Expected volatility (%)	41.8	40.9
Expected life (years)	3.0	3.0
Risk free rate (%)	0.3	0.6
Expected dividend yield (%)	—	—

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

(iii) Reconciliation of outstanding options

	2018 No. of shares	2017 No. of shares
Outstanding at the beginning of the period	3,037,183	3,142,072
Granted during the period	1,102,673	1,234,840
Lapsed during the period	(1,382,124)	(1,339,729)
Exercised during the period	—	—
Outstanding at the end of the period	2,757,732	3,037,183

The weighted average exercise price of all options is £nil.

(iv) Charge recognised in the income statement
The Group recognised a charge of £199,000 (2017: £191,000) related to equity-settled share-based payment transactions in the year reflecting the charge arising in the period being offset by the reversal of charges on non-market related performance criteria share options which are no longer expected to vest.

23 Share capital

The Company has two classes of ordinary shares, neither of which carry any right to fixed income.

Ordinary shares of 10p each

	2018 Number of shares	2017 Number of shares	2018 £000	2017 £000
At the beginning of the period	86,442,534	86,442,534	8,644	8,644
At the end of the period	86,442,534	86,442,534	8,644	8,644

Convertible ordinary shares of 23.97p each

	2018 Number of shares	2017 Number of shares	2018 £000	2017 £000
At the beginning of the period	166,878,704	166,878,704	40,000	40,000
At the end of the period	166,878,704	166,878,704	40,000	40,000

The following rights are attached to convertible shares:

- The shares may be converted into 8,343,935 ordinary shares at the option of the holders of the convertible share in the event that: (i) the Company's volume weighted average ordinary share price rises above 479.4p for a period of one month during the period commencing on 22 March 2013 and ending on 22 March 2021; (ii) an offer is made for the Company (regardless of the share performance of the Company).
- The holders of the shares are entitled to attend but not vote at the general meetings (save in respect of any resolution relating to the convertible shares).
- The shares may participate in dividends or other distributions declared in excess of 50% of the net income in a particular accounting reference period.
- The shares are freely transferable and the terms may be varied only with the approval of 85% of the convertible shareholders.

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

24 Capital commitments

At 30 March 2018, amounts contracted for but not provided in the financial statements in respect of property, plant and equipment amounted to £1,259,000 (2017: £495,000).

25 Operating lease arrangements

At the balance sheet date, the Group had total minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £000	2017 £000
Within one year	10,802	9,807
In the second to fifth years	13,349	14,810
After five years	28,746	31,794
	52,897	56,411

During the period £10,487,000 (2017: £16,757,000) was recognised as an expense in the consolidated income statement in respect of operating leases. The prior period charge included £7,484,000 in respect of onerous lease provisions which was disclosed as an individually significant item (see note 5).

Notes to the Consolidated Financial Statements

26 Pensions

Defined contribution schemes

The Group operates a defined contribution retirement benefit plan for all qualifying employees. The assets of the plan are held separately from those of the Group in funds under the control of trustees. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions. The total expense recognised in the income statement of £1,540,000 (2017: £1,518,000) represents contributions payable at rates specified by the rules of the plan.

Defined benefit schemes

The Group sponsors the Findel Group Pension Fund which is a defined benefit pension scheme with four sections. The four sections were merged into a single scheme on 30 June 2012 with the aim of reducing administrative costs. Findel plc (the parent company) is the principal sponsor of two of the sections, the Galt and Group sections, whilst Findel Education Limited (a subsidiary of Findel plc) is the principal sponsor of the Findel Education and Philip and Tacey sections. The scheme is closed to future accrual. The latest triennial valuation of the scheme was completed at 5 April 2016 by Barnett Waddingham LLP using a "market related basis" method. The principal actuarial assumptions adopted in that valuation were a pre-retirement discount rate of 4.05% per annum and a post retirement discount rate of 2.55% per annum. The actuarial value of the assets was sufficient to cover 85% of the benefits that had accrued to members, after allowing for expected future increases in pensionable remuneration. The market value of the scheme's assets at the date of valuation was £129.2m. The next formal valuation is due with an effective date no later than 5 April 2019.

The most recent valuation of the plan for IAS 19 purposes was carried out at 30 March 2018 by PricewaterhouseCoopers LLP. The present value of the defined benefit obligation was measured using the projected unit credit method. The results of the IAS 19 valuation are summarised as follows:

	2018 £000	2017 £000
Fair value of scheme assets	145,329	147,349
Present value of funded obligations	(143,124)	(152,764)
Surplus/(deficit) in the scheme	2,205	(5,415)

The weighted average duration of the Scheme's IAS 19 liabilities is 17.0 years.

Plan assets

	2018 £000	2017 £000
Plan assets comprise:		
Equities/Property	56,453	73,387
Bonds	88,277	67,513
Other	599	6,449
	145,329	147,349

Movement in the present value of defined benefit obligations

	2018 £000	2017 £000
At beginning of the period	(152,764)	(129,535)
Interest cost	(3,875)	(4,528)
Remeasurements:		
Effect of changes in financial assumptions	2,650	(26,120)
Effect of changes in demographic assumptions	3,917	95
Effect of experience adjustments	60	(593)
Benefits paid (including buyout)	6,888	7,917
At end of the period	(143,124)	(152,764)

Movement in the fair value plan assets

	2018 £000	2017 £000
At beginning of the period	147,349	127,241
Employer contributions	2,500	2,291
Interest on assets	3,768	4,483
Remeasurements – return on scheme assets	(1,400)	21,251
Benefits paid (including buyout)	(6,888)	(7,917)
At end of the period	145,329	147,349

26 Pensions – continued

Movement in the pension deficit

	2018 £000	2017 £000
Deficit at the beginning of the period	(5,415)	(2,294)
Net interest cost	(107)	(45)
Remeasurements	5,227	(5,367)
Employer contributions	2,500	2,291
Surplus/(deficit) at the end of the period	2,205	(5,415)

Expense recognised in the consolidated income statement

	2018 £000	2017 £000
(i) Included within finance costs		
Net interest cost	(107)	(45)

Amounts recognised in other comprehensive income

	2018 £000	2017 £000
Total remeasurements	5,227	(5,367)

Actuarial Assumptions

The following are the principal actuarial assumptions at the reporting date:

	2018	2017
Financial Assumptions		
Discount rate for scheme liabilities	2.65%	2.60%
RPI Price Inflation	3.15%	3.30%
CPI Price Inflation	2.15%	2.30%
Rate of increase to pensions in payment in line with RPI inflation (up to 5% per annum)	3.10%	3.20%
Rate of increase to pensions in payment in line with CPI inflation (up to 5% per annum)	2.20%	2.30%
Rate of increase to deferred pensions	2.20%	2.30%
Post retirement mortality (in years)		
Current pensioners at 65 – male	87.1 yrs	87.4 yrs
Current pensioners at 65 – female	89.1 yrs	89.6 yrs
Future pensioners at 45 – male	88.5 yrs	89.2 yrs
Future pensioners at 45 – female	90.6 yrs	91.4 yrs
Demographic Assumptions		
Cash Commutation (members taking cash lump sum)	80%	80%
Proportion of members that are married at retirement	75%	75%
Proportion of members taking TPIE option*	15%	15%
Age at which members are assumed to take TPIE option*	61.0 yrs	62.5 yrs

Assumptions regarding post retirement mortality are based on published statistics and mortality tables – S2NXA – CMI 2017 1.25% p.a. (2017: S2NXA – CMI 2015 1.25% p.a.)

* The Scheme now has an embedded option at retirement for members to take TPIE (Total Pension Increase Exchange), following bulk exercises carried out in late 2014 and early 2015. Since this option is now a formalised ongoing process, allowance has been made for this in calculating the IAS 19 liability. A 15% take up at an average age of 61.0 years has been assumed, based upon take up rates seen to date.

Discount rate for scheme liabilities

In the current period management have adopted the PwC Single Agency corporate bond yield curve to derive the discount rate applied to the scheme's projected cash flows, in the calculation of its liabilities under IAS 19. This curve regards a corporate bond with a "AA" rating from a single agency as being "high quality" in compliance with IAS 19, rather than requiring a "AA" rating from two agencies as the previous Merrill Lynch curve required. This allows more bonds to be used in the calculation of an appropriate discount rate. Management believe that the use of this curve will allow for a more robust discount rate going forwards in an environment where the number of corporate bonds available to be referenced for this purpose is declining. The discount rate indicated by the Merrill Lynch curve was 2.55% vs. the 2.65% indicated by the PwC curve. The use of the Merrill Lynch discount rate would have increased the scheme's liabilities by £2.4m.

Notes to the Consolidated Financial Statements

26 Pensions – continued

Sensitivities

The sensitivities regarding the principal assumptions used to measure the Scheme's liabilities are set out below:

		Impact on scheme liabilities	
Assumption	Change in assumption	If assumption increases	If assumption decreases
Discount rate	0.5%	Decrease by 7.8%	Increase by 8.9%
RPI Inflation	0.5%	Increase by 3.6%	Decrease by 3.4%
CPI Inflation	0.5%	Increase by 3.1%	Decrease by 2.9%
Salary increase	0.5%	No change	No change
Longevity	1 year	Increase by 4.6%	Decrease by 4.5%
TPIE take up %	5%	Decrease by £275,000	Increase by £275,000
TPIE age	1 year	Increase by £400,000	Decrease by £400,000

The above sensitivities are approximate and show the likely increase to the Scheme's liabilities under IAS 19 if an assumption is adjusted whilst all other assumptions remain the same. The sensitivities are for illustration purposes only and do not necessarily represent the directors' view of the expected changes to the assumptions in the future.

There have been no changes to the methods and assumptions used to calculate the sensitivity analyses between the current period and prior period.

Risks

Investment risk

Allowance is made in the assumptions for the expected long-term performance of asset classes such as equities. There is a risk that these returns will not be achieved in practice, which would result in an increase in the Scheme's liabilities and further contributions being required. Further, the value of the Scheme's assets may not move in line with the Scheme's liabilities – either because the Scheme invests in volatile assets whose value might fall, or because the value of the liabilities has increased due to falling interest rates and the assets are not of sufficient duration to keep up (or a combination of these).

Inflation

In projecting the expected future benefit payments, assumptions are made regarding future price inflation. There is a risk that the actual rate of inflation will be higher than assumed which will increase the cost of providing the benefits and thus the liability. This would result in additional contributions being required and a deterioration in the solvency position unless investment returns are similarly higher than expected.

Mortality

It is not possible to predict with any certainty how long members of the Scheme will live, and if members live longer than expected, additional contributions will be required and the Scheme's solvency position will deteriorate.

Managing risk

To manage the risks of the Scheme, TPIE exercises were carried out during 2014 and 2015, which resulted in a number of members transferring out of the Scheme. The TPIE option has now been embedded within the scheme.

IFRIC 14

IFRIC 14 is an interpretation relating to IAS 19 that covers whether pension scheme surpluses can be recognised on the balance sheet. Based on the circumstances of the Fund and in line with the prior period, management do not believe that IFRIC 14 impacts the IAS 19 results since the Company has a right to a refund of surplus assets at some point in the future, and as such have not made any adjustments to the results.

Funding

The Scheme is funded by Findel plc and its subsidiaries. During the current period, the Group contributed £2,500,000 to the scheme (2017: £2,291,000). The Group expects to make contributions of £2,500,000 in the financial year ended March 2019, in line with the agreed schedule of contributions.

The following table shows the expected future benefit payments for the Findel Group Pension Fund:

Findel Group Pension Fund (expected future benefit payments)	£'000
2018 – 2027	51,723
2028 – 2037	67,033
2038 – 2047	57,245
2048 – 2057	39,019
2058 – 2067	14,301
2068 – 2077	1,778
2078 – 2087	60
2088 – 2097	—
After 2097	—
Total	231,159

27 Financial instruments

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

The Board reviews and agrees the policies for managing each of these risks on an annual basis. A full description of the Group's approach to managing these risks is set out on page 18.

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

Capital risk management

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

	2018 £000	2017 £000
Net debt		
Borrowings (note 18)	257,504	252,534
Cash at bank and in hand (note 16)	(26,244)	(29,173)
Finance leases (note 18)	1,069	1,614
	232,329	224,975
Total equity		
Share capital (note 23)	48,644	48,644
Translation reserve	1,117	824
Hedging reserve	(35)	(51)
Accumulated losses	(10,045)	(32,714)
	39,681	16,703
Gearing (being net debt divided by total equity)	5.85	13.47

Externally imposed capital requirement

Revolving credit facility

The Group is subject to two financial covenants based on debt based ratios (Interest Cover and Net Debt: EBITDA). These covenants are tested quarterly against pre-agreed limits.

Securitisation facility

The Group is subject to a number of covenants in relation to the quality of receivables securitised, of which the principal measures are the collection ratio, the default ratio, the excess spread ratio and the dilution ratio. The covenants are tested monthly against pre-agreed targets, testing for compliance on a three-month rolling basis.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

Notes to the Consolidated Financial Statements

27 Financial instruments – continued

Fair value of financial assets and liabilities

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

	2018 Carrying value £000	2018 Fair value £000	2017 Carrying value £000	2017 Fair value £000
Trade and other receivables	217,227	217,227	197,284	197,284
Cash and cash equivalents	26,244	26,244	29,173	29,173
Trade and other payables	(48,600)	(48,600)	(51,197)	(51,197)
Bank loans	(257,504)	(257,504)	(252,534)	(252,534)
Obligations under finance leases	(1,069)	(1,069)	(1,614)	(1,614)
Derivative financial instruments	(4,100)	(4,100)	588	588
	(67,802)	(67,802)	(78,300)	(78,300)
Unrecognised gain/(loss)		—		—

Basis for determining fair values

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

(a) Derivatives

Broker quotes are used for all interest rate swaps, caps and foreign currency exchange contracts where relevant.

(b) Interest-bearing loans and borrowings

Fair value is calculated based on discounted expected future principal and interest cash flows.

(c) Trade and other receivables/payables

Trade receivables are stated net of allowance for doubtful debts where applicable, which in respect of Express Gifts is determined by reference to past default experience.

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

Fair value hierarchy

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

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

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

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

The derivative financial instruments held by the Group at 30 March 2018 and 31 March 2017, namely the interest rate caps and forward foreign exchange contracts, were valued under level 2 measurement bases.

Financial risk management objectives

The Group's financial risks include market risk (including currency risk and interest risk), credit risk, liquidity risk and cash flow interest rate risk.

The Group seeks to minimise the effects of these risks by using derivative financial instruments to manage its exposure. The use of financial derivatives is governed by the Group's policies approved by the board of directors.

Market risk

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including:

- forward foreign exchange contracts to hedge the exchange rate risk arising on the purchase of inventory principally in US dollars; and
- interest rate caps to mitigate the risk of rising interest rates.

27 Financial instruments – continued

Foreign currency risk management

A proportion of the products sold through Express Gifts and Education are procured through the Group's Far-East sourcing operation. The currency of purchase for these goods is principally the US Dollar. Hence, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed utilising forward foreign exchange contracts. The Group has a policy of hedging these foreign currency denominated transactions by entering into forward exchange purchase contracts for the purchases forecast for the next 12 months. At the balance sheet date, details of the notional value of outstanding US dollar forward foreign exchange contracts that the Group has committed to are as follows:

	2018 £000	2017 £000
Less than 6 months	37,015	28,687
6 to 12 months	28,195	12,350
At the end of the period	65,210	41,037

Forward contracts outstanding at the period end are contracted at US dollar exchange rates between £1/$1.44 and £1/$1.25. Hedge accounting has not been applied to these derivatives.

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

	Assets		Liabilities		Net exposure	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Euro	310	995	(54)	(1,586)	256	(591)
Hong Kong dollar	262	362	(34)	(118)	228	244
US dollar	144	354	(2,133)	(1,200)	(1,989)	(846)
	716	1,711	(2,221)	(2,904)	(1,505)	(1,193)

Foreign currency sensitivity analysis

A significant proportion of products sold through Express Gifts and Education are procured through the Group's Far-East buying office. The currency of purchase for these goods is principally the US dollar, with a proportion being in Hong Kong dollars.

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

	Euro currency impact		Hong Kong dollar currency impact		US dollar currency impact	
	2018 £000	2017 £000	2018 £000	2017 £000	2018 £000	2017 £000
Profit or loss and equity	(23)	54	(21)	(22)	181	77

Forward foreign exchange contracts

The Group enters into forward foreign exchange contracts to manage the risk associated with anticipated sales and purchase transactions on a rolling twelve-month basis.

At 30 March 2018, the Group was committed to forward foreign exchange contracts for a notional sterling contract value of £65,210,000.

	2018 £000	2017 £000
Notional amount – Sterling contract value	65,210	41,037
Fair value of (liability)/asset recognised	(4,147)	556

The fair value of the derivative liability recognised in the balance sheet at 30 March 2018 in this regard was £4,147,000 (2017 asset: £556,000). Changes in fair value of forward foreign exchange contracts amounted to a debit of £4,701,000 (2017 credit: £556,000) which has been recorded in the income statement.

The fair value of foreign currency derivatives contracts is their market value at the balance sheet date. Market values are based on the duration of the derivative instrument together with the quoted market data including interest rates, foreign exchange rates and market volatility at the balance sheet date.

Notes to the Consolidated Financial Statements

27 Financial instruments – continued

Interest rate risk management

The Group is exposed to interest rate risk as the Group borrows funds at floating interest rates. The risk is managed by the Group by the use of interest rate cap contracts when considered necessary. The Group has two interest rate caps in place at 30 March 2018. Hedging activities are evaluated regularly to align with interest rate views and defined risk appetite; ensuring hedging strategies are applied, by either positioning the balance sheet or protecting interest expense through different interest rate cycles.

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

Interest rate sensitivity analysis

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

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit and equity reserves for the period ended 30 March 2018 would decrease/increase by £1,311,000 (2017: £1,256,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Interest rate cap contracts

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

The following caps were in place at 30 March 2018:

	At 30 March 2018 Notional borrowing amount £000	Cap rate	Fair value £000
Maturity			
Less than 12 months	100,000	1.075%	6
1 to 2 years	100,000	1.590%	41
			47

The Group has two caps in place. The first cap was purchased on 17 February 2017 and matures in November 2018. The second cap was purchased on 15 March 2018 and matures in November 2019. Both caps were designated as cash flow hedges from inception in accordance with IAS 39. The movement in the fair value of interest rate caps during the current and prior periods was as follows:

	2018 £000	2017 £000
At the beginning of the period	32	—
Purchase of interest rate caps	53	143
Movement in fair value credited/(charged) to the hedging reserve	16	(51)
Movement in fair value of ineffective element charged to finance costs	(54)	(60)
At the end of the period	47	32

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made when there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. A more detailed commentary of the Group's exposure to credit risk within its trade receivables, and the procedures employed to manage this risk, is set out in note 15.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are connected entities. Concentration of credit did not exceed 5% of gross monetary assets at any time during the year. The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets recorded in the financial statements, which is net of impairment losses, represents the directors' best estimate of the Group's maximum exposure to credit risk without taking account of the value of any collateral obtained.

27 Financial instruments – continued

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the board of directors, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. Included in note 18 is a description of additional undrawn facilities that the Group has at its disposal to further reduce liquidity risk.

Liquidity and interest risk tables

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

2018

	Weighted average effective interest rate %	Less than 1 year £000	1 to 5 years £000	Total £000
Financial liabilities				
Non-interest bearing		(48,600)	—	(48,600)
Variable interest rate instruments	3.48	(257,504)	—	(257,504)
Finance leases	4.72	(572)	(497)	(1,069)
		(306,676)	(497)	(307,173)

2017

	Weighted average effective interest rate %	Less than 1 year £000	1 to 5 years £000	Total £000
Financial liabilities				
Non-interest bearing		(51,197)	—	(51,197)
Variable interest rate instruments	3.53	(252,534)	—	(252,534)
Finance leases	4.72	(545)	(1,069)	(1,614)
		(304,276)	(1,069)	(305,345)

The Group has access to financing and securitisation facilities, the total unused amount of which was £nil* (2017: £nil) at the balance sheet date. The Group expects to meet its other obligations from operating cash flows. Borrowings drawn under the Group's revolving credit facilities are shown above as being repaid within one year as drawings are made on one-month loan periods. The Group may then redraw these amounts until the contractual maturity of the underlying facility which expires in November 2019.

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

* This figure represents drawn headroom against the available facilities. Total headroom (i.e., including cash and cash equivalents) 30 March 2018 is £26,244,000 (2017: £29,173,000).

Notes to the Consolidated Financial Statements

28 Related parties

During the current and prior periods, the Group made purchases in the ordinary course of business from Brands Inc. Limited and Firetrap Limited, subsidiaries of Sports Direct International plc, which is a significant shareholder in the ultimate parent company, Findel plc. The value of purchases made in the current and prior periods and amounts owed at 30 March 2018 and 31 March 2017 were as follows:

Brands Inc. Limited

	2018 £000	2017 £000
Purchases	175	111
Amounts owed	15	2

Firetrap Limited

	2018 £000	2017 £000
Purchases	822	732
Amounts owed	125	—

Transactions between Findel plc and its subsidiaries, which are related parties of Findel plc, have been eliminated on consolidation and are not discussed in this note. All transactions and outstanding balances between group companies are priced on an arm's-length basis and are to be settled in the ordinary course of business.

Compensation of key management personnel

The remuneration of the directors including consultancy contracts and share-based payments, who are the key management of the Group, is set out in the audited part of the Directors' Remuneration Report on page 48 and is summarised below.

	2018 £000	2017 £000
Short-term employee benefits	1,540	1,243
Company pension contributions	111	180
Termination payments	365	—
	2,016	1,423
Share-based payments charge/(credit)	138	145
	2,154	1,568

Contents

Company Balance Sheet

Company Number: 549034

at 30 March 2018

	Notes	2018 £000	2017 £000
Fixed assets			
Tangible assets	3	73	92
Investment property	4	9,026	9,355
Investments	5	59,228	59,228
Derivative financial instruments		41	32
		68,368	68,707
Current assets			
Derivative financial instruments		6	556
Debtors: amounts falling due after one year	6	10,652	5,669
Debtors: amounts falling due within one year	7	42,897	49,761
Cash at bank and in hand		254	294
		53,809	56,280
Derivative financial instruments		(4,147)	—
Creditors: amounts falling due within one year	8	(54,445)	(50,532)
Net current (liabilities)/assets		(4,783)	5,748
Total assets less current liabilities		63,585	74,455
Creditors: amounts falling due after more than one year	9	(100,000)	(110,000)
Provisions for liabilities			
Deferred tax liability	10	(4,564)	(1,984)
Other provisions	11	(5,893)	(9,108)
		(10,457)	(11,092)
Net (liabilities)/assets		(46,872)	(46,637)
Capital and reserves			
Share capital	12	48,644	48,644
Accumulated losses		(95,516)	(95,281)
Total equity		(46,872)	(46,637)

Approved by the Board and authorised for issue on 5 June 2018

P B Maudsley }
S M Caldwell } Directors

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

Company Statement of Changes in Equity

52-week period ended 30 March 2018

	Share capital £000	Accumulated losses £000	Total equity £000
At 25 March 2016	48,644	(33,156)	15,488
Loss for the period	—	(60,025)	(60,025)
Remeasurements in respect of defined benefit pension plan, net of tax	—	(1,459)	(1,459)
Share-based payments	—	(590)	(590)
Amounts charged to reserves in respect of cash flow hedge	—	(51)	(51)
At 31 March 2017	48,644	(95,281)	(46,637)
Loss for the period	—	(1,828)	(1,828)
Remeasurements in respect of defined benefit pension plan, net of tax	—	2,142	2,142
Share-based payments	—	(565)	(565)
Amounts credited to reserves in respect of cash flow hedge	—	16	16
At 30 March 2018	48,644	(95,516)	(46,872)

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

Retained earnings at 30 March 2018 includes a special reserve in respect of the capital reduction exercise which became effective on 15 March 2016 amounting to £15,447,000 which is not distributable (March 2017: £15,447,000).

The accompanying notes are an integral part of this statement of changes in equity.

Notes to the Company Financial Statements

1 Significant accounting policies

Basis of accounting

Findel plc is a public limited company incorporated in England. The results of Findel plc are included in the consolidated accounts of Findel plc which are available from Church Bridge House, Henry Street, Accrington, Lancashire, BB5 4EE. These financial statements present information about the Company as an individual undertaking and not about its Group. The separate financial statements of the Company are prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101") and the Companies Act 2006.

The Company's accounts are prepared using the recognition principles of EU-adopted IFRS but make amendments where necessary in order to comply with Companies Act 2006.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- Company cash flow statement and related notes
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- The effects of new but not yet effective IFRSs
- Disclosures in respect of the compensation of key management personnel

As the consolidated financial statements of Findel plc include equivalent disclosures, the Company has also taken exemptions under FRS 101 available in respect of the following disclosures:

- Certain disclosures required by IFRS 13 Fair Value Measurement
- Disclosures required by IFRS 7 Financial Instrument Disclosures
- Share-based payments – IFRS2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by 28 March 2014.

The accounts are presented in Sterling, rounded to the nearest thousand.

Significant accounting policies

The accounting policies adopted by the Company are consistent with those used in the Group's consolidated financial statements as set out on page 84 to 92, except for the following items which are only relevant for the Company as a standalone entity.

Investment properties

Investment properties (which include land and buildings) are stated at cost, net of depreciation, and any provision for impairment. Depreciation is calculated to write off all investment properties on a straight-line basis over their estimated useful economic lives. For buildings, the estimated useful economic life is assessed at 50 years. No depreciation is charged in respect of land.

Judgements and key sources of estimation

The preparation of accounts in accordance with generally accepted accounting principles requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The principal judgements made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below:

- IAS 36 'Impairment of assets'. In testing for impairment of investments and other assets, the directors have made certain assumptions concerning the future development of its subsidiary businesses that are consistent with their annual budgets and forecasts into perpetuity. Should these assumptions regarding the discount rate or growth in the profitability be unfounded then it is possible that investments included in the balance sheet could be impaired.
- Discount rate for pension scheme liabilities. At 30 March 2018 the Company's defined benefit pension scheme showed a net surplus of £10.7m (2017: £5.7m). In the current period management have adopted the PwC Single Agency corporate bond yield curve to derive the discount rate applied to the scheme's projected cash flows, in the calculation of its liabilities under IAS 19 Employee Benefits ("IAS 19"). This curve regards a corporate bond with a "AA" rating from a single agency as being "high quality" in compliance with IAS 19, rather than requiring a "AA" rating from two agencies as the previous Merrill Lynch curve required. This allows more bonds to be used in the calculation of an appropriate discount rate. Management believe that the use of this curve will allow for a more robust discount rate going forwards in an environment where the number of corporate bonds available to be referenced for this purpose is declining. The discount rate indicated by the Merrill Lynch curve was 2.55% vs. the 2.65% indicated by the PwC curve. Sensitivity analysis to changes in the discount rate is given in note 14.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any of the future periods affected.

2 Loss for the year

As permitted by section 408 of the Companies Act 2006, the Company has elected not to present its own income statement for the year. The Company reported a loss for the financial period ended 30 March 2018 of £1,828,000 (2017: £60,025,000).

The Auditor's remuneration for audit services to the Company was £115,000 (2017: £115,000).

3 Tangible fixed assets

	Leasehold land and buildings £000	Fixtures and equipment £000	Total £000
Cost			
At 25 March 2016	404	119	523
Additions	—	13	13
Disposals	—	(58)	(58)
At 31 March 2017	404	74	478
Additions	—	7	7
At 30 March 2018	404	81	485
Accumulated depreciation			
At 25 March 2016	277	93	370
Charge for the period	16	10	26
Disposals	—	(58)	(58)
Impairment	48	—	48
At 31 March 2017	341	45	386
Charge for the period	14	12	26
At 30 March 2018	355	57	412
Carrying amount			
Net book value at 30 March 2018	49	24	73
Net book value at 31 March 2017	63	29	92

4 Investment property

	Land and buildings £000
Cost	
At 25 March 2016	17,234
At 31 March 2017	17,234
At 30 March 2018	17,234
Accumulated depreciation	
At 25 March 2016	7,550
Charge for the period	329
At 31 March 2017	7,879
Charge for the period	329
At 30 March 2018	8,208
Carrying amount	
Net book value at 30 March 2018	9,026
Net book value at 31 March 2017	9,355

Investment property relates to a freehold property held by the Company for the purposes of obtaining rental income from a subsidiary undertaking. Rental income of £805,000 (2017: £805,000) was recorded in the income statement in the current period.

The fair value of the property at 25 March 2016 was determined by an external, independent expert with the appropriate professional qualifications and experience and was assessed at £9,700,000. This remains appropriate in the current year, given that there has been no indication that the assumptions used in the valuation have changed significantly.

Investment property includes land costing £800,000 (2017: £800,000) on which no depreciation is charged.

Notes to the Company Financial Statements

5 Investments

	Shares in subsidiary undertakings £000
Cost	
At 25 March 2016	181,461
At 31 March 2017	181,461
At 30 March 2018	181,461
Provisions	
At 25 March 2016	101,368
Impairment loss	20,865
At 31 March 2017	122,233
At 30 March 2018	122,233
Carrying amount	
Net book value at 30 March 2018	59,228
Net book value at 31 March 2017	59,228

A full listing of subsidiary undertakings can be found in note 3 to the consolidated financial statements.

The impairment provision booked in the prior period is based on the value in use calculations set out in note 12 to the consolidated financial statements as compared to the carrying value of the respective businesses.

6 Debtors: amounts falling due within more than one year

Debtors: amounts falling due within one year comprises the net surplus in respect of the Group and Galt sections of the Findel Group Pension Fund of which Findel plc is the main sponsor. Further details can be found in note 14.

7 Debtors: amounts falling due within one year

	2018 £000	2017 £000
Amounts due from subsidiary undertakings	40,480	46,324
Trade debtors	241	342
Other debtors	271	179
Corporation tax	469	1,159
Prepayments and accrued income	1,436	1,757
	42,897	49,761

8 Creditors: amounts falling due within one year

	2018 £000	2017 £000
Bank loans and overdrafts	24,528	20,067
Trade creditors	546	917
Amounts due to subsidiary undertakings	24,974	26,042
Other creditors	124	121
Accruals and deferred income	4,273	3,385
	54,445	50,532

9 Creditors: amounts falling due after more than one year

	2018 £000	2017 £000
Bank loans	100,000	110,000
The average interest rates paid on the loans were as follows	3.92%*	3.74%*

* The average interest rates quoted in the current and prior period includes fees relating to the extension of the Company's lending facilities (described in note 18 to the consolidated financial statements). The average interest rate excluding these fees was 3.23% (2017: 3.34%).

10 Deferred tax liability

Recognised deferred tax

	Retirement benefit obligations £000
At 25 March 2016	2,189
Recognised in other comprehensive income	(299)
Charge recognised in the income statement	94
At 31 March 2017	1,984
Recognised in other comprehensive income	1,787
Charge recognised in the income statement	793
At 30 March 2018	4,564

The deferred tax liability in respect of the defined benefit pension plan surplus has been calculated using a rate of 35%, which represents the rate of tax that the trustees would be required to withhold on any refund of surplus assets.

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

The aggregate value of deferred tax assets which have not been recognised is £6,398,000 (2017: £6,414,000). These amounts primarily relate to carried forward tax losses. No asset has been recognised in respect of these differences because there is insufficient evidence that the Company will make suitable future taxable profits against which these assets may be utilised.

The reduction in the UK corporation tax rate from 19% to 17% (effective 1 April 2020) was substantively enacted on 6 September 2016. This will reduce the Company's future current tax charge.

11 Other provisions

	Onerous leases £000	Restructuring provision £000	Total £000
At 25 March 2016	1,245	400	1,645
Utilised during the period	(285)	(400)	(685)
Provided in the period	7,484	664	8,148
At 31 March 2017	8,444	664	9,108
Utilised during the period	(690)	(664)	(1,354)
Provision reversed during the period	(2,114)	—	(2,114)
Unwind of discount	253	—	253
At 30 March 2018	5,893	—	5,893
Analysed as:			
Non-current	5,590	—	5,590
Current	303	—	303

Onerous leases

An onerous lease provision was created in prior periods in respect of a vacated leasehold property. The provision was calculated as the net of the remaining unavoidable lease rentals, less an assumed level of sublet income over the remaining term of the lease which runs until 2034. Because of the long-term nature of the liabilities, the cash flows were discounted using a discount rate that reflects the risks inherent in the future cash flows. Cash outflows were discounted at a risk-free rate of 3%, whilst the inflows were discounted at 6%.

Management have made estimates as to the timing and quantum of sublet income expected to be received based on an assessment of local market conditions, as well as applying judgement in discounting the cash inflows at 6%.

In the current period management have revised their estimates as to the timing and quantum of sublet income expected to be received based on negotiations with an interested third party. This reduced the estimated level of provision required and consequently a credit of £2,114,000 was recorded in the income statement in the current period.

The level of provision required is sensitive to management's assumptions. If the property remained vacant for one further year than planned then the provision required would increase by approximately £0.3m, whilst a 1% increase in the discount rate applied would increase the provision by approximately £0.3m.

Restructuring provision

A provision was made in the prior period in respect of a restructuring exercise undertaken within Findel plc as a result of relocation of the head office function from Hyde to Express Gifts' offices in Accrington. The provision has been fully utilised within the current financial year.

Notes to the Company Financial Statements

12 Called-up share capital

The Company has two classes of ordinary shares, neither of which carry any right to fixed income.

Ordinary shares of 10p each

	2018 Number of shares	2017 Number of shares	2018 £000	2017 £000
At the beginning of the period	86,442,534	86,442,534	8,644	8,644
At the end of the period	86,442,534	86,442,534	8,644	8,644

Convertible ordinary shares of 23.97p each

	2018 Number of shares	2017 Number of shares	2018 £000	2017 £000
At the beginning of the period	166,878,704	166,878,704	40,000	40,000
At the end of the period	166,878,704	166,878,704	40,000	40,000

The following rights are attached to convertible shares:

- The shares may be converted into 8,343,935 ordinary shares at the option of the holders of the convertible share in the event that: (i) the Company's volume weighted average ordinary share price rises above 479.4p for a period of one month during the period commencing on 22 March 2013 and ending on 22 March 2021; (ii) an offer is made for the Company (regardless of the share performance of the Company).
- The holders of the shares are entitled to attend but not vote at the general meetings (save in respect of any resolution relating to the convertible shares).
- The shares may participate in dividends or other distributions declared in excess of 50% of the net income in a particular accounting reference period.
- The shares are freely transferable and the terms may be varied only with the approval of 85% of the convertible shareholders.

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

13 Financial commitments

The Company had no capital commitments at 30 March 2018 or 31 March 2017.

At the balance sheet date, the Company had total minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Land and buildings		Other assets	
	2018 £000	2017 £000	2018 £000	2017 £000
Expiry date:				
Within one year	4,582	4,594	12	12
In the second to fifth years	12,192	13,726	—	—
After five years	28,746	31,794	—	—
	45,520	50,114	12	12

During the period £4,606,000 (2017: £12,185,000) was recognised as an expense in the income statement in respect of operating leases. The prior period charge included £7,484,000 in respect of onerous lease provisions which was disclosed as an individually significant item (see note 5 to the consolidated financial statements for details).

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

14 Retirement benefits

Defined contribution pension scheme

The Company operates a defined contribution retirement benefit plan for all qualifying employees. The pension cost for the period represents contributions payable by the Company to the scheme and amounted to £212,000 (2017: £279,000).

Outstanding contributions amounting to £14,000 (2017: £8,000) were payable to the scheme and are included within other creditors.

Defined benefit pension schemes

Findel plc is the main sponsor of two sections of the Findel Group Pension Fund, a defined benefit pension plan, the Group section and the Galt section. The other two sections are the Education section and the Philip and Tacey section. The combined scheme is administered by Barnet Waddingham LLP. Only the costs and liabilities associated with the Group section and Galt section of the Findel Group Pension Fund scheme relate to Findel plc. There is no contractual agreement or stated policy for charging the net defined benefit cost of the Group and Galt sections and so Findel plc has recognised the entire net benefit cost of these two sections in its financial statements.

Group Section

The last funding valuation of the Scheme was undertaken at 5 April 2016 and recorded a deficit of £4,937,000 in respect of the Group section. The Company agreed to pay deficit reduction contributions of: £752,000 in the year to 31 March 2017, £615,000 p.a. between 31 March 2018 and 31 March 2019, £1,230,000 p.a. between 31 March 2020 and 31 March 2023 and £615,000 between 1 April 2023 and 30 September 2023. The latest full actuarial valuation has been updated for IAS 19 purposes to 30 March 2018 by PricewaterhouseCoopers LLP ('PwC') using the assumptions detailed below.

Company contributions to the Group section for the upcoming financial year are expected to be around £615,000, in line with the current Schedule of Contributions.

Galt Section

The last funding valuation of the Scheme was undertaken at 5 April 2016 and recorded a deficit of £2,640,000 in respect of the Galt section. The Company agreed to pay deficit reduction contributions of: £265,000 in the year to 31 March 2017, £280,000 p.a. between 31 March 2018 and 31 March 2019, £560,000 p.a. between 31 March 2020 and 31 March 2023 and £280,000 between 1 April 2023 and 30 September 2023. The latest full actuarial valuation has been updated for IAS 19 purposes to 30 March 2018 by PwC using the assumptions detailed below.

Company contributions to the Galt section for the upcoming financial year are expected to be around £280,000, in line with the current Schedule of Contributions.

The results of the IAS 19 valuation for both sections are summarised as follows:

	2018 Group £000	2018 Galt £000	2018 Total £000	2017 Group £000	2017 Galt £000	2017 Total £000
Fair value of scheme assets	111,822	3,028	114,850	113,821	2,770	116,591
Present value of funded obligations	(98,781)	(5,417)	(104,198)	(105,308)	(5,614)	(110,922)
Deficit/(surplus) in the scheme	13,041	(2,389)	10,652	8,513	(2,844)	5,669

The weighted average duration of the Scheme's IAS 19 liabilities is 17.3 years in respect of the Group section and 16.7 years in respect of the Galt section.

Notes to the Company Financial Statements

14 Retirement benefits – continued

Plan assets

	2018 Group £000	2018 Galt £000	2018 Total £000	2017 Group £000	2017 Galt £000	2017 Total £000
Plan assets comprise:						
Equities/Property	40,033	2,584	42,617	57,266	2,375	59,641
Bonds	71,510	318	71,828	50,420	313	50,733
Other	279	126	405	6,135	82	6,217
	111,822	3,028	114,850	113,821	2,770	116,591

Movement in the present value of defined benefit obligations

	2018 Group £000	2018 Galt £000	2018 Total £000	2017 Group £000	2017 Galt £000	2017 Total £000
At beginning of the period	(105,308)	(5,614)	(110,922)	(88,221)	(5,178)	(93,399)
Interest cost	(2,674)	(145)	(2,819)	(3,096)	(177)	(3,273)
Remeasurements						
Effect of changes in financial assumptions	1,823	102	1,925	(18,401)	(867)	(19,268)
Effect of changes in demographic assumptions	2,696	95	2,791	77	—	77
Effect of experience adjustments	142	74	216	(203)	157	(46)
Benefits paid (including buyout)	4,540	71	4,611	4,536	451	4,987
At end of the period	(98,781)	(5,417)	(104,198)	(105,308)	(5,614)	(110,922)

Movement in the fair value plan assets

	2018 Group £000	2018 Galt £000	2018 Total £000	2017 Group £000	2017 Galt £000	2017 Total £000
At beginning of the period	113,821	2,770	116,591	96,984	2,669	99,653
Company contributions	615	280	895	689	243	932
Interest on assets	2,903	75	2,978	3,423	91	3,514
Remeasurements – return on assets	(977)	(26)	(1,003)	17,261	218	17,479
Benefits paid (including buyout)	(4,540)	(71)	(4,611)	(4,536)	(451)	(4,987)
At end of the period	111,822	3,028	114,850	113,821	2,770	116,591

Movement in the pension surplus/(deficit)

	2018 Group £000	2018 Galt £000	2018 Total £000	2017 Group £000	2017 Galt £000	2017 Total £000
At beginning of the period	8,513	(2,844)	5,669	8,763	(2,509)	6,254
Net interest income/(cost)	229	(70)	159	327	(86)	241
Remeasurements	3,684	245	3,929	(1,266)	(492)	(1,758)
Company contributions	615	280	895	689	243	932
At end of the period	13,041	(2,389)	10,652	8,513	(2,844)	5,669

Amounts recognised in the income statement

	2018 Group £000	2018 Galt £000	2018 Total £000	2017 Group £000	2017 Galt £000	2017 Total £000
Net interest income/(cost)	229	(70)	159	327	(86)	241

14 Retirement benefits – continued

Amounts recognised in other comprehensive income

	2018 Group £000	2018 Galt £000	2018 Total £000	2017 Group £000	2017 Galt £000	2017 Total £000
Total Remeasurements	3,684	245	3,929	(1,266)	(492)	(1,758)

Actuarial Assumptions – Group and Galt sections

The following are the principal actuarial assumptions at the reporting date:

	2018	2017
Financial Assumptions		
Discount rate for scheme liabilities	2.65%	2.60%
RPI Price Inflation	3.15%	3.30%
CPI Price Inflation	2.15%	2.30%
Rate of increase to pensions in payment in line with RPI inflation (up to 5% per annum)	3.10%	3.20%
Rate of increase to pensions in payment in line with CPI inflation (up to 5% per annum)	2.20%	2.30%
Rate of increase to deferred pensions	2.20%	2.30%
Post retirement mortality (in years)		
Current pensioners at 65 – male	87.1 yrs	87.4 yrs
Current pensioners at 65 – female	89.1 yrs	89.6 yrs
Future pensioners at 45 – male	88.5 yrs	89.2 yrs
Future pensioners at 45 – female	90.6 yrs	91.4 yrs
Demographic Assumptions		
Cash Commutation (members taking cash lump sum)	80%	80%
Proportion of members that are married at retirement	75%	75%
Proportion of members taking TPIE option*	15%	15%
Age at which members are assumed to take TPIE option*	61.0 yrs	62.5 yrs

Assumptions regarding post retirement mortality are based on published statistics and mortality tables – S2NXA – CMI 2017 1.25% p.a. (2017: S2NXA – CMI 2015 1.25% p.a.)

* The Scheme now has an embedded option at retirement for members to take TPIE (Total Pension Increase Exchange), following bulk exercises carried out in late 2014 and early 2015. Since this option is now a formalised ongoing process, allowance has been made for this in calculating the IAS 19 liability. A 15% take up at an average age of 61.0 years has been assumed, based upon take up rates seen to date.

Sensitivities

The sensitivities regarding the principal assumptions used to measure the scheme liabilities are set out below:

Group section

Assumption	Change in assumption	Impact on scheme liabilities: If assumption increases	Impact on scheme liabilities: If assumption decreases
Discount rate	0.5%	Decrease by 8.0%	Increase by 9.1%
Inflation	0.5%	Increase by 3.6%	Decrease by 3.4%
Longevity	1 year	Increase by 4.6%	Decrease by 4.4%

Galt section

Assumption	Change in assumption	Impact on scheme liabilities: If assumption increases	Impact on scheme liabilities: If assumption decreases
Discount rate	0.5%	Decrease by 7.8%	Increase by 8.8%
Inflation	0.5%	Increase by 4.0%	Decrease by 3.9%
Longevity	1 year	Increase by 4.1%	Decrease by 4.0%

The above sensitivities are approximate and show the likely increase to each section's liabilities under IAS19 if an assumption is adjusted whilst all other assumptions remain the same. The sensitivities are for illustration purposes only and do not necessarily represent the directors' view of the expected changes to the assumptions in the future.

Notes to the Company Financial Statements

14 Retirement benefits – continued

Risks

Investment risk

Allowance is made in the assumptions for the expected long-term performance of asset classes such as equities. There is a risk that these returns will not be achieved in practice, which would result in an increase in the Scheme's liabilities and further contributions being required. Further, the value of the Scheme's assets may not move in line with the Scheme's liabilities – either because the Scheme invests in volatile assets whose value might fall, or because the value of the liabilities has increased due to falling interest rates and the assets are not of sufficient duration to keep up (or a combination of these).

Inflation

In projecting the expected future benefit payments, assumptions are made regarding future price inflation. There is a risk that the actual rate of inflation will be higher than assumed which will increase the cost of providing the benefits and thus the liability. This would result in additional contributions being required and a deterioration in the solvency position unless investment returns are similarly higher than expected.

Mortality

It is not possible to predict with any certainty how long members of the Scheme will live, and if members live longer than expected, additional contributions will be required and the Scheme's solvency position will deteriorate.

Managing risk

To manage the risks of the Scheme, TPIE exercises were carried out during 2014 and 2015, which resulted in a number of members transferring out of the Scheme. The TPIE option has now been embedded within the scheme.

IFRIC 14

IFRIC 14 is an interpretation relating to IAS 19 that covers whether pension scheme surpluses can be recognised on the balance sheet. Based on the circumstances of the Fund and in line with the prior period, management do not believe that IFRIC 14 impacts the IAS 19 results since the Company has a right to a refund of surplus assets at some point in the future, and as such have not made any adjustments to the results.

The following table shows the expected future benefit payments for the Group and Galt sections of the Findel Group Pension Fund:

Findel Group Pension Fund (expected future benefit payments)	Group £000	Galt £000
2018 – 2027	34,944	1,993
2028 – 2037	46,935	2,709
2038 – 2047	41,091	2,324
2048 – 2057	28,938	1,403
2058 – 2067	10,372	411
2068 – 2077	1,189	36
2078 – 2087	36	—
2088 – 2097	—	—
After 2097	—	—
Total	163,505	8,876

15 Contingent liability

The Company has issued guarantees of financial support to all its trading subsidiaries from 5 June 2018.

Registered Office:

Findel plc
Church Bridge House
Henry Street
Accrington
BB5 4EE

T +44 (0)161 303 3465
F +44 (0)161 367 2139

www.findel.co.uk

Findel plc

ANNUAL REPORT & ACCOUNTS 2018

www.findel.co.uk

Findel plc