Findel plc

ANNUAL REPORT & ACCOUNTS 2019

The Findel group comprises two market-leading businesses in the UK online value retailing and education supplies markets.

Contents

1. Strategic Report

1 Highlights
3 Chairman's Statement
4 Chief Executive's Review
6 Our Businesses and Strategic Objectives
8 Studio
14 Education
18 Finance Review
22 Alternative Performance Measures
24 Principal Risks and Uncertainties
26 Our People, Our Products, Community and the Environment

2. Governance

29 Directors and Officers
30 Directors' Report
34 Corporate Governance Report
38 Board Report on Directors' Remuneration Report
60 Nomination Committee Report
61 Audit Committee Report
65 Risk Committee Report
68 Corporate Social Responsibility Report
73 Statement of Directors' Responsibilities
74 Independent Auditor's Report

3. Financial Statements

84 Consolidated Income Statement
86 Consolidated Statement of Comprehensive Income
87 Consolidated Balance Sheet
88 Consolidated Cash Flow Statement
89 Consolidated Statement of Changes in Equity
90 Notes to the Consolidated Financial Statements
142 Company Balance Sheet
143 Company Statement of Changes in Equity
144 Notes to the Company Financial Statements

Highlights

Group

- Strong sales performance with Group revenue of £506.8m up 5.7% on prior year, driven by growth in customer numbers at Studio.
- Adjusted operating profit* measured on a constant-GAAP basis up by 14.4% to £38.4m.
- Adjusted profit before tax* measured on a constant-GAAP basis up by 17.7% to £28.8m.
- Profit before tax of £29.4m (FY18 restated: £22.1m).
- Core net debt* down by £16.4m to £57.4m after strong working capital generation.

Studio

- Product revenue growth of 7.8% driven by a further increase in the active customer base to 1.9m and higher spend per customer.
- Focus on value and investment in digital led to online customer ordering increasing to 75% of product revenue (FY18: 68%) with 92% of new customers placing their first orders online (FY18: 84%).
- Improvements to sourcing and focus on retail profitability helped product margins to widen by 170bp to 32.2% (FY18: 30.5%) and gross profit from retail increased by 13.8% to £98.9m (FY18: £86.9m).
- Financial services revenue increased by 8.6% to £117.5m, with gross profit from financial services increasing by 1.0%, after adjustment for transition to IFRS 9 in FY19.
- Adjusted operating profit margin* for the business increased to 9.3% (FY18 restated: 8.6%).
- Customer redress programme substantially completed.

Education

- Operational turnaround, focused on digital and value strategies, gaining traction.
- Online sales up from *c.*50% to over 66%, with the main Schools brand seeing over 75% of orders coming online.
- Active customer base up by 8%, driven by investment in product value for online ordering and increased promotional activity, resulting in revenue, excluding the discontinued Sainsbury's scheme, up by 0.8%, despite the investment in value through lower prices.
- Increased use of Far-East sourcing, combined with increased sales of Classmates own-brand alternative, led to increased product margins in H2.

* This is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on pages 22 to 23.

Financial Highlights

	2019	2018	Change
Revenue	£506.8m	£479.6m	+5.7%
Adjusted operating profit*	£38.4m	£33.6m	+14.4%
Adjusted operating profit margin*	7.6%	7.0%	+60bps
Adjusted profit before tax*	£28.8m	£24.4m	+17.7%
Profit before tax	£29.4m	£22.1m	+33%
Profit for the year	£23.3m	£19.6m	+18.9%
Adjusted free cash flow generation*	£28.9m	£15.8m	+83%
Cash generated from operating activities	£22.4m	£11.4m	+95%
Core net debt*	£57.4m	£73.8m	-22%
Overall net debt*	£233.4m	£232.3m	+0.5%

* This is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on pages 22 to 23.

Our Brands

GLS

studio
We Do Wow

ace
from studio

HOPE
EDUCATION
Inspire · Create · Educate

Chairman's Statement

"Our strategy to grow the Studio customer base and increase our customers' spend with us, particularly on clothing ranges, supported by our flexible credit offer, is working and provides the basis for sustainable medium-term profit growth."

Ian Burke
Chairman

Dear Shareholder,
Welcome to our 2019 Annual Report and Accounts.

This has been another successful year. We have made further progress against our strategic plans, which aim to transform our two businesses from their legacy of catalogue-oriented operations into digital-first value retailers. Group revenue growth of 5.7% translated into adjusted profit before tax* growth of 17.7% and adjusted free cash flow* growth of 83%, showing the resilience of our business model in a challenging retail environment.

Proposed change of name

For many years, Studio has been the main customer-facing brand of our largest business, Express Gifts. We have increased investment in digital and TV advertising in order to raise the profile of the Studio brand. The division changed its name from Express Gifts to Studio at the start of 2019 and has recently modernised its logo and websites.

We think the time is now right to strengthen Studio's identity further and so will be proposing that we change the Group's name from Findel plc to Studio Retail Group plc at the upcoming AGM.

Financial performance

Group revenue increased to £506.8m (FY18 restated: £479.6m) driven by a particularly strong trading performance from Studio in the period leading up to Christmas. Adjusted profit before tax* increased to £28.8m, up by 17.7% on the equivalent pro-forma result from FY18 of £24.4m which adjusts for the two new accounting standards that we have had to adopt this year. The statutory profit before tax was £29.4m (FY18 restated: £22.1m).

Improved free cash flow generation, notably working capital efficiencies within Studio, contributed to a reduction in core net debt* of £16.4m to £57.4m and cash from operating activities of £22.4m, notwithstanding a planned *c.*£12m outflow in respect of the legacy customer refund programme. That programme has now been substantially completed, with a final reconciliation of the provision included within individually significant items.

Mandatory bid from Sports Direct

Our largest shareholder, Sports Direct, increased their holding in the Group from 29.9% to 36.8% on 1 March 2019 which triggered a mandatory bid for the remainder of the Group's shares. As shareholders are aware, Sports Direct received acceptances of a further 1.0% during this process and so the bid was unsuccessful and lapsed on 3 May 2019. Costs totalling £0.3m were incurred by the Group in responding to the bid.

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 £99.9m. As such, the Company does not have plans to reinstate dividend payments at this stage.

Management and Board

Bill Grimsey, chair of the Remuneration Committee, will be retiring from the Board after the AGM in July 2019 having served for just over seven years. His insight into the changing landscape for retail has been of great value to the Board and we wish him well for the future. Francois Coumau will replace Bill as chair of the Remuneration Committee.

Clare Askem joined the Board in March 2019 as a Non-Executive Director. She is the Managing Director of Habitat and adds experience of multi-channel retailing, digital marketing and branding to the Board.

Employees

The last two years have seen a significant amount of transition and investment within both businesses as we move towards a digital-first future. This has led to a number of new roles being created at all levels within the Group. On behalf of the Board, I would like to thank all our employees for their efforts in delivering these successful results.

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 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 continue to position Studio in the attractive part of the retail market, with its digital-first strategy focused upon delivering great value to its customers. Our strategy to grow the Studio customer base and increase our customers' spend with us, particularly on clothing ranges, supported by our flexible credit offer, is working and provides the basis for sustainable medium-term profit growth.

Ian Burke
Chairman

4 June 2019

* This is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on pages 22 to 23.

Chief Executive's Review

"This has been another year of strong progress and delivery. Studio is in a digital sweet-spot in the retail market"

Phil Maudsley
Chief Executive Officer

Studio is thriving in current market conditions as it caters for those customers who truly know the value of the pound in their pocket. Its transformation from being a small, traditional Christmas-oriented catalogue retailer into being a substantial, digital and value retailer is evident from these results. Its objective is "to hunt for value so customers don't have to". It has grown its active customer base to 1.9m rapidly over the last three years, with new customers drawn by the outstanding value in its ranges and established customers coming back having been "wowed" by the quality. Our expansion into clothing ranges helps the frequency of customer visits to the website, as does the flexible credit offer that many of our customers choose to use. Studio is in a digital sweet-spot in the retail market.

Education is also using a digital-first mentality and an objective to "save schools time and money" to win back customers and increase our share of their spend. I am delighted with the progress that it has made over the last two years.

Continuing our strategies for growth

Studio has an ambition to increase its customer base beyond 3m customers and to see revenue in excess of £1bn. Having seen the successful expansion of other retailers who have disrupted their markets over the last decade, these levels of ambition are a vital part of our culture.

The main elements of Studio's strategy for growth are as we outlined last year. It aims to improve its retail profitability, maximise its financial services opportunity, whilst building its growth on strong foundations. It has delivered significant progress on all three fronts during the last year, notably the 14% increase in its retail gross profit and the substantial completion of the legacy financial services refund programme. Investing in the customer relationship management system, Salesforce, which is already helping to improve the performance of our customer experience team, will next allow our marketing activities to become more efficient and focused.

We've gradually been reallocating more of our marketing spend away from catalogues into digital and TV advertising, aiming to raise the profile of the Studio brand. The recent facelift of the brand, together with sponsorship of the fashion segment of ITV's "This Morning" and selectively advertising in peak TV programmes on top of the traditional daytime slots is helping to boost awareness of the brand and its value credentials.

Investment in our sourcing process tools has helped to widen our product margin significantly over the last year. Further investment in tools to help our buying and merchandising teams make better deals and set competitive prices will go live over the next two years to continue that trend. Our team in Asia provide a valuable link in our supply chain, ensuring that we can find the best suppliers and help to oversee quality.

The investment in the Financier tool in 2017 gives us the versatility to offer more tailored repayment options for Studio's customers. We saw a particularly strong response to our Interest Saver product that we piloted in the run up to Christmas and have since started to roll it out. The flexible credit product is designed to help customers spread the cost of their purchases without incurring interest. However, we still have to ensure that lending money to a customer is the responsible thing to do given their circumstances. We have increased the level of information captured at the point of application to help that decision. A more sophisticated application decision engine will be deployed later this year to improve that process for customers followed by a tool to personalise the credit journey for each customer. We will also be introducing a new cash payment alternative to help customers who either choose not to use credit, or for whom it is not appropriate.

Our Education business transformed its strategy two years ago by incentivising 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 has been mitigated as more Far-East sourced product arrives. The business has also seen a further overhaul of its cost base as it strives to achieve a 10% return on sales in the medium term. It ended the year with its customer base up by 8% and with over 75% of orders in the main GLS brand coming online. Its digital transformation is working.

Leadership

The successful transition of Studio and Education into being digital retailers requires a combination of experienced commercial retailers and digital innovators within our leadership teams. Over the last year, Studio has increased the breadth of leaders at the level just below its executive to harness and deliver more change without materially increasing risk. Building strong foundations is a key part of Studio's strategy and I'm delighted with the contributions that our new colleagues have made already.

We have also continued the transfer of skills and leadership from Studio over to Education to accelerate its development of Far-East buying, commercial and digital marketing.

Brexit

The Group prepared itself for the potential of Brexit at the end of March 2019 by accelerating a limited level of stock purchases, particularly in Education to ensure continued supply towards the end of the academic year. However, with the timing and nature of Brexit now uncertain, much of that activity has since been unwound.

The majority of Studio's supplies are sourced, either directly or indirectly, from outside the European Union. All of Studio's customers are based in the UK and therefore any imposition of customs tariffs is not anticipated to have a material impact on our operations. There is a broader risk that consumer confidence suffers if there continues to be a lack of clarity over Brexit, but we believe that more customers will seek Studio's value offer if economic conditions weaken.

Potential collaboration with Sports Direct

We announced in March 2018 that we were exploring possibilities for commercial supply arrangements between Studio and our largest shareholder, Sports Direct International plc. The results of the pilot-scale trials undertaken in FY19 have not yet indicated that a fuller roll-out of licenced menswear will be beneficial. However, we have continued to explore 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. Progress on these initiatives was put on hold during the recent mandatory bid process, but we anticipate resuming discussions in the near future.

Looking forwards

I've seen a significant amount of change within Findel over my 32 years with the Group, but I'm excited about its future renamed as Studio Retail Group. The business continues to undergo significant change as we adapt to the changing customer and competitive landscape. With a clearly differentiated strategy based on deep customer insight I am confident that we have the business plans in place to deliver significant and sustainable growth in profit over the coming years.

Phil Maudsley
Chief Executive Officer

4 June 2019

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
Studio	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 brand profile, revenue and profit 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	– Oversaw continued investments to support the digital-first strategies of the two divisions – Agreed extensions to the Group’s debt facilities to December 2020 along with a £15m increase in the securitisation facility to £185m to support receivables growth – Oversaw the successful sublease of the vacant Enfield warehouse – Managed the response to the mandatory bid from Sports Direct	– 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 2019 – Continue to monitor and develop the overall operating culture of the Group – Oversee the rebranding of the Group from Findel plc to Studio Retail Group plc
– 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 amazing products, whilst using improved sourcing processes and cost control 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	– Rebrand of Studio for customers, with further investment in digital and TV advertising to raise the profile of Studio and continue increasing the customer base – 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	– Implement the next phase of upgrades to the seasonal planning tools for buying and merchandising – Complete the implementation of the Salesforce customer relationship management tools for both marketing and customer experience – Implement the new customer application process and credit decisioning tools – Ensure that the business is ready for the new Senior Managers and Certification Scheme in December 2019
– 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	– 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	– Further upgrades to the websites and digital tools to save schools time – Deepen our investment in new product development – Develop and implement new data management solutions for both products and customers

Studio

“The last year saw good progress on Studio’s transformational plans, and also against financial measures.”

Summary income statement

£000	2019	2018	% change
Product revenue	**307,249**	284,965	7.8%
Financial services revenue	**117,451**	108,116	8.6%
Sourcing revenue	**26**	196	-86.7%
Reportable segment revenue	**424,726**	393,277	8.0%
Product cost of sales	**(208,344)**	(198,021)	-5.2%
Financial services cost of sales	**(36,623)**	(30,556)	-19.9%
Sourcing cost of sales	**(18)**	(205)	91.2%
Total cost of sales	**(244,985)**	(228,782)	-7.1%
Gross profit	**179,741**	164,495	9.3%
Marketing costs	**(39,694)**	(40,741)	2.6%
Distribution costs	**(38,396)**	(35,183)	-9.1%
Administrative costs	**(53,723)**	(47,189)	-13.8%
EBITDA*	**47,928**	41,382	15.8%
Depreciation and amortisation	**(8,480)**	(7,455)	-13.7%
Adjusted operating profit†	**39,448**	33,927	16.3%
Unaudited IFRS 9 adjustment		2,400	-100.0%
Operating profit for segmental reporting†	**39,448**	36,327	8.6%
Product margin %	***32.2%***	*30.5%*	*+170bp*
Impairment loss as % of revenue	***8.6%***	*7.8%*	*+80bp*
Adjusted operating profit %	***9.3%***	*8.6%*	*+70bp*

* This is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on pages 22 to 23.

† Excluding individually significant items

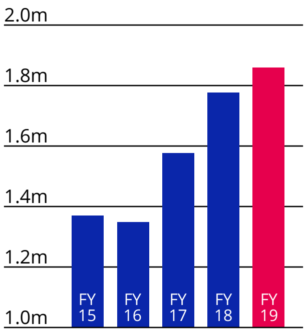
Key Investment Features

1. A strong record of increasing the customer base and improving product sales.
2. On-going 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 over 75% of sales made online.
5. A clear strategy with plans to invest in systems, alongside a strengthened management team will lead to medium-term growth opportunities in the value retail sector.

KPIs – measuring our progress

Customer base

1.9m

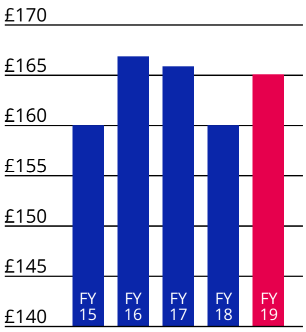


How it is measured?
Active customer accounts at the end of each calendar year.

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

Spend per customer

£165

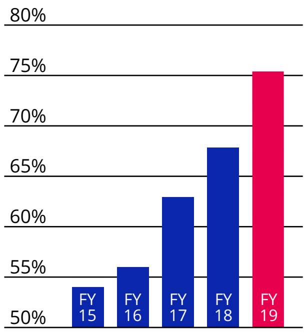


How it is measured?
Total product sales divided by active customers.

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

Online ordering

75.4%

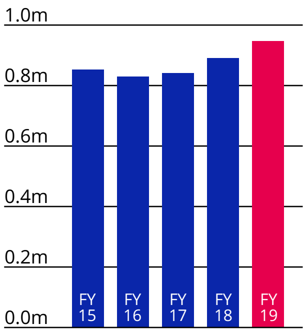


How it is measured?
Proportion of the year’s product sales placed using an online route – financial year.

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

Credit customers

947k



How it is measured?
Number of customers who have incurred an interest charge at least once in the last financial year.

Why is it used?
To show the base from which financial services income can be made.

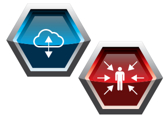
Studio has moved away from its roots of being a traditional catalogue business with a heritage in Christmas gifts, cards and decorations, to now becoming a leading digital value retailer. Its broad product offer covers a fast-growing clothing and footwear category alongside home and electrical products plus the more seasonal ranges, many of which can be personalised for free. Over 75% of sales are generated online and, although catalogues are still used, they are just a part of the wider marketing activity which includes growing investment into TV and digital media. Underpinning all this, is the drive to amaze our customers with value and provide them with a range of payment options, including our flexible credit facility.

In January 2019, the business changed its name from 'Express Gifts Ltd' to 'Studio Retail Ltd', which aligns with the main customer facing brand, Studio (the other smaller brand is Ace), recognises the changes in the business over recent years and facilitates the ongoing transformation programme as we aim to be the UK's most loved digital value retailer.

Studio has significant opportunity for growth in the UK, and the combination of a broad, value product range and financial services creates a point of difference to other retailers. With no physical stores to service and with over 75% of orders coming online (the rest being phone and postal orders), it is now striving to utilise data and technology across all aspects of the business to improve decision making, becoming a truly digital retailer. With the Customer at the Heart of the business, ongoing improvements to customer experience and service means our 1.9m customers love the Studio offer and continue to shop with us more frequently.

"Studio has significant opportunity for growth in the UK."

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 service to customers.

To deliver this ambition, Studio continues with a strategy built around three key pillars:

- Improve Retail Profitability
- Maximise Financial Services Opportunity
- Build Strong Foundations

The plans and priorities underpinning the three pillars have been clarified over the last year, as well as defining the values we aim to deliver to customers by actively demonstrating them internally within Studio.

These values came through customer research and by involving 700 colleagues across the business:

- Inclusive – the broad product range has wide customer appeal, and the flexible payment option opens up our retail offer to customers who may prefer to spread the cost of purchases. To deliver this we act as one team, with no departmental silos.
- Trusted – customers have to be able to trust us to deliver the value and quality they expect, to deliver for those important family moments, like Christmas, and also that we make responsible decisions when we lend money. We do this by being positive and delivering against our promises.
- Amazing – we amaze customers with our value and product range, along with targeted offers and service. To do this we are innovative, think big and are creative.
- Savvy – for customers, shopping with Studio is clever – with its great range and value, there is no reason to buy elsewhere. For colleagues it means we are commercial, we hunt for great value and use the tools available to be even better at our jobs and deliver for our customers.

The strategic pillars frame the business plans and a transformation programme is already delivering business change which has driven the sales and profit growth seen in 2018/19. This programme continues, with investment in new technology, process change and enhancing the capabilities of our people to enable Studio to continue to grow into the future.

Retail Profitability

Increasing the retail profitability will be achieved by growing sales through having more customers, who shop more frequently, and by improving how we plan and source our ranges to improve product margins.

Studio continued

The actions we are taking to deliver this are:

- Build the Studio brand as the online destination for value and raise its profile within our target audience of value-conscious customers.
- Focus on Customer Experience with a single view of the customer to improve how we target and service them, alongside a programme to continually make Studio easier, faster and more trusted to shop with.
- Product development – changing our buying processes to improve product planning and sourcing to in turn improve margins, with particular focus on attracting customers with Clothing, Footwear, our Wow ranges (larger volume lines, offering exceptional value) and gift offer – especially where we can add value through personalisation

In the year 1.9 million customers shopped with Studio, which is up 5.6% on the prior year and builds upon the success in recent years where new customers are recruited through increased use of TV advertising and digital marketing, with customers then being retained through data-driven CRM programmes utilising catalogue mailings and targeted digital activity. We have recently updated the creative look and feel of Studio for customers with a revamped website and new advertising creative (see opposite) and, to better establish the brand, have sponsored the fashion section within ITV's "This Morning" programme which commenced in March 2019. This was done at the same time as improving the efficiency of our marketing spend and reducing the cost to sales ratio from 14.3% to 12.9%.

Our business model is built around customer lifetime value, with initial acquisition costs taking time to recover. The credit account acts as a loyalty mechanic, even for customers who pay in full when they get a statement and retention is further enabled by targeted marketing and improving service levels to deliver a better overall experience. We have selected Salesforce to provide a new marketing and customer service platform with initial phases of development implemented in January 2019, and further roll out planned later in the coming year. We measure how customers rate our service through a Net Promoter Score (NPS) survey and through insight, root cause analysis and an ongoing programme of improvements, we increased this NPS score by 25% in the year from 34.2% to 42.8%. We also benchmarked favourably through a survey conducted with the Institute of Customer Services.

Our online order penetration increased from 68% to over 75%, and we added new functionality to our website platform, including improved search (utilising artificial intelligence), customer reviews, improved design and site speed. This helped contribute to our biggest ever sales week around Black Friday. Mobile orders grew in the year from 51% to 62% of online sales, and we have commenced development of our first app for delivery in the summer of 2019.

Express Gifts Ltd → studio RETAIL LTD

studio → studio

Product sales grew by just under 8% overall in FY19, with Home & Leisure ranges growing by around 6% and Clothing & Footwear categories growing faster by around 12%. Clothing & Footwear remains a key growth category for us, mainly from our own-brand ranges, as it still only represents around 30% of total sales but helps to drive customer order frequency. Garden ranges saw a strong performance, helped by a long hot summer and products such as our Aqua Spa for £250 showed we can still deliver exceptional value, even at higher price points. Since the Brexit vote in 2016 and the subsequent devaluation of Sterling we have been focused on improving product planning and sourcing, so we continue to deliver value for customers and can also improve our margins. In the year we increased our gross product margin % by 170bp and maintained our competitive price benchmark position.

We have also introduced a new seasonally based planning process which enhances our process from Autumn Winter 2019 launch later in the year and moves away from the traditional catalogue focused approach. By bringing stock in at more seasonally appropriate times, we have been able to improve our working capital in FY19.

We also consolidated our overseas buying offices into Shanghai, where we have over 50 colleagues monitoring our supply chain and securing the best deals. We have increased the proportion of direct sourcing through them which in turn improves cost prices. We have continued to reduce and simplify our ranges and, through careful management, reduced stock holdings without impacting service levels to customers.

Financial Services

The second of our strategic pillars is maximising the financial services opportunity, whilst ensuring the credit offered is relevant, appropriate and affordable for our customers, so we meet regulatory guidelines. The majority of Studio customers have a revolving credit account that allows them to either pay for their purchases within a month when their statement arrives, or to roll their balance and spread payments to help with their household budgeting.

The benefit to Studio of the credit proposition is not just an additional revenue stream through financial income when customers choose to roll a balance, but also in that the account facility drives higher loyalty for the retail part of the business and a regular prompt for the customer to revisit the website. As we move forward, we will continue to deliver actions to underpin:

- Payment proposition – provide a range of repayment options to make shopping with Studio easy, and to enhance the benefits of the credit account to be an ideal option for all customers.
- Lending approach – ensure that when we lend money to our customers it is done in a responsible way, with appropriate credit limits and that customers are treated fairly should they subsequently find they have repayment issues.
- Operational efficiency – to utilise new technologies to improve efficiency and how we service customer accounts.

Studio's consumer credit activity is regulated by the Financial Conduct Authority (FCA), and there are a number of guidelines which they have issued to ensure firms treat customers fairly, and that lenders take responsible steps to ensure loans are affordable and avoid any customer harm. Studio constantly reviews its processes to ensure it remains aligned with the FCA guidelines and is utilising new robust systems and risk management tools to help in this area. Credit limit strategies have been reviewed in the last year, and more detailed information is now captured where relevant on income to assess whether our customer can afford to take on new or additional credit from us. A new application and decision platform is in development for launch in 2019 to further enhance decision making in this area. This follows on from us implementing the Financier account management system in 2017, and we are now utilising this to test new financial products for our customers.

Financial income in the year was up by 8.6% but we also saw increases to the impairment loss on trade receivables, partly due to the growth in balances flowing from higher retail sales, and also due to an accounting standard change, IFRS 9, which requires earlier recognition of potential default. Repayment rates and the arrears profile remained broadly unchanged.

In 2018 we also implemented a new strategic fraud tool, which utilises artificial intelligence and enhanced data sets, to identify potentially fraudulent product orders before the goods are dispatched. Not only did this help to significantly lower the levels of losses due to fraud, but better protects our customers from such activity.

Our programme to refund customers in respect of historical credit and insurance products that were flawed continued and the vast majority of refunds have now been completed with some residual follow up left to complete in the coming few months. As a result, we have now been able to fully reconcile this programme against the provision for the activity and have had to make a final net adjustment of £2.9m as we saw better response rates from customers and took on board some updated guidelines from the FCA in respect of this activity. We completed the process to proactively approach and refund customers who purchased PPI from us several years ago and so we have seen relatively low levels of new claims for this product in the last two years.

Strong Foundations

The third strategic pillar is Strong Foundations, where we are investing in the infrastructure to support our future growth, improve processes and how we manage the business and develop our people and culture for the future. Key action areas here are:

- Warehouse development – ensure our current operations are robust and create a clear plan to improve service and scale to manage our sales ambitions.
- Data and technology – data is our most valuable asset and we will ensure it is kept safe and secure as well as building new capabilities to drive greater business intelligence. We will also modernise our technology architecture to be agile and scalable.
- Cost efficiency – continually look at ways to be more efficient and keep costs down so we can deliver on our value promise.

Studio continued

- People and culture – we need to have people with the right skills to deliver our plans and a culture that makes Studio a great place to work.

Over the last two years we have addressed many historical issues in this area but have a wide-scale transformation plan ahead of us, so we have invested in resource within our change function and IT areas to deliver improved project governance and delivery capability.

Within our warehouse operation we invested in updating legacy systems and operational hardware to ensure the current operation is robust in the medium term. We are now reviewing a number of strategic options to ensure our warehouse operations are capable of supporting the ongoing business growth, as well as changing customer expectations on service.

As this transformation programme requires new systems, we have started to articulate a clear IT strategy around data, application and infrastructure architectures. This is aligned to the projects we are delivering, and new ways of working are being introduced, including increased use of offshore development and testing. A new systems integration platform (Mulesoft) was developed through these new processes and successfully deployed in March. We have also been making infrastructure changes to improve business resilience and, in anticipation of the introduction of GDPR regulations in May 2018, had rolled out changes to further strengthen data security.

Finally, and most important, is the need to improve the skills and capability of our people and transform the business culture. In 2018, we reviewed all business functions, with job roles being clarified, the organisation structure adapted to enhance capabilities, and leadership training for all senior managers delivered. A new HR system and Applicant Tracking system were introduced to better support people management. Further improvements are planned during 2019 as we work towards the introduction of the Senior Manager & Certification Regime from the FCA in December, designed to improve individual accountability in key areas to protect against customer harm.

On the back of the company name change to Studio Retail, we started to update signage around the offices and have now completed reception refits at both the Accrington and Clayton offices, and further refurbishment planned for 2019 to enhance the working environment. We are a major employer in Accrington, and more widely in Lancashire with *c.*1500 employees (rising to *c.*2000 in the run up to Christmas) and are raising the profile of our employee brand with enhanced corporate activity, including sponsorship of local activities such as the new stand at Accrington Stanley Football Club.

Performance and Progress

The last year saw good progress on Studio's transformational plans, and also against financial measures. The growth in the customer base by 5.6% was the main driver in product sales increasing 7.8% to £307.2m. Through improved product planning and sourcing, we increased product gross margin by 170bp to 32.2% which was slightly ahead of our plans. This improved margin was achieved despite the loss of *c.*£1m of income received in FY18 from our former subsidiary, Kleeneze (which was sold in 2015). The sales and margin increase delivered a gross profit from product sales of £98.9m, up 13.8%.

Financial income increased by 8.6% to £117.5m, in line with the growth in Eligible Receivables. The reported impairment loss on trade receivables increased by £8.5m to £36.6m, although £2.4m of this increase represents the effect of the transition in FY19 to IFRS 9. The business benefited in the prior year from a one-time step-change in our debt sale strategy which yielded a £3.5m benefit compared to FY17, although it also continued to benefit from favourable pricing conditions in debt sale markets in FY19, which may not continue into future periods.

Marketing efficiencies, as we moved investment from print/paper into TV and Digital advertising meant the ratio to product sales dropped from 14.3% to 12.9%, and we also drove out operational efficiencies in our warehouse and customer service operations. As we go through the business transformation we did invest in resource with our IT and Change function, to improve project delivery and make the business more secure and resilient, plus within Buying & Merchandising, to support the shift to a seasonal planning approach.

Adjusted Operating Profit* for the year increased by £5.5m to £39.4m. Individually significant costs of £2.9m relating to the reconciliation for the provision for historical insurance product refunds were incurred in the period bringing the reported operating profit £36.5m.

The senior management team, which has been significantly changed in recent years, was further strengthened by a new Marketing and Digital Director, joining in August 2018. The team, along with a consistent and clear strategy focused on delivering value, is well positioned to continue to grow the business.


BLOCK D
BLOCK E
studio
We Do Wow
studio
We Do Wow

Education

"Our digital-led turnaround is starting to show results"

Summary income statement

£000	2019	2018	% change
Revenue	**82,081**	86,336	-4.9%
Cost of sales	**(53,015)**	(55,324)	4.2%
Gross profit	**29,066**	31,012	-6.3%
Marketing costs	**(2,803)**	(3,393)	17.4%
Distribution costs	**(8,836)**	(10,013)	11.8%
Administrative costs	**(12,552)**	(13,183)	4.8%
EBITDA*	**4,875**	4,423	10.2%
Depreciation and amortisation	**(1,658)**	(1,488)	-11.4%
Operating profit†	**3,217**	2,935	9.6%
Gross profit margin %	***35.4%***	*35.9%*	*-50bp*
Operating profit %	***3.9%***	*3.4%*	*+50bp*

* This is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on pages 22 to 23.

† Excluding individually significant items

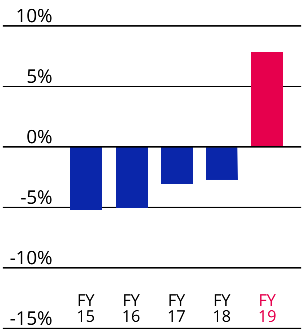
Key Investment Features

1. On track to become a Digital First educational resources distributor during FY20 with customer growth of 8% in the last 12 months.
2. A clear strategy to grow profit and returns based on saving schools time and money through value, service and digital solutions, underpinned by cost reductions.
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, with scaleable infrastructure.

KPIs – measuring our progress

UK core customer number growth

7.8%

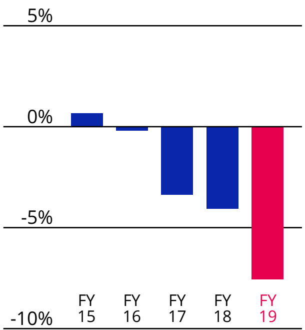


How it is measured?
Annual Core Customer Growth.

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

Demand per trader

-7.6%

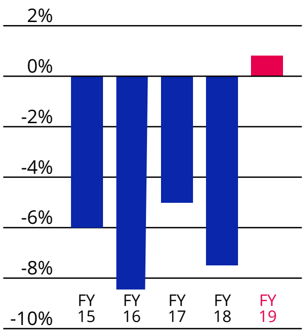


How it is measured?
Annual growth in annual trader spend.

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

UK brands revenue growth

0.8%

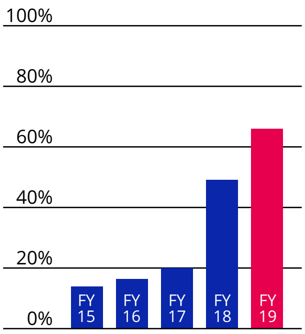


How it is measured?
Annual revenue growth from UK Brands (i.e. excluding retail partners and international sales).

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

Online ordering

66.4%



How it is measured?
Proportion of customer orders coming via online channels.

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

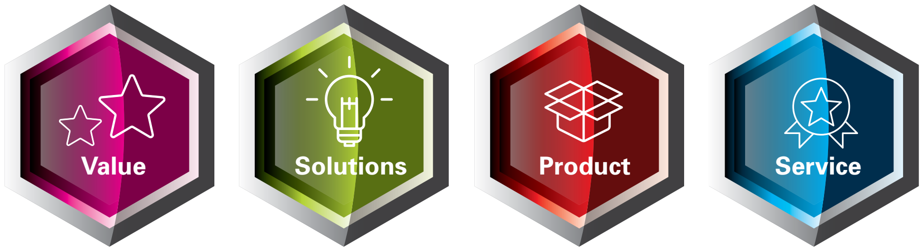
Our business model

Findel 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 to 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 brand (Hope Education) focuses on the supply of specialist curriculum and early years teaching resources 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.

Our brands, their products and service strengths combine to sell resources to International Schools and Groups as well as UK Academy Groups.

Saving Schools Time and Money



Value	Solutions	Product	Service
'Delivering everything you need at everyday low prices'	**'Our market leading digital solutions make shopping easy'**	**'High quality own brand product offering'**	**'Our service is the best in the marketplace'**
√ Everyday low prices √ Online = best prices √ Switch & Save	√ Time saving website WebFMS WebFlow	√ Our 'Big Brand' alternative √ One-stop-shop proposition CLASSMATES Amazing quality, low prices.	√ Award winning CX √ NPS 80% + √ Education service specialist

Our market

Schools are typically funded with a pre-agreed sum per pupil to cover the cost of staffing, buildings, utilities, IT, specialist textbooks and educational resources. The latter of these, which Findel Education services, only accounts for around 5% of the overall school budget and has been squeezed in real terms by up to 8% over the last three years as other areas have been prioritised. Whilst the last 12 months have seen greater stability for resource budgets, it remains clear that a successful player in the resource market needs to be able to save schools money.

Procurement of educational resources is normally managed in a school by the School Business Manager ("SBM"). This key role in a school has replaced the traditional bursar in recent years, with an influx of private sector business managers now entering the sector bringing with them modern procurement and commercial skills. SBM's are far more open minded to change, seeking best value, easier digital procurement processes and great service. Nonetheless, the SBM still has numerous competing demands placed upon them. As a result, it is clear that a successful player in the resource market also needs to be able to save schools time.

Organisations competing in the UK education resources market tend to either be structured on a not-for-profit basis, often under local authority control, or be privately owned such as Findel Education. Our ambition is to achieve a 10% return on sales in the medium-term, in line with our privately-owned competitors, compared to the 3.9% achieved in FY19. That ambition requires us to increase our scale, reduce our operating costs and improve our own supply chain to lower buying prices without sacrificing product quality.

Our business strategy: 'Saving Schools Time and Money'

The educational resources market has been relatively slow to adopt digital channels for procurement, with large annual catalogues being the preferred route for teachers and SBMs to browse. This has started to change in recent years, particularly as School Integrated Management Systems ("SIMS") have evolved to manage pupil lists, timetabling, attendance and performance data, as well as routine administration matters such as procurement. These systems are key in saving schools time.

Our own websites have been overhauled in response to this structural change, with the capability to seamlessly integrate with several of the leading SIMS providers, notably Capita. Over 3,000 schools now order from us using these platforms, with 66% of total orders in FY19 being placed using either the website or SIMS, up from *c.*50% in FY18.

We have also developed tools and new market-first features such as Share My Basket, Quick Order, Repeat Order, Wishlists and 1-Click checkout. These aim to make it easier for teachers and SBMs to place orders with us, demonstrate best value, leading to higher levels of customer loyalty and a greater share of the school's budget.

At the same time, we have actively sought to recover market share that has been lost over many years. We have increased our promotional activity in recent months to recruit new customers and have incentivised new and existing customers to increase their level of online shopping by offering significantly lower prices on a broad range of over 2,200 products, but only if bought using the website or SIMS channels. That lower online value pricing has brought our ranges into line with the key not-for-profit competitors in the sector, improving our competitive position whilst also helping to save schools money.

Education continued

CLASSMATES®
Amazing quality, low prices.

Classmates is our big-brand alternative range of predominantly stationery and art & crafts products. It was relaunched in April 2018 and is a key component of Findel Education's operational turnaround strategy.

Its unbeatable prices are up to 45% cheaper than the equivalent big brands, so saving schools money.

A digital tool has been created prompting customers who put a big-brand product into their basket to automatically switch out to a cheaper Classmates alternative, so saving them both time and money.

Behind the scenes, we have also changed some of our suppliers ensuring lower buying prices whilst simultaneously improving the quality of the product. The products have been independently tested against both the big brands and our educational resources competitors; the results endorse our market-leading quality levels.

The range has recently been extended into other categories such as furniture and site services.

Our business strategy: Improving profitability

The online value pricing strategy, together with the improved digital tools and promotional activity has seen the active customer base increasing by 8% over the last 12 months after years of decline. However, the business has warehouse and office support facilities capable of supporting a significantly greater level of activity. A further £2.4m of cost reductions were delivered during FY19 on the back of the large warehouse cost reduction in FY18. This has been a key to funding the investment in value.

Our buying and supply chain has been focused on overseas sourcing through the Group's Shanghai Resourcing Office to support the re-sourcing of several key ranges from the Far East, including our Classmates ranges (see box). Substantial re-sourcing and renegotiation with both UK and Far East suppliers has been necessary to support the investment in lower prices to customers, with suppliers benefiting from increased volumes.

The business is transforming at pace and will become a Digital First business during FY20. This will continue to reduce the overhead cost base as traditional marketing and buying processes are replaced by digital technologies, including a further reduction in the size and quantity of annual catalogues.

FY19 Performance and Progress

Total revenue for the business reduced by £4.3m to £82.1m (FY18 restated: £86.3m). However, the business started the year knowing that it would not repeat the *c.*£5m of revenue and *c.*£0.7m of contribution from the Sainsbury's Active Kids Scheme, which was discontinued at the end of FY18. Therefore, the ongoing activities with the business grew by £0.7m or 0.8%, supported by the 8% growth in the active customer base.

During the year the business 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.

The investment in lower prices for online purchases supressed revenue leading to the gross profit margin reducing by 50bp to 35.4% (FY18 restated: 35.9%). This gap has improved in recent months, as expected, from -250bp seen in H1 to +230bp in H2 in part due to improved stock management and a consequential reduction in provisions.

Operational cost reductions totalling £2.4m helped to more than offset the lost Sainsbury's contribution and margin investment, leading to the operating profit for Education increasing by 9.6% to £3.2m (FY18 restated: £2.9m).

nday) cont. (continued)
nd Internet addresses
@lunchtime.com.au
ww.ricpublications.com.au
hieroglyphics
tomb
ow glow grow snow
ow
are hare scare share
ew
y baby happy
oa

Finance Review

"The Group has produced an adjusted profit before tax* of £28.8m in FY19, up by 17.7% from £24.4m in FY18."

Stuart Caldwell
Group CFO

Group profit before tax

The Group has produced an adjusted profit before tax* of £28.8m in FY19, up by 17.7% from £24.4m in FY18. This figure is presented on a like-for-like GAAP basis taking into account the adoption of IFRS 9 and IFRS 15, as summarised below.

	2019 £000	2018 (restated) £000	Change £000
Adjusted operating profit*:			
Studio	39,448	33,927	5,521
Education	3,217	2,935	282
Central	(4,248)	(3,286)	(962)
Adjusted operating profit*	38,417	33,576	4,841
Net finance costs*	(9,656)	(9,130)	(526)
Adjusted profit before tax*	28,761	24,446	4,315
Pro-forma adjustment for IFRS9 for FY18		2,400	(2,400)
Individually significant costs	(4,158)	—	(4,158)
Fair value movement on derivative financial instruments	4,750	(4,701)	9,451
Profit before tax	29,353	22,145	7,208

* This is an Alternative Performance Measure, for which the reconciliation to the equivalent GAAP measure can be found on pages 22 to 23.

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

Individually significant items totalling £4.2m (FY18: nil) were incurred, as discussed in more detail below and set out in note 5. The fair value movement on derivative financial instruments was a credit of £4.8m (FY18: charge of £4.7m). This is presented below the adjusted profit before tax* on the income statement as it relates to the reversal of prior year fair value movements net of the revaluation of hedging contracts that will unwind during FY20.

Individually significant items

Provisions totalling £29.0m were built up in FY16 and FY17 in relation to the anticipated refund of premiums and interest to customers in respect of historic flawed credit and insurance products. Those provisions contained assumptions and judgements on the likely level of customer response and the quantum of refund due to each responding customer. This programme has also been refined over the last two years to include new guidance from the FCA on refund matters, including the treatment of commissions following the "Plevin" ruling. This refined scope, together with slightly higher response levels than originally anticipated, has led to an additional £2.9m of charges being required. The customer contact programme is now substantially concluded.

Education consolidated its warehousing estate at the end of 2016 and an onerous lease provision was recorded in FY17 in respect of the vacant warehouse in Enfield. The site became unavailable for occupation during 2018 due to damage caused by third-parties and relief from rental payments was secured from the landlord during that period whilst repairs were undertaken. The site has recently been sublet at market rates, leading to a favourable reduction in the level of onerous lease provision being required of £1.2m.

In October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes, including the Findel Group Pension Fund. After discussion with the trustees, actuaries and legal advisors of our fund, we have recognised an additional past service charge of approximately £2.5m, representing around 1.7% of total scheme liabilities in relation to this historical issue.

Pensions

The net valuation on the Group's legacy defined benefit scheme at the end of FY19, measured in accordance with IAS19, moved from a surplus of £2.2m as at March 2018 to a small deficit of £0.1m due to the additional service costs noted above. The normal triennial valuation of the scheme as at April 2019 is currently in progress. In the meantime, as previously agreed with the scheme's trustees, the Group has made additional voluntary contributions totalling £2.5m in FY19. These contributions will increase to £5.0m from FY20 until the middle of FY24.

Taxation

The Group posted a charge of £6.1m in the year in respect of taxation. The increase from the £2.6m charge seen in FY18 was largely due to the recognition of previously unrecognised deferred tax last year. The underlying effective tax rate* for the year was 20.3% (FY18 restated: 21.0%).

Earnings per share

The adjusted earnings per share* for the year was 26.48p in FY19 (FY18 restated: 27.09p). The basic earnings per share was 26.98p per share (FY18 restated: 22.68p).

Summary balance sheet

	2019 £000	2018 (restated) £000	Change £000
Intangible fixed assets	24,952	25,175	(223)
Tangible fixed assets	45,511	45,350	161
Net working capital	201,010	198,101	2,909
Net debt*	(233,440)	(232,329)	(1,111)
Other net assets	5,487	2,896	2,591
Net assets	43,520	39,193	4,327

Consolidated net assets amounted to £43.5m at the period end (FY18: £39.2m), reflecting the net profit reported and the actuarial remeasurement in respect of the pension deficit. The net assets are equivalent to 50p per ordinary share (FY18 restated: 45p per ordinary share).

Impact of new accounting standards

IFRS 9 "Financial Instruments"

This new standard replaced IAS 39 "Financial instruments: recognition and measurement" and first applied to the Group for FY19. Its main impact is upon the level of bad debt provision and impairment charge required against Studio's 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 regardless of whether a missed payment has occurred. Consequently, impairment provisions under IFRS 9 are recognised earlier than under IAS 39. There was 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.

The Group has taken the exemption available not to restate comparative information for prior periods and has therefore recognised a charge of £17.8m in accumulated losses on transition at 31 March 2018, being the first day of the current accounting period. That said, and as indicated in the 2018 Annual Report & Accounts, the pro forma impact of the standard upon the FY18 income statement would have been to reduce Adjusted Profit Before Tax by £2.4m.

The change in this accounting standard 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. 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 has been applied for this standard, with comparative figures for FY18 restated as set out in note 1 to the consolidated financial statements. The adoption of IFRS 15 resulted in a charge of £0.5m being recorded in accumulated losses at 31 March 2017.

Indicative impact of new accounting standards

IFRS 16 "Leases"

The Group will adopt IFRS 16 in the 2019/20 financial year. 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. Whilst the new standard has no effect on the total cost recognised over the course of a lease, under IFRS 16 the lease cost will be higher in the early years of the lease. The lease cost will also be split between depreciation of the right of use asset and interest on the lease liability in the income statement rather than being presented within trading costs as is currently the case. The new standard does not impact on the Group's cash flows under lease arrangements but there will some changes to presentation in the cash flow statement. The Group has decided to adopt the modified retrospective transition approach and as such will apply the requirements of IFRS 16 prospectively from 30 March 2019. Consequently, there will be no adjustment to opening reserves and comparative figures will not be restated.

Finance Review continued

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 £28.9m (FY18: £15.8m). After taking account of interest and the net impact of finance leases, the Group's core net debt reduced by £16.4m to £57.4m (FY18: £73.8m), as summarised below.

	2019 £000	2018 £000	Change £000
Adjusted EBITDA*	50,022	43,995	6,027
Increase in Studio's receivables net of securitisation inflows	(6,926)	(1,568)	(5,358)
Decrease in other working capital	10,799	6,806	3,993
Capital expenditure	(11,545)	(10,595)	(950)
Cash flows in respect of prior period individually significant items	(11,983)	(20,662)	8,679
Pension scheme contributions	(2,500)	(2,500)	—
Other	1,011	314	697
Adjusted free cashflow*	28,878	15,790	13,088
Income tax	(1,931)	581	(2,512)
Net interest payable	(10,017)	(8,305)	(1,712)
Repayment of finance leases	(571)	(545)	(26)
Acquisition of subsidiaries	—	(450)	450
Movement in core net debt	16,359	7,071	9,288
Opening core net debt*	(73,756)	(80,827)	7,071
Closing core net debt*	(57,397)	(73,756)	16,359

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

	2019 £000	2018 £000	Change £000
External bank borrowings (excluding securitisation facility)	95,000	100,000	(5,000)
Less total cash	(37,603)	(26,244)	(11,359)
Core net debt*	57,397	73,756	(16,359)
Securitisation drawings	175,545	157,504	18,041
Finance leases	498	1,069	(571)
Net debt*	233,440	232,329	1,111

The Group's revolving credit facility was amended during the year with the available level of facilities now scheduled to be £95m between April and December 2019 before reducing to £90m until its new maturity date of 31 December 2020. The securitisation facility restructured during the year with its maximum available amount increasing from £170m to £185m to cater for the continued growth in Studio's trade receivables and its maturity date also extended to 31 December 2020.

Dividends and capital structure

The Company has not received any dividends from its subsidiaries during the period and its balance sheet as at 29 March 2019 shows a deficiency of £99.9m on its retained reserves (FY18: deficiency of £95.5m).

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, Studio Retail Limited, to enable it to remit dividends to Findel plc. This subsidiary's retained reserves have improved marginally during the year, although its profit for the year has been offset by the adoption of IFRS 9 "Financial Instruments" in FY19 of *c.*£17.8m as discussed above.

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 (FY18: £nil) and are not recommending the payment of a final dividend (FY18: £nil).

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 18 to the financial statements. The Group has purchased interest rate caps covering the period to August 2020 to protect against the risk of unforeseen increases to LIBOR rates.

Net interest costs for the year were £9.6m, slightly higher than the £9.1m from FY18, reflecting higher LIBOR rates in the second half of the year offset by lower pension scheme interest. This charge was covered 4.0 times by adjusted operating profit* (FY18 restated: 3.7 times).

Currency risk management

A significant proportion of the products sold, principally through Studio, 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 $93m (FY18: $86m) and an average rate of £1/$1.326 (FY18: $1.311). The market value and unrealised loss on those contracts as at the balance sheet date, less the reversal of the equivalent valuation as at the end of March 2018, was a gain of £4.8m (FY18: loss of £4.7m). This is presented separately on the Income Statement as it represents an element of product costs to be realised in FY20 as the contracts unwind. The Group currently has forward contracts in place with an outstanding principal of $90m covering the 12 months to May 2020.

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 pages 22 to 23.

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

These measures are used by management to assess the underlying trading performance of the Group from period to period.

The following items are excluded in arriving at these measures:

- Individually significant items are, due to their nature or scale, not reflective of the underlying performance of the Group. The directors believe that presenting these items separately aids year on year comparability of 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.

In the current period, the Group has adopted IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments. The full impact of adopting these new accounting standards is detailed in note 1 to the consolidated financial statements.

IFRS 15 has been adopted on fully retrospective basis and as a result the figures presented in respect of 2018 have been restated so that they are presented on a consistent basis with the current period. In order to ensure like-for-like comparison between 2019 and 2018, the APMs presented in 2018 have been adjusted to reflect the adoption of IFRS 15 as shown below.

With regards to IFRS 9, the Group has taken the exemption available not to restate comparative information for prior periods. As a result, the impairment loss recognised in respect of Studio's trade receivables in 2019 is calculated on an expected credit loss basis as required by IFRS 9, whereas the 2018 charge is calculated on an incurred loss basis as required by IAS 39. In order to allow a like-for-like comparison of performance between periods, management has applied a pro-forma estimate of the impact of IFRS 9 adoption to the 2018 figures, adjusting the APMs presented in 2018.

The 2019 APMs, the restated 2018 APMs and the originally reported 2018 APMs reconcile to profit before tax as follows:

	2019 £000	2018 (restated) £000	2018 (as reported) £000
Adjusted EBITDA – as reported in 2018	—	46,370	46,370
Adjustment to reflect adoption of IFRS 15	—	25	—
Pro-forma adjustment for IFRS 9	—	(2,400)	—
Adjusted EBITDA – 2019 equivalent basis	50,022	43,995	—
Pro-forma adjustment for IFRS 9	—	2,400	—
Depreciation and amortisation	(11,605)	(10,419)	(10,419)
Individually significant items	(4,158)	—	—
Fair value movements on derivatives	4,750	(4,701)	(4,701)
Finance costs	(9,656)	(9,130)	(9,130)
Profit before tax	29,353	22,145	22,120

	2019 £000	2018 (restated) £000	2018 (as reported) £000
Adjusted operating profit – as reported in 2018	—	35,951	35,951
Adjustment to reflect adoption of IFRS 15	—	25	—
Pro-forma adjustment for IFRS 9	—	(2,400)	—
Adjusted operating profit – 2019 equivalent basis	38,417	33,576	—
Pro forma adjustment for IFRS 9	—	2,400	—
Individually significant items	(4,158)	—	—
Fair value movements on derivatives	4,750	(4,701)	(4,701)
Finance costs	(9,656)	(9,130)	(9,130)
Profit before tax	29,353	22,145	22,120

	2019 £000	2018 (restated) £000	2018 (as reported) £000
Adjusted profit before tax – as reported in 2018	—	26,821	26,821
Adjustment to reflect adoption of IFRS 15	—	25	—
Pro-forma adjustment for IFRS 9	—	(2,400)	—
Adjusted profit before tax – 2019 equivalent basis	28,761	24,446	—
Pro-forma adjustment for IFRS 9	—	2,400	—
Individually significant items	(4,158)	—	—
Fair value movements on derivatives	4,750	(4,701)	(4,701)
Profit before tax	29,353	22,145	22,120

Studio Product Gross Margin %

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

	2019 £000	2018 (restated) £000
Product revenue	307,249	284,965
Less product cost of sales	(208,344)	(198,021)
Gross product margin	98,905	86,944
Gross product gross margin %	32.2%	30.5%

Studio impairment loss on trade receivables a like-for-like (pro forma IFRS 9) basis

IFRS 9 was adopted by the Group on 31 March 2018, being the first day of the current accounting period, the Group has taken the exemption available not to restate comparative information for prior periods. As a result, the impairment loss recognised in respect of Studio's trade receivables in 2019 is calculated on an expected credit loss basis as required by IFRS 9, whereas the 2018 charge is calculated on an incurred loss basis as required by IAS 39. In order to allow a like-for-like comparison of performance between periods, management has applied a pro-forma estimate of the impact of IFRS 9 adoption to the 2018 impairment charge. This allows management to assess the underlying performance and credit quality of Studio's receivables book.

	2019 £000	2018 £000
Impairment loss (as reported)	(36,623)	(28,156)
Pro forma adjustment for IFRS 9	—	(2,400)
Impairment loss on like-for-like (pro-forma IFRS 9) basis	(36,623)	(30,556)

Studio impairment loss as a % of revenue

This is an assessment of the impairment loss incurred in respect of Studio's trade receivables, stated on a like-for-like (pro-forma IFRS 9) basis, which enables management to assess the quality and performance of its trade receivables.

	2019 £000	2018 (restated) £000
Impairment loss on like-for-like (pro-forma IFRS 9) basis	36,623	30,556
Studio total revenue	424,726	393,277
Studio impairment losses as a % of revenue	8.6%	7.8%

Studio marketing costs to sales ratio

This measure allows management to assess the efficiency of our marketing spend as we pursue our stated strategy of increasing the profile of the Studio brand. It is calculated by dividing marketing costs by product revenue.

	2019 £000	2018 (restated) £000
Marketing costs	39,694	40,741
Product revenue	307,249	284,965
Marketing costs to sales ratio	12.9%	14.3%

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:

	2019 £000	2018 £000
Total bank loans	270,545	257,504
Obligations under finance leases	498	1,069
Less cash and cash equivalents	(37,603)	(26,244)
Net debt	233,440	232,329

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 the indebtedness of the Group and is relevant for covenant purposes.

It is calculated as follows:

	2019 £000	2018 £000
Net debt	233,440	232,329
Obligations under finance leases	(498)	(1,069)
Less securitisation borrowings*	(175,545)	(157,504)
Core net debt	57,397	73,756

* Disclosed within bank loans

Debt funding consumer receivables

The majority of the trade receivables of Studio are eligible to be funded in part from the securitisation facility, with the remainder being funded from core net debt. This measure indicates the face value of trade receivables (before any impairment provision) capable of being funded from the securitisation facility. It is useful to management as it demonstrates the proportion of net debt that is supported by paying customer receivables.

It is calculated as follows:

	2019 £000	2018 £000
Securitisation loans	175,545	157,504
Cash and bank	64,075	64,333
Eligible receivables	239,620	221,837

Adjusted free cash flow

Free cash flow generation is a key operational metric and is of interest to investors. Consequently, it forms part of the remuneration targets for the Executive Directors. In the prior period, adjusted free cashflow included income taxes paid or received. In the current period, the remuneration targets for the Executive Directors have been amended to a pre-tax measure and consequently the APM has been adjusted as set out below.

Adjusted free cash flow is reconciled to cash generated by operations as follows:

	2019 £000	2018 £000
Adjusted free cashflow as reported in 2018	26,947	16,371
Exclude income taxes paid/(refunded)	1,931	(581)
Adjusted free cash flow – 2019 equivalent basis	28,878	15,790
Securitisation loans drawn	(18,041)	(14,970)
Purchases of property, plant and equipment and software	11,545	10,595
Other	(26)	24
Cash generated from operating activities	22,356	11,439

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 10 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. This measure allows management to assess underlying trends in the Group's tax rate. It is calculated as follows:

	2019 £000	2018 (restated) £000
Tax charge	(6,064)	(2,565)
Exclude tax impact of individually significant items	(741)	—
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	—	749
Adjusted tax charge	(6,805)	(4,646)
Profit before tax and individually significant items	33,511	22,145
Underlying effective tax rate	20.3%	21.0%

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 Studio's 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 Studio.	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.	Studio 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 Studio. 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 the Financier platform at Studio. In addition, an enhanced fraud solution accompanied by improved operational practices within Studio's customer and financial services departments are being deployed.

Risk	Root cause	Key mitigating controls
Execution and liquidity risks from a substantial three-year plan of transformation and growth at Studio.	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 Studio 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 68 to 72 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, Studio Retail 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.studioretail.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.

	Consolidated Findel Group	
Hourly Pay & Bonus Summary	2018	2017
Mean Gender Pay Gap	9.8%	17.5%
Median Gender Pay Gap	-0.4%	-0.1%
Mean Bonus Gender Pay Gap	55.3%	39.7%
Median Bonus Gender Pay Gap	65.1%	62.5%
Proportion of Males with a bonus	1.6%	3.1%
Proportion of Females with a bonus	4.0%	5.1%

Gender Split	Combined Consolidated Findel Group	
Females	776	(49%)
Males	800	(51%)

	Consolidated Findel Group	
Quartile Summary	Men	Women
Lower	53.8%	46.2%
Lower Middle	48.2%	51.8%
Upper Middle	47.0%	53.0%
Upper	54.1%	45.9%

We are pleased to be able to continue to report no significant median gender pay gap across the Group as a whole. It is also pleasing to note a significant fall in the mean gender pay gap since last year, although there remains work to do. 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 male and 49% female. 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 continue to develop 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.

Finally, we have made further progress during the year regarding our boardroom diversity and now have 2 female members on the Board following the appointment of Clare Askem in March 2019. Upon Bill Grimsey's retirement from the Board at the end of the 2019 AGM this will represent 29% female representation on the Board

This Strategic Report is approved on behalf of the Board.

Ian Burke
Chairman

Phil Maudsley
Chief Executive Officer

4 June 2019

Contents

2 Governance

29 Directors and Officers

30 Directors' Report

34 Corporate Governance Report

38 Board Report on Directors' Remuneration

60 Nomination Committee Report

61 Audit Committee Report

65 Risk Committee Report

68 Corporate Social Responsibility Report

73 Statement of Directors' Responsibilities

74 Independent Auditor's Report

Directors, Officers, Statutory Information and Board of Directors

Mr M I Burke, 62 (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 a non-executive director of Intu Properties plc. 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.

Mr P B Maudsley, 58
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.

Mr S M Caldwell, 47
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.

Mr G F Ball, 56 (a) (b) (c) (d)
Senior Independent 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.

Ms C V Askem, 49
Non-Executive Director

Clare Askem was appointed to the Board on 21 March 2019. She is currently Managing Director of Habitat within the Sainsbury's group of companies, having previously held numerous senior management positions at PC World, Dixons Retail plc and Home Retail Group/Sainsbury's.

Mr F-R Coumau, 47 (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. He is also non-executive chairman of Story Terrace as well as a consultant and coach for a number of early stage businesses in the digital consumer space.

Mr W Grimsey, 67 (a) (b) (c) (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.

Ms E M O'Donnell, 48 (a) (b) (c) (d)
Non-Executive Director

Elaine O'Donnell was appointed to the Board on 1st 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 at Games Workshop Group plc, On The Beach plc and 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
Mr M Ashcroft
Church Bridge House
Henry Street
Accrington
Lancashire
BB5 4EE

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

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

Company Number
549034

Directors' Report

The directors present their annual report and accounts on the affairs of the Group, together with the financial statements and Auditors' report for the 52 week period ended 29 March 2019. The Corporate Governance Report set out on pages 34 to 37 forms part of this report.

Strategic Report

Pursuant to sections 414A-D Companies Act 2006, the Strategic Report can be found on pages 1 to 27. 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 29 March 2019 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 18 to 20.

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 under the downside sensitivities 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 December 2020.

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.

Brexit

We have completed our work to assess the likely impact of the United Kingdom's exit from the European Union ("EU") and continue to work to mitigate, where possible, its effects. In light of recent political developments, the outcome remains unclear, and it is therefore difficult to enact specific mitigating activities, however our work is focused on the following key risk areas:

- Supply chain – the majority of goods sold by the Group are sourced, either directly or indirectly, from outside the UK, with a high proportion originating from Asia. There is a risk that lead times for the supply of goods may lengthen due to delays at ports caused by a no-deal Brexit scenario. There may also be additional administrative burdens and costs in respect of goods imported from the EU. Since most of our products are sourced from outside the EU, we do not currently expect to see a material change in import tariffs, however to the extent that the UK falls out of any arrangements between the EU and countries from which we import, it is possible that this may lead to additional tariffs becoming payable;
- Foreign exchange – the exit process may prompt a further depreciation in the GBP/USD exchange rate. We continue to hedge our planned USD purchases on a rolling 12-month basis to mitigate the impact of any such depreciation; and
- Colleagues – a significant number of colleagues, particularly within our distribution centres, are non-UK EU nationals. Brexit may result in changes to UK immigration policy which increases the risks around the availability, recruitment and retention of these individuals.

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 2022. 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 24 to 25. In particular, it was noted that the Group's committed borrowing facilities fall due for renewal during the three-year period ending March 2022. 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 2022.

Dividends

The directors have determined that no interim dividend will be paid (FY18: nil) and are not recommending the payment of a final dividend (FY18: 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 reinstate 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 26, on page 63 of the Report of the Audit Committee, on page 66 of the Report of the Risk Committee and on page 20 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 22 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 over a one month period is greater than 479.4p;
- the convertible shares will automatically be converted into ordinary shares in the event of a takeover offer which is declared unconditional;
- 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.

Directors' Report

Details of employee share schemes are set out in note 21. 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 July 2018 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

The directors of the Company at the date of this report are shown on page 29. Information concerning their interests in the share capital of the Company as at 29 March 2019 and as at 4 June 2019 is included in the Board Report on Directors' Remuneration on pages 38 and 39. All the directors served throughout the year save that Clare Askem was appointed to the Board as an independent non-executive director on 21 March 2019 and Eric Tracey retired from the Board at the conclusion of the AGM on 26 July 2018. Bill Grimsey will retire from the Board at the conclusion of the 2019 AGM after serving for seven years. 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 34 to 37. 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 2019 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. 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 page 48 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. Elaine O'Donnell is the nominated director for employee engagement effective from 1 April 2019 and her engagement programme will be developed during the coming year.

Environmental matters

Information on environmental matters, including our greenhouse gas emissions is disclosed in the Corporate Social Responsibility Report on pages 68 to 72.

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 34 to 37. 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 (2018: £nil).

Substantial Shareholdings

As at 29 March 2019 the Company had been notified pursuant to the Disclosure and Transparency Rules and/or pursuant to the Takeover Code 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	Number of voting rights Indirect	Proportion of voting rights
Sports Direct International plc	31,850,000	36.84%	31,850,000	—	36.84%
Schroders plc.	18,247,490	21.109%	—	16,147,490	16.74%
FIL Ltd and FMR LLC	7,666,057	8.86%	—	7,666,057	8.86%
Janus Henderson Group plc	3,764,679	5.07%	—	3,764,679	5.07%
Lombard Odier Asset Management	4,389,679	4.20%	—	4,389,679	4.20%
Ennismore Fund Management	2,735,867	3.16%	—	2,735,867	3.16%

There have been no further notifications between 29 March 2019 and 4 June 2019.

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 auditors during the year is set out in note 8 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 25 July 2019 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. The AGM will include, amongst other things, resolutions to change the name of the Company to Studio Retail Group Ltd and to adopt updated Articles of Association.

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 2019 Annual Report & Accounts.

Recommendation

The Board considers that all business to be proposed at the 2019 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 2019 Annual Report & Accounts.

By order of the Board

Mark Ashcroft
Company Secretary

4 June 2019

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. A copy of the Code can be located at https://www.frc.org.uk.

The Board recognises that the 2018 version of the Code will apply to the Company with effect from the start of the Financial Year 2019/20 and has been working through a programme to enable appropriate compliance statements in the 2020 annual report.

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 29 March 2019, 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 29.

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 29. During the year Ian has taken up a non-executive director role at Intu Properties plc but retired from the chairmanship of VetPartners Holdings Ltd. The Board considers that Ian's other commitments are not a constraint on his agreed time commitment to the Company.

As part of the Board's succession planning Clare Askem was appointed as a non-executive director on 21 March 2019 following a formal recruitment process managed by the Nomination Committee and using external recruitment consultants, Russell Reynolds. Brief biographical details of Clare Askem are set out on page 29. Eric Tracey retired from the Board on 26 July 2018. The Board has also announced that Bill Grimsey will retire from the Board at the conclusion of the 2019 AGM, following seven years of service and that Francois Coumau will take over the chair of the Remuneration Committee at that time.

Following the retirement of Eric Tracey from the Board on 26 July 2018, Greg Ball was appointed as the Senior Independent Director and Elaine O'Donnell took over the chair of the Audit Committee. The Senior Independent Director is the director whom shareholders may contact if they feel their concerns are not being addressed through the normal channels.

The non-executive directors meet annually without the executive directors being present and meet separately to review the Chairman's performance after each financial year end.

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 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 Terms of Reference of the main Board committees, copies of which are available on request, and are summarised in this Corporate Governance Report on pages 34 to 37.

Notwithstanding the above the Board has determined that all directors should stand for election or re-election on an annual basis and this approach will continue to be adopted at the 2019 Annual General Meeting.

During the period ended 29 March 2019, 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 held nine scheduled meetings 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 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 61 to 64 and in the Report of the Risk Committee on pages 65 to 67. 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).

Attendance at Board and Committee Meetings

The Board held nine scheduled meetings during the period ended 29 March 2019; the Audit Committee and the Nomination Committee each met on four occasions; and the Risk Committee and the Remuneration Committee each met on five occasions during the year. All directors attended each of those Board meetings and the members of each of the Committees attended all their Committee meetings held during the period with one exception. Elaine O'Donnell could not attend one Board meeting and one Risk Committee meeting, held on the same day, due to a prior commitment which the Board had understood prior to her appointment. The Board also held three impromptu meetings during the period to deal at short notice with specific issues and on the occasion when a full complement could not attend the impromptu meeting the Chairman discussed the issues covered with the Board members concerned.

Board Effectiveness

In FY2016/17 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. The Board accepted the conclusions of the review at that time and has implemented further improvements in its processes and performance identified in that evaluation process.

During the current year the Board has built on the outcomes from that 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 Board will consider later this year whether to carry out a further independently facilitated review in FY2019/20, being the third anniversary of the first such review.

The then Senior Independent Director, Mr Tracey, chaired a meeting of the independent non-executive directors in 2018 to discuss the performance of the Chairman. The then Senior Independent Director discussed the results of that assessment with the Chairman. A similar process will be followed this year.

The Chairman together with two non-executive directors carried out a performance review with the CEO, and circulated the outcomes with the remaining non-executive directors.

Corporate Governance Report

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 (36.8%), Schroders (16.7%) and Fidelity (8.9%) 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. The Chairman of the Remuneration Committee also writes to major shareholders and the main proxy voting agencies ahead of the annual non-binding AGM vote on the Remuneration Report when there are any significant changes to the basis of incentive arrangements for executive directors, and ahead of the triennial vote on the Directors' Remuneration Policy.

In addition, Liam Rowley observes the Company's Board meetings on behalf of Sports Direct, who previously held in excess of 29% of the Company's shares, now increased to 36.8%. 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.

Mr Rowley recused himself from attending Board meetings during the Sports Direct mandatory bid process between 4 March, when the requirement for a mandatory bid was crystallised by Sports Direct having increased their holding above 30%, and 3 May 2019, when the offer period lapsed. Throughout the period up to the start of the offer period and since its closure the Board has sought to maintain its constructive relationship with Sports Direct and has continued to seek opportunities to develop a number of commercial opportunities with Sports Direct, including co-ordinated approaches to the marketing and sale of their branded goods.

Since Sports Direct now holds more than 30% of the listed shares in the Company we are required to include additional provisions to our Articles of Association. These together with other updating amendments will be proposed for adoption at the 2019 AGM. In addition, we intend to engage with Sports Direct to agree a relationship agreement between the companies, as required by the Listing Rules.

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.

Nominated Directors

At the start of the period Eric Tracey was the Board's nominated Senior Independent Director. Greg Ball took up this role with effect from 26 July 2018, being the date on which Eric Tracey retired from the Board.

The Board has also nominated Elaine O'Donnell as the director with a particular focus on employee engagement. A programme of work is being developed during the current year.

Committee Membership

During the year the membership of the Board's standing committees remained as before, save that:

- On 2 May 2018 Greg Ball was appointed to the Remuneration Committee and Bill Grimsey was appointed to the Risk Committee, in each case as an additional member of the respective committee;
- On 26 July 2018, upon his retirement from the Board, Eric Tracey also stepped down from membership of the Audit Committee (as chair), the Risk Committee, the Remuneration Committee and the Nomination Committee;
- On 26 July 2018, Elaine O'Donnell became chair of the Audit Committee.

Upon Bill Grimsey retiring from the Board at the conclusion of the 2019 AGM, Francois Coumau will take over as chair of the Remuneration Committee.

Details of the membership of the committees as at the end of the period under review are included on page 29.

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 has been chaired by Elaine O'Donnell since the retirement of Eric Tracey at the AGM held in July 2018. The Committee's report is set out on pages 61 to 64. 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 65 to 67.

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 is currently chaired by Bill Grimsey. Francois Coumau will become chairman upon Bill Grimsey's retirement from the Board at the conclusion of the 2019 AGM. The Committee's report is set out on pages 38 to 59.

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. It is chaired by the Chairman, Ian Burke. The Committee's report is set out on page 60.

Terms of Reference and Role Statements

During the first quarter of 2019 the Board adopted revised terms of reference for each of the above Committees, together with revised Role Statements for the Chairman, the Chief Executive and the Senior Independent Director. Each of these documents reflects changes in best practice since their previous issue date and includes changes in line with the recommendations within the 2018 UK Corporate Governance Code. They are all available on the Company's website (www.findel.co.uk)

On behalf of the Board

Mark Ashcroft
Company Secretary

4 June 2019

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 29 March 2019.

This report comprises an annual report on remuneration (pages 49 to 59) which describes how the shareholder approved directors' remuneration policy was implemented for the year ended 29 March 2019 and how we intend for the policy to apply for the year ending 28 March 2020. This report, together with this annual statement, will be put to an advisory shareholder vote at the 2019 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. In line with regulatory requirements the policy is next subject to a vote at the 2020 AGM. Ahead of the policy renewal, the Committee will be conducting a full policy review during 2019/20. To ensure clarity and transparency we have republished our directors' remuneration policy report herewith (pages 40 to 48).

Performance and remuneration for 2018/19

This has been another successful year. We have made further progress against our strategic plans, which aim to transform our two businesses from their legacy of catalogue-oriented operations into digital-first value retailers. In approving the overall bonus outturn, the Committee also considered the wider performance of the Company, including the performance of the Company's shares during the past twelve months. In making its assessment it noted that the Group's financial performance represented growth in Group revenue of 5.7%, adjusted profit before tax growth of 17.7% and free cash flow growth of over 83%, showing the resilience of our business model in a challenging retail environment. It therefore concluded that the outturn against the performance targets was appropriate.

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 and EPS targets. Both the share price and EPS achieved failed to meet the respective stretching threshold targets and so the awards lapsed in full.

Key decisions made in 2018/19

Following the publication of the 2018 UK Corporate Governance Code (the 'Code') the Committee has reviewed our current executive director remuneration policy. No immediate changes to the policy are proposed at this time. The Remuneration Committee Terms of Reference have been fully reviewed and updated and can be found on the Company's website. Going forwards the Remuneration Committee will be responsible for reviewing and approving the pay for the Executive Directors, the Company Secretary, the Managing Directors of our two businesses and the next tier of senior executive management. The Committee also reviewed the current malus and clawback provisions used in connection with our annual and long-term incentives and these have been extended to cover serious reputational damage and corporate failure with effect from our 2019/20 incentive plans.

In respect of the proposal to require companies to annually report the pay ratio between the CEO and average of the UK workforce, the Committee will review the calculations during the current year with a view to publishing data for the first time in its 2019/20 report.

The Committee additionally considered other developing areas of market practice, including post-employment shareholding guidelines, Committee discretions and the alignment of executive pension to the wider workforce and concluded that these will be reviewed fully during 2019/20 as part of the wider policy review ahead of the 2020 AGM.

Implementation of remuneration policy for 2019/20

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 the PSP. Within this framework we will be taking the following approach to the implementation of the remuneration policy for the year ending 28 March 2020:

- **Salary** – The Chief Executive's and Chief Financial Officer's salary will be increased by 2.5% effective 1 August 2019. This is in line with the standard salary increase for employees across the workforce.
- **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 Adjusted Profit Before Tax and Free Cash Flow. 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 Adjusted 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 2019/20, however the number of shares granted will be calculated on the greater of (i) the market value of Company's shares at the date of the award and (ii) a share price of 250p. Consistent with previous years, the 2019 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. If the Company's share price continues at its current levels this share price will result in a material downwards adjustment to the value of the awards reflecting the significant share price deterioration over the past 12 months. The absolute TSR performance conditions have also been significantly strengthened for the 2019 awards.

- **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.

Change of Committee Chair

After seven years on the Board, and as announced in January 2019, I will retire from the Board at the conclusion of the 2019 AGM, following seven years' service. My colleague, Francois Coumau will take over the chair of the Remuneration Committee from that date.

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 2019 AGM.

William Grimsey
Chair of the Remuneration Committee

4 June 2019

Remuneration Policy Report

Introduction

This section 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 show, where appropriate, how the policy will be implemented in 2019. 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 2016 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

<table>
<tr><th>Purpose and Link to Strategy</th><th>Operation</th><th>Maximum</th><th>Performance Metrics</th></tr>
<tr><td colspan="4">Base Salary</td></tr>
<tr><td>To attract and retain high calibre executives.</td><td>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.</td><td>Salary levels are normally reviewed annually and are eligible for increases during the three-year policy period.
Whilst 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.</td><td>A broad assessment of individual and corporate performance is considered as part of the annual review process.</td></tr>
<tr><td colspan="4">Pension</td></tr>
<tr><td>To provide market competitive, long-term retirement benefits and reward mechanisms.</td><td>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.</td><td>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.</td><td>None.</td></tr>
<tr><td colspan="4">Benefits</td></tr>
<tr><td>To provide cost effective employee benefits.</td><td>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.</td><td>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.</td><td>None.</td></tr>
</table>

Remuneration Policy Report

Purpose and Link to Strategy	Operation	Maximum	Performance Metrics
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 an error, serious reputational damage, corporate failure or gross misconduct.	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, or to recognise any material instance when customers have not been treated fairly, 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, serious reputational damage, corporate failure 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 or to recognise any material instance where customers have not been treated fairly, 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's Fees			
To attract and retain individuals with relevant experience and knowledge to enhance the Board.	The Committee is responsible for setting the 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-Executive Directors' 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-Executive Directors are not eligible to participate in any incentive arrangements.	None.

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 55 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 individual's 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's 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 may also be 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.

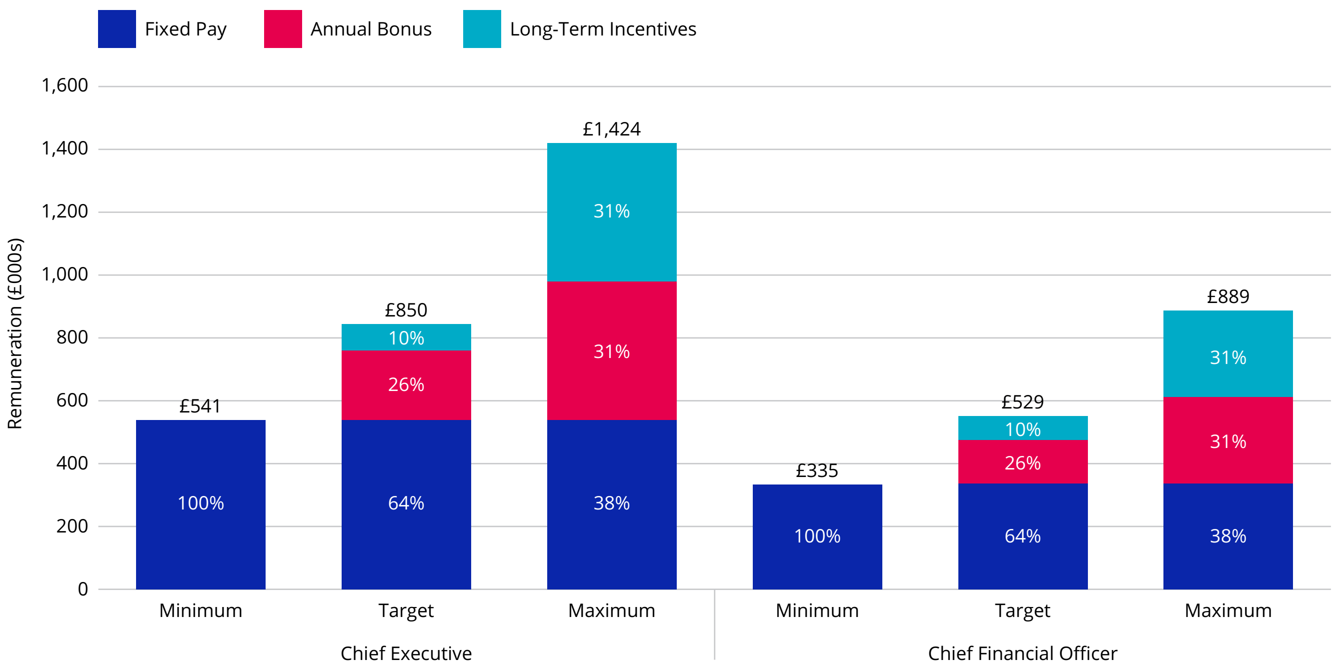
However, the Committee is provided with an overview of employee and executive remuneration structures at the Company. The Committee is kept up to date, more generally, with pay and employment conditions elsewhere in the Company and is informed of the salary increase budget for the Group as a whole when 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 the Executive Directors being dependent on the Company's 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 2019/20 base salary, the value of 2018/19 benefits and 2019/20 pension contribution
- Target – fixed pay plus 50% of 2019/20 bonus payable and 20% vesting of 2019 PSP award
- Maximum – fixed pay plus 100% of 2019/20 bonus payable and 100% vesting of 2019 PSP award

Assumes maximum potential under 2019/20 bonus of 100% of salary, 2019 PSP award of 100% of salary and ignores potential share price growth.

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 the 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.

Remuneration Policy Report

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 them 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 at Annual General Meetings. They do not have service agreements.

The service contracts for the Chief Executive, the Chief Financial Officer 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 Auditor 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. Mr Coumau and Ms O’Donnell were members of the Committee throughout the year. Mr Ball joined the Committee on 2 May 2018 and Mr Tracey left the Committee on his retirement from the Board on 26 July 2018. 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 the Executive Compensation practice 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, Aon plc provides no other services to the Company and during the year charged fees of £40,435 (excluding VAT) (FY18: £58,014). The Committee has reviewed the operating processes in place at Aon 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 per year and met five times in 2018/19. Individual attendance details can be found within the Corporate Governance Report on page 35. The Committee’s terms of reference, which were updated in March 2019, 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 2017/18 annual bonuses;
- The terms of the 2018/19 annual bonus plan;
- The quantum and performance targets for the 2018/19 Performance Share Plan awards;
- Testing of the 2015 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;
- Consideration of the Company’s Gender Pay Gap data and its impact on the Company;
- Consideration of the impact of auto-enrolment on the cost of pensions for the business;
- Remuneration structures for the wider workforce;
- Review of the regulatory guidance on remuneration including preparatory discussions regarding the application of the 2018 UK Corporate Governance Code in FY 2019/20;
- Approval of the 2017/18 Directors’ Remuneration Report;
- Initial design of the 2019/20 annual bonus plan;
- The annual self-evaluation of the effectiveness of the Committee;
- The terms of reference of the Committee; and
- Consideration of developments in market and best practice.

Board Report on Directors' Remuneration

Shareholder Voting at the 2018 AGM

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

	Annual Report on Remuneration	
Resolution	Total number of votes	% of votes cast
For	75,425,119	99.3%
Against	557,025	0.7%
Total votes cast (for and against)	75,982,144	100%
Withheld votes	670	N/A
Total votes (including withheld votes)	75,982,814	N/A

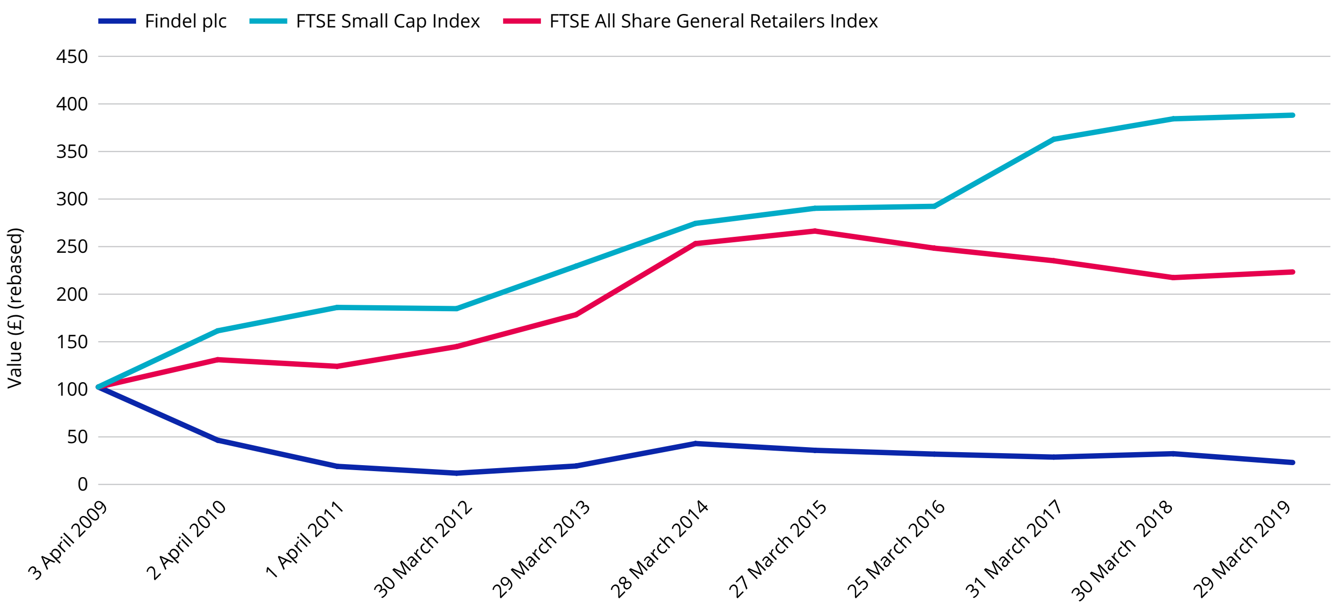
At the 2017 AGM the Directors' Remuneration Policy received the following votes from shareholders:

	Directors' Remuneration Policy	
Resolution	Total number of votes	% of votes cast
For	80,003,710	100.0%
Against	37,903	0.0%
Total votes cast (for and against)	80,041,613	100%
Withheld votes	1,354	N/A
Total votes (including withheld votes)	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 plc is currently a constituent member of each.

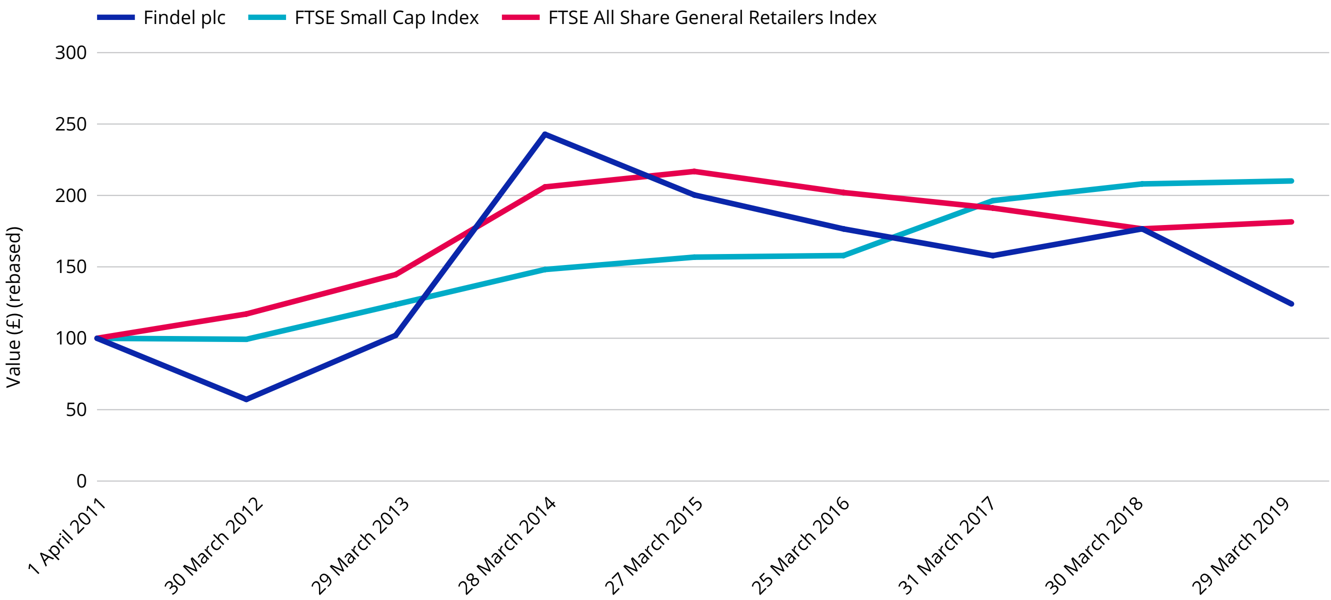
The first graph shows the total shareholder return over the ten financial years to 29 March 2019 as required by the reporting requirements. However, the Committee considers that the total shareholder return over the eight financial years to 29 March 2019 to be a relevant additional disclosure since this 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 29 March 2019, 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

Performance Graph



This graph shows the value, by 29 March 2019, 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

The table below sets out the total remuneration figure for the Chief Executive role over the last ten 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	2019
Total Remuneration (£000)	£771	£607	£484	£496	£745	£2,650	£509	£428	£332	£55	£3	£864	£926
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%	95%
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%	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 the 2017 Remuneration Report David Sugden did 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.

Board Report on Directors' Remuneration

Emoluments of the directors (subject to audit)

The emoluments of the directors in the period ended 29 March 2019 is shown below:

£000	Salary and fees(2) 2019	Salary and fees(2) 2018	Taxable benefits(3) 2019	Taxable benefits(3) 2018	Pensions(4) 2019	Pensions(4) 2018	Annual bonus(5) 2019	Annual bonus(5) 2018	Long-term incentives(6) 2019	Long-term incentives(6) 2018	Termination payments 2019	Termination payments 2018	Total(7) 2019	Total(7) 2018
Chairman														
M I Burke(1)	150	151	—	—	—	—	—	—	—	—	—	—	150	151
Executive Directors														
S M Caldwell(1)	263	180	17	12	40	27	243	199	—	—	—	—	563	418
P B Maudsley(1)	427	419	17	17	83	83	399	345	—	—	—	—	926	864
Non-Executive Directors														
C Askem	1	—	—	—	—	—	—	—	—	—	—	—	1	—
G Ball	57	49	—	—	—	—	—	—	—	—	—	—	57	49
F Coumau	40	39	—	—	—	—	—	—	—	—	—	—	40	39
W Grimsey	50	49	—	—	—	—	—	—	—	—	—	—	50	49
Elaine O'Donnell	47	7	—	—	—	—	—	—	—	—	—	—	47	7
E F Tracey	19	60	—	—	—	—	—	—	—	—	—	—	19	60
Previous Directors														
T J Kowalski	—	13	—	—	—	1	—	—	—	—	7	365	7	379
Totals	1,054	967	34	29	123	111	642	544	—	—	7	365	1,860	2,016

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 5 April 2017 – prior period values reflect remuneration received as a director, full details regarding payments made to Mr Kowalski in relation to his loss of office can be found on page 56; and P B Maudsley was promoted to the position of Chief Executive from his previous position as MD, Home Shopping on 5 April 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 and was increased to £270,000 in August 2018 following the successful completion of his first 12 month as a director of a PLC.
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 the Executive Directors in relation to the year under review are set out below.
6. As detailed on page 55, the 2016 PSP awards which were based on a performance period ending at the conclusion of the 2018/19 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.

2018/19 Annual bonus

The 2018/19 performance-related bonus plan maximum was 100% of salary for both the Chief Executive and Chief Financial Officer.

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 2018/19 financial targets were:

Profit Performance	Threshold	Max	FY2018/19 Actual	% of salary payable
Group profit before tax*	£25.0m	£28.4m	£28.8m	37.5%
Group free cash flow **	£22.3m	£25.8m	£28.9m	37.5%

* Adjusted Group profit before tax is calculated as per the Alternative Performance Measure described on pages 22 to 23 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 pages 22 to 23 and stated as net cash flow generated from operations, plus securitisation inflows, capital expenditure and exceptional items, but before tax interest, finance lease repayments and investments.

In total, 75% of salary (out of a maximum of 75% of salary) was therefore payable for 2018/19 financial performance.

Non-financial objectives

The Executive Directors had a number of personal objectives set at the beginning of 2018/19. 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 20% and 22% of salary (out of a maximum of 25% of salary) becoming payable to each respectively.

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

Chief Executive

Objective	Success measure	Weighting	Performance assessment
Deliver a balanced culture putting good customer outcomes at the heart of each business	Studio Net Promoter Score (NPS) target improvement of 10% (range par to +20%) Grow Studio 12 month active customer base to 1.89m (Last Year 1.79m) with a range of 1.87m to 1.91m Findel Education (FEL) NPS target of 80.0 FEL maintain core market penetration at 72.9%	20%	Studio NPS improved by more than 20% (41.4 v 32.8) **over achieved** Studio Customer numbers 1.894m **achieved** FEL NPS was 86.7% **over achieved** FEL market penetration was 76.3% **over achieved** Assessed Performance **20% of 20%**
Deliver next step changes in digital transformation strategies	Increase Studio Ecommerce penetration from 68% to 72% (range +/-2%) FEL exit year at 59% of order volumes being digital	20%	Studio Ecommerce – 74.8% orders **over achieved** FEL Digital Orders represented 66% **over achieved** Assessed Performance **20% of 20%**
Achieve cost control targets within both businesses	EGL "Other Costs" CSR nil increase at 10.7% (range 10.2% to 11.2%) FEL CSR of 36.6% (range 34.8% to 38.4%)	20%	EGL CSR 10.8% **achieved** (range 10.2% to 11.2%) FEL CSR was 36.1% **achieved** Assessed Performance **10% of 20%**
Deliver FEL results for the year against Budget	FEL Operating Profit of £3.4m (range £3.1m to £4.0m) FEL negative Free Cash Flow of £(0.6)m (range £(0.9)m to £nil)	20%	FEL operating performance to budget **missed** FEL free cash flow **achieved** Assessed Performance **10% of 20%**
Develop medium-term strategies, including an assessment of alternatives for Studio and how to assess FEL's position within the Group	Assessment by the Board of papers presented, particularly to the Strategy Review Board session in October	20%	Assessed Performance **20% of 20%**

Chief Financial Officer

Objective	Success measure	Weighting	Performance assessment
Deliver an effective communication programme for City analysts and shareholders on the implications of new accounting standards including a successful Capital Markets event	Evidence within the Annual Report and investor presentation	16%	IFRS9 transition explained to both analysts and shareholders during June 2018 roadshow. All analysts subsequently adjusted forecasts as guided, confirming their understanding. A Capital Markets Day was originally planned for February 2019 but was deferred until April 2019 and then to June 2019 upon collective advisor feedback and Board agreement. The Studio PR event in September 2018 was attended by many key stakeholders as a useful alternative and good feedback was received. Assessed Performance **16% of 16%**
Achieve cost control targets within both businesses	EGL "Other Costs" CSR nil increase at 10.7% (range 10.2% to 11.2%) FEL CSR of 36.6% (range 34.8% to 38.4%)	24%	EGL CSR 10.8% **achieved** (range 10.2% to 11.2%) FEL CSR was 36.1% **achieved** Assessed Performance **12% of 24%**
Complete appropriate amendments to the bank and securitisation facilities to fund the budget plans and satisfy a Going Concern review at the end of the year	Evidence of facility amendments and presentation of a clear Going Concern paper to the November 2018 and May 2019 Audit Committees	20%	Both RCF and Securitisation Facilities (SF) were extended to December 2020, with planned headroom per the FY20 budget wider than in previous years. £15m increase to SF also secured. Going concern approved at interim, and annual results stages Assessed Performance **20% of 20%**
Work with the CEO to develop medium-term strategies, including an assessment of alternatives for Studio and how to assess Findel Education's position within the Group	Assessment by the Board of papers presented, particularly to the Strategy Review Board session in October	20%	Assessed Performance **20% of 20%**
Working with the EGL-MD and Internal Audit, oversee the 50% planned reduction in overdue audit points	As per EGL Audit Committee reports	20%	Assessed Performance **20% of 20%**

Total annual bonus payments were therefore 95% of salary for the CEO and 97% of salary for the CFO. These percentages have been applied to their respective salaries at 1 April 2018.

In approving the overall bonus outturn, the Committee also considered the wider performance of the Company, including the performance of the Company's shares during the past twelve months. In making its assessment it noted that the Group's financial performance represented growth in Group revenue of 5.7%, adjusted profit before tax growth of 17.7% and free cash flow growth of over 83%, showing the resilience of our business model in a challenging retail environment. It also noted that the performance of the shares in the year was disproportionately affected by the decisions of two individual shareholders, in one case to exit from UK retail investments and in the other as a result of its own financial difficulties, and that other shareholders were supportive of the Company's performance. It therefore concluded that the outturn against the performance targets was appropriate.

Directors' pension entitlements (subject to audit)

No director was a member of a defined benefit scheme during FY2019.

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

Awards vesting in relation to FY2018/19

The performance conditions for the awards granted in FY2016/17 were based on compound growth in EPS and TSR targets as set out in the table below:

Annual Compound Growth in TSR (to 31 March 2019 from the 31 March 2016 base year)	Annual Compound Growth in EPS (to 31 March 2019 from the 31 March 2016 base year)	Percentage of Shares subject to the Award that vests
Below 15% p.a.	Below 15% p.a.	0%
15% p.a.	15% p.a.	20%
Between 15% and 25% p.a.	Between 15% and 25% p.a.	Between 20% and 100% on straight-line basis
Above 25% p.a.	Above 25% p.a.	100%
Actual achieved 1.8% resulting in nil% of award vesting	Actual achieved 9.2 resulting in nil% of award vesting	

Both measures were below the threshold target so the awards lapsed in full.

PSP Awards granted in FY2018/19

During FY2018/19 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%	274p	153,285	£420,000	20%
Chief Financial Officer	100%	274p	91,241	£250,000	20%

* Based on the average share price over the 5 trading days immediately preceding 13 June 2018, being the date of grant.

As set out in the FY2017/18 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 FY2018/19 grants are:

Annual Compound Growth in TSR (to 31 March 2021 from the 31 March 2018 base year)	Annual Compound Growth in EPS (to 31 March 2021 from the 31 March 2018 base year)	Percentage of Shares subject to the Award that vests
Below 7.5% p.a.	Below 7.5% p.a.	0%
7.5% p.a.	7.5% p.a.	20%
Between 7.5% and 15% p.a.	Between 7.5% and 15% p.a.	Between 20% and 100% on straight-line basis
Above 15% p.a.	Above 15% 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 15% 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 conditions 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 (net of tax).

Board Report on Directors' Remuneration

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 2019	Award date	Vesting date
S M Caldwell	33,333	—	—	(33,333)	—	10 Feb 16	10 Feb 19
	44,771	—	—	—	44,771	5 Aug 16(1)	5 Aug 19
	137,873	—	—	—	137,873	20 Jul 17	20 Jul 20
	—	91,241	—	—	91,241	13 Jun 18	13 Jun 21
P B Maudsley*							
	389,978	—	—	(389,978)	—	1 Mar 16	1 Mar 19
	212,982	—	—	—	212,982	4 Jul 17	4 Jul 20
	—	153,285	—	—	153,285	13 Jun 18	13 Jun 21

1. 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 £372,000. Mr Kowalski did not receive a bonus in respect of 2017/18 performance and all his outstanding PSP awards 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 further 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 6-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 6-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 6-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 3 years, unless terminated by either party giving one months' 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; for Ms O'Donnell, 24 January 2018; and for Ms Askem 27 February 2019.

Mr Tracey's letter of appointment entitled 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 retired from the Board at the conclusion of the 2018 AGM, having served almost 9 years, and he received no payments beyond his fees and expenses for the period up to that date.

Percentage increase in the remuneration of the Chief Executive

	2018/19	2017/18	% Change
Chief Executive (£000)			
Salary	427	419	2%
Benefits	100	100	—
Bonus	399	345	16%
Total	926	864	7%
Average of comparator group*			
Salary	174	167	4%
Benefits	29	26	12%
Bonus	90	61	48%
Total	293	254	15%

* 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 between the current and previous financial year compared to total employee cost for the same elements for the senior management level.

Relative importance of the spend on pay

	2018/19	2017/18	% Change
Staff Costs (£m)	61.0	57.9	5.3%
Distributions to shareholders (£m)	—	—	n/a
Adjusted Profit* (£m)	28.8	26.8	7.5%

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

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 29.03.19	Legally Owned 30.03.18	Unvested	Vested but not exercised	Total 29.03.19
Executive directors					
P B Maudsley*	292,436	238,606	366,267	—	658,703
S M Caldwell*	52,359	8,184	273,885	—	326,244

* Based on current beneficially owned shares and the year-end share price of 158p, Mr Maudsley satisfies the Company's 100% of salary share ownership guideline. 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 29.03.19	Legally Owned 30.03.18	Unvested	Vested	Total 29.03.19*
Non-Executive Directors					
M I Burke	60,000	40,000	—	—	—
F R Coumau	40,558	18,803	—	—	—
W Grimsey	47,064	25,000	—	—	—
E F Tracey	n/a	45,173	—	—	—
G F Ball	—	—	—	—	—
E O'Donnell	—	—	—	—	—
C Askem	—	n/a	—	—	—

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

Board Report on Directors' Remuneration

Company Share Price

The market price of the ordinary shares at 29 March 2019, being the last day of stock market trading before the period end, was 158p and the range during the period was 154p up to 302p.

Implementation of Policy for FY2019/20

Executive Directors

Salary

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 2019.

The base salaries effective 1 August 2018 and 1 August 2019 are as follows:

Director	1 August 2019	1 August 2018	% change
Chief Executive	£441,263	£430,500	2.5%
Chief Financial Officer	£276,750	£270,000	2.5%

For comparison, the average salary increase awarded across the Company for 2019/20 is 2.5%.

Performance-related bonus

In 2019/20, 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 2019/20, the Executive Directors will be eligible for PSP awards of 100% of salary, however the number of shares granted will be calculated based on the higher of the market value of the Company's shares at the date of grant and a share price of 250p. If the share price continues at around its current level this would reduce the value of the award to reflect the fall in the share price over the past 12 months. Awards will continue to be based on Absolute TSR and EPS performance conditions.

The EPS 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. The EPS compound annual growth rates (CAGR) used are the same as those which applied to the previous year's awards and continue to be considered stretching for the Company relative to internal and external forecasts. The TSR targets have been strengthened significantly bearing in mind the fall in the share price over the past 12 months. Last year this element of the plan had threshold targets of 7.5% CAGR and a maximum bonus target of 15% CAGR. The targets 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%	12.5%p.a. CAGR	22.5% p.a. CAGR or higher

Any vested shares (net of tax) 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

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 in 2008. The Board has reviewed the fees of the Non-Executive Directors again in 2019 and has agreed an increase of 2.5% to the Chairman's fee and the Non-Executive Director base fee with effect from 1 August 2019. The fees for the Chairman and Non-Executive Directors from that date will therefore be as follows:

- Chairman fee: £153,750 (an increase of 2.5%);
- Base fee for other Non-Executive Directors: £41,000 (an increase of 2.5%);
- Senior Independent Director fee: £10,000 (no change);
- Chairman of the Audit Committee fee: £10,000 (no change);
- Chairman of the Risk Committee fee: £10,000 (no change); and
- Chairman of the Remuneration Committee fee: £10,000 (no change).

On behalf of the Board

William Grimsey
Chairman of the Remuneration Committee

4 June 2019

Nomination Committee Report

The Nomination Committee operates under written terms of reference which are available on the Company's website (www.findel.co.uk). These have recently been updated to reflect developing market practice and in particular the expectations driven by the FRC's 2018 UK Corporate Governance Code. The Committee's principal duties are to review periodically 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 all of the independent Non-Executive Directors. Greg Ball, Francois Coumau, Bill Grimsey and Elaine O'Donnell were members of the Committee throughout the year. Eric Tracey was a member until his retirement from the Board on 26 July 2018.

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.

A substantial part of the Committee's work during FY2019 was focused on succession matters. In the first quarter of the year the Committee finalised its succession plan for the upcoming retirement of Eric Tracey from the Board at the conclusion of the 2018 AGM by recommending the appointment of Greg Ball to replace Eric Tracey as the Senior Independent Director, which appointment took effect on 26 July 2018. Previously, the Board, on the recommendation of the Committee, had appointed Elaine O'Donnell who joined the Board on 1 February 2018 and who took over the chair of the Audit Committee upon Eric Tracey's retirement from the Board.

It then turned its attention to planning for succession following the scheduled retirement of Bill Grimsey as Non-Executive Director and the Chair of the Remuneration Committee with his tenure due to reach 7 years at the conclusion of the 2019 AGM. The Committee engaged Russell Reynolds to seek appropriate candidates to join the Board as an independent Non-Executive Director. Following a lengthy exercise and interviews with several candidates by members of the Committee, Clare Askem was recommended to the Board. Her appointment was announced on 27 February 2019 and she joined the Board on 21 March 2019. The Committee expects that Clare's extensive retail experience and understanding of the changing consumer environment will further add to the skills and insight of the Board as the Company continues to focus on growing the Group's online value proposition. Her appointment has also brought the number of female directors up to two, promoting the Board's objective for greater diversity. The Board has also accepted the recommendation of the Nomination Committee to appoint Francois Coumau to be chair of the Remuneration Committee with effect from the conclusion of the 2019 AGM.

Prior to concluding these immediate succession issues the Committee had reviewed the size and balance of skills on the Board and each of its Committees, drawing on the advice of Aon Hewitt New Bridge Street regarding market practice for similar sized companies. That review concluded that, subject to recruiting a suitable replacement for Bill Grimsey, the Board and its Committees were appropriately constituted.

The Committee also carried out a more holistic review of its succession planning for directors and senior executives. The Committee re-confirmed its policy that in normal circumstances Non-Executive Directors would serve two terms of three years, with the potential to extend annually thereafter if circumstances warranted it, producing a schedule of succession measures to put this policy into effect. Discussions were also held regarding development and succession plans for the executive directors and the Committee also reviewed outline talent pool and succession possibilities for senior executives within the Group.

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, Armstrong Bonham Carter, who undertook an independent review in FY2017.

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 2019 AGM (other than Bill Grimsey who is retiring having served 7 years on the Board) and on the recommendation of the Committee the Board is recommending those elections/re-elections to shareholders.

The Committee met on four occasions during FY2019. All members have a 100% attendance record for the year. The Committee plans to hold at least two scheduled meetings during the coming year.

Ian Burke
Chairman of the Nomination Committee

4 June 2019

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 26 July 2018, the Committee was comprised of four independent Non-Executive Directors, reducing to three after the retirement of Eric Tracey from the Board after the 2018 AGM. I also succeeded Mr Tracey as Chair of the Committee on that date. Brief biographical details of the committee members, including their expertise and experience, are set out on page 29 and the number of meetings and attendance are set out on page 35. 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 34 to 37.

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 Studio;

(b) Financial services redress provisions;

(c) Recoverability of unamortised intangible assets;

(d) Individually significant items;

(e) Brexit and its potential effects on other key judgements;

(f) Carrying amount of inventories;

(g) Anticipated impact of new accounting standards for FY20; 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".

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

(a) Receivables provisioning – An updated bad debt provisioning model was developed by Studio in FY18 to prepare for the introduction of IFRS 9 in FY19. Having provided indications of its impact in the FY18 Annual Report & Accounts, this year, we needed to challenge whether the new model's output continued to be applied consistently and whether the requisite disclosures required by the new standard were adequate.

The sale of non-performing receivables to third parties continued to produce strong recoveries. Were the assumed recovery rates for future sales appropriately reflected in the provision for doubtful debts, and were recoveries achieved in FY19 appropriately disclosed in the financial statements?

The Committee received satisfactory responses to all these challenges.

Audit Committee Report

(b) Financial Services redress provisioning – Had the redress process now been materially completed and were the forecast assumptions underpinning any residual repayments 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.

(c) 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 improved operational KPIs, which had exceeded expectations at the start of the year, as well as the increased level of investment associated with that outperformance, 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.

(d) Individually significant items – Was it appropriate to show the items categorised as being individually significant in order to provide a true and fair picture of the Group's performance in FY19? Were the disclosures in relation to these items appropriate? The Committee received satisfactory responses to its questions.

(e) Brexit – had the Company undertaken an assessment of the potential risks associated with Brexit and the impact that those risks could have on other key areas of judgement, such as going concern, impairment of receivables and recoverability of intangible assets? Were adequate disclosures made in the Strategic Report about these risks and judgements? The committee was satisfied with the responses to its challenges.

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

(g) Anticipated impact of new accounting standards for FY20 – The new accounting standard for lease accounting, IFRS 16, will be adopted by the Group in FY20. The Committee reviewed options for implementing this standard and the disclosures that will be necessary. The Committee also challenged the key assumptions that will be required and how did management plan to educate shareholders and analysts on the financial impacts? 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:

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

(b) towards the conclusion of the audit, the materiality of adjusted and unadjusted errors as reported by the external auditor to the Committee.

(c) 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;

(d) 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

(e) 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) the pace of closure of outstanding internal control improvements. The continued focus has resulted in a significant reduction of aged control improvements whilst maintaining the pace of implementation of current control improvements;

(b) the successful completion of the legacy financial services redress programme for former customers delivered by our outsourced providers;

(c) the readiness of the business to comply with recent and forthcoming legislation changes including General Data Protection Regulation, Suppliers Payment Terms, Gender Pay Gap, Intermediaries (off payroll working) and latterly Senior Managers Certification Regime;

(d) the alignment mechanisms for risk assessment operating within the three lines of defence and the change management framework, to facilitate effective prioritisation; and

(e) the relaunch of Findel's Whistleblowing provision in response to the report issued in the previous year on the awareness and effectiveness of the arrangements in place.

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 Studio Retail management team, at which plans were reviewed and challenged. The Committee noted that significant progress has been achieved and that the culture and behavioural changes are becoming embedded.

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 the effectiveness of the relaunch communications approach and the enhancements made to ensure that the Whistleblowing arrangements met best practise as recommended by the Financial Conduct Authority.

The Chairman of the Committee also received her 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 could 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. Nicola Quayle, the senior statutory auditor from KPMG LLP since FY16, retired from the audit after the FY18 year end and has been replaced by Mick Davies, also from KPMG LLP.

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.

Audit Committee Report

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 8 to the consolidated financial statements and reflects the Committee's recommendation that greater explanation be provided than is required by law. The Committee noted that for both FY18 and FY19 there were no non-audit fees paid to KPMG LLP 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 FY18 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 FY19 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 her at any time.

The team have delivered enhancements in the following areas:

- Resource – cross skilling to create resilience within the team building on prior years' capability strengthening;
- Coverage – improved alignment of audit plan to strategic objectives and activities of the second line and project teams;
- Quality – creation of stakeholder feedback survey to be issued on completion of each review to support the team's continuous improvement agenda; and
- Outcomes – devised new action tracking, reporting and validation protocols creating improved visibility and accountability for the implementation of control improvements within agreed timescales.

The Committee approved the internal audit programme for the FY20 financial year, including the limited use of independent third parties.

Elaine O'Donnell
Chair of the Audit Committee

4 June 2019

Risk Committee Report

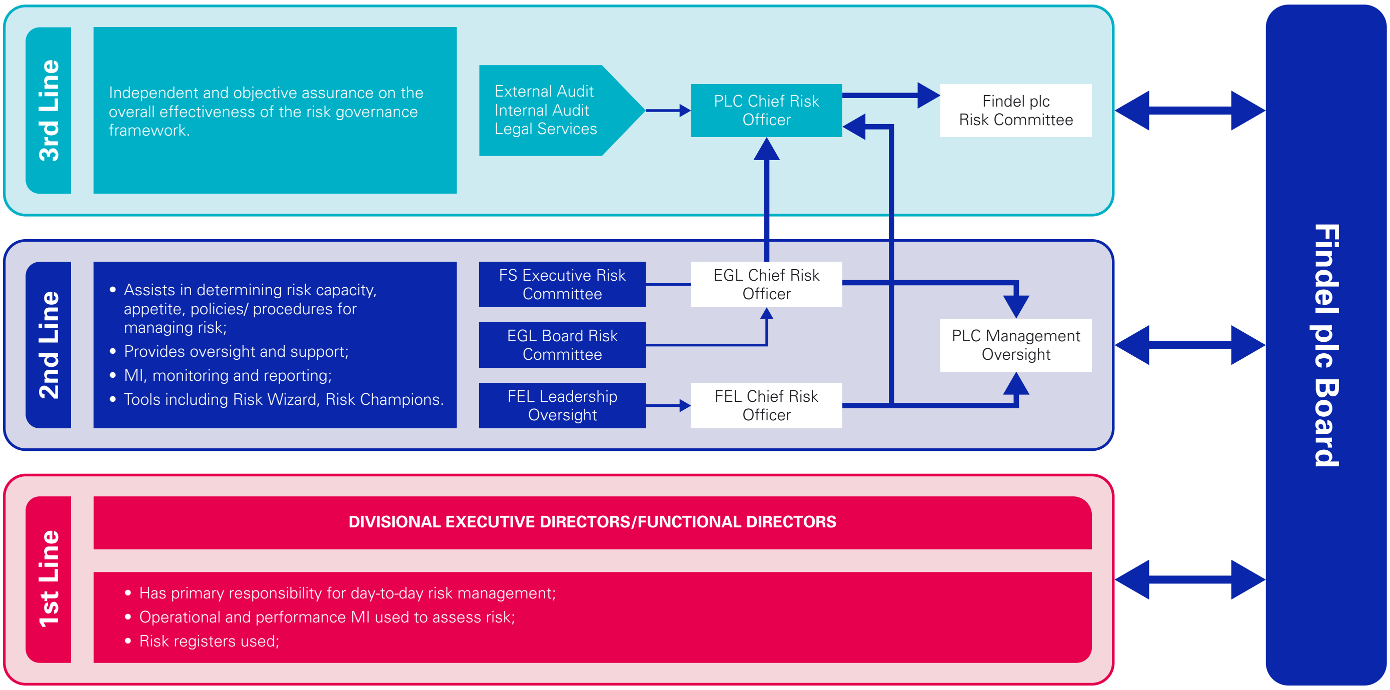
On behalf of the Committee I am pleased to present the Findel Risk Committee report for the financial year ended 29 March 2019 (FY19).

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 approved appetite levels. Strategy is then 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 five independent Non-Executive Directors, myself as Committee Chairman together with Eric Tracey, Bill Grimsey, Francois Coumau and Elaine O'Donnell. Mr Tracey retired from the Board and the Committee at the end of the AGM in July 2018. Brief biographical details of the Committee members are set out on page 29 and the number of meetings and attendance records are set out on page 35. 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.

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 Studio's customer base.
- As part of our strategy of putting the customer at the heart of the business, Studio has reviewed its integrated model of retail and financial services in terms of both customer conduct risk and financial performance. Regulatory changes are likely to affect customer acquisition and credit limit management, which 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 Studio. The plans set out in the Strategic Report reflect this.
- Notwithstanding recent investments in new systems, the business remains highly dependent upon some 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 and the level of change being deployed in the business makes this an area of higher potential risk.
- Studio is in the middle of 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 Studio's 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 assessment 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 Studio. In addition, an enhanced fraud solution accompanied by improved operational practices within Studio's 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, Studio 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 the application of risk appetite, 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, regulatory breach and adverse impacts on customer outcomes. The principal risks and uncertainties that could impact the performance of the Group are set out on pages 24 to 25.

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 risks and their potential impacts on the company and its businesses.

Greg Ball
Chairman of the Risk Committee

4 June 2019

Corporate Social Responsibility Report 2019

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 our interactions with, customers, colleagues, suppliers, the environment and the wider community.

Our customers

Studio

Studio is a leading UK digital value retailer with a broad offer covering clothing and footwear, home and leisure and gift products along with flexible payment options, focused on fantastic value for money. We hunt for the best value, so our customers don't have to! During the year we developed our product categories by listening to our customers and using improved Merchandise Financial Planning for value and on-trend products. Studio 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 2019, 1.9m customers shopped with Studio, an increase of 100,000 customers (+ 5.3%) compared to the same point in the previous year.

Studio is driving the business values, #Inclusive, #Trusted, #Savvy and #Amazing and seeks to keep its customers at the heart of all business decisions and activities as its core value. Examples of initiatives driven by these values include:

- Further improved website functionality with a new Studio branded website launched in April 2019 enhancing the way products are presented to customers
- System developments including artificial intelligence which have further enhanced the mobile experience through product recommendations, with a new Studio App to be launched during the year
- Parcel delivery messaging which improved customer experience through better tracking of their order and parcel delivery tracking, keeping customers informed which is resulting in fewer customer queries on parcel status
- Making returns easier for our customers by offering an online self-serve tool and increased returns options
- The use of information gained via our net promoter score 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
- The 'Financier' system was a major investment during last year and provides customers with improved and clearer statements, easier ways to manage their account by monthly billing and new credit options such as interest saver and Buy Now Pay Later
- Significant improvements in reducing fraud following the investment in resource and systems during last year in our fraud prevention and management systems
- A customer experience forum that brings a cross functional team together to understand the root cause of complaints and NPS weaknesses and then develop plans to address these issues.
- The planned introduction during FY2019/20 of point of sale cash purchasing options via Debit and Credit cards.

We recently completed a benchmark survey with the Institute of Customer Service. Our satisfaction score was 83.5, which was 5.6 points ahead of the UK all sector average and 1.4 points ahead of the 'Retail non-food' sector average. Our net promoter score (NPS) of 54.6 as at September 2018 was 14.1 points ahead of the UK 'Retail non-food' sector of our industry peers such as Next, M&S and Argos. We will use the independent data/bench marking from the Institute of Customer Services to track trends. Our internal NPS measure also improved to 49.1% in April 2019, from 44.7% in October 2018, and from 31.3% in October 2017, demonstrating continued improvement in our customer experience.

We are committed to improving further our assessment of how much customers can afford to pay, to ensure we are doing as much as possible to help them manage the amount of debt they get into, and ensure it remains sustainable and affordable for them. We have a number of ongoing workstreams to enhance our approach to these issues. We also proactively contact customers who could be in financial difficulties even when we are not seeing direct signs of this through non-payment with us, to seek to ensure that their overall financial situation remains sustainable for them.

Looking forward, Studio has an IT strategy roadmap of further digital developments in FY2019/20. The aim is to develop further our ability to tailor our engagement with customers to their particular requirements. The 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 may be better suited to some of our customers' needs and circumstances; and improved customer online and self-serve technology.

Findel Education

Findel Education has a clear strategy based on delivering value and digital solutions to its customers, with quality product and service – we aim to save schools time and money. Our online value proposition based on a customer insight programme identifies 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 last year, to improve search capabilities and introduce other online tools to help save teachers time. The number of customers setting up our Smart Connect online order management tool increased to over 3,000 customers by the end of FY19 from a base of 800 in the previous year. It 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 two years. The in-year result was an 8% growth in customer numbers.

Our Customer Voice programme has once again shown strong positive trends in customer feedback. Our net promoter score has once again exceeded 80. Convenience is fast becoming the key factor for the Education sector when selecting an educational resources provider and we continue to invest in systems, processes and digital techniques that support our market-leading service capabilities.

Our colleagues

Our colleagues are fundamental to the success of the Company. In January 2019, Express Gifts Limited changed its name to Studio Retail Limited to be consistent with the Studio brand and at the same time the business launched its new colleague values: Customer at the heart, #Inclusive, #Trusted, #Savvy and #Amazing. Recognising that colleagues are the driving force to business culture; these values were developed through participation of over 700 colleagues. These mirror the business values and at the same time as launching our new values to the business, we developed brand new values' descriptors (behavioural indicators) that enable our colleagues to understand how to grow and develop in their career journey with Studio.

We always look for ways to improve colleague engagement and understand what our colleagues need to help them develop themselves in Studio. This year we launched our first externally led engagement survey for all colleagues in Studio. The participation results for this survey were over 80%, demonstrating the engagement of our colleagues, however the business is far from complacent and is developing plans to address areas of relative weakness identified in the survey.

Learning and development is central to our colleague plans. We have dedicated training functions that support the development needs and succession planning in the business and track the colleague experience. We offer NVQ's and role-specific training programmes and apprenticeship programmes. Studio currently has three active apprentices in the business with a further two having completed their training programme. 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.

We offer flexible working solutions where we can, which helps to maintain a balance between work and life outside of the workplace. Studio operates a standard flexi-year contract for many of its warehouse colleagues with initiatives during the year increasing the number of workers on part time arrangements. The percentage of part-time workers for Studio and Findel Education is 16.5% and 18.3%, respectively.

We continue to offer a number of benefit schemes for our colleagues, including retail discounts and vouchers, an Employee Assistance Programme, reduced cost gym membership, NHS checks for the over 40's and a cycle to work scheme, which supports health and wellbeing. In February 2019, a major refurbishment of our Clayton office was completed, following the recent refurbishment of our Accrington offices, to allow for a much-improved modern working environment.

We published our gender pay gap and diversity review for both Studio and Findel Education on the government website and on the respective Company websites. Taking the Group as a whole, 49.2% of our workforce is female and 45.9% of those in the upper quartile of earnings within the Group are female. Further detail can be found on pages 26 to 27. We 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.

We 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 Studio and the entire Findel Education sales force is covered by DBS checks, given their direct access to schools and nurseries.

The Group is predominantly a UK-based employer, although a small proportion of 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.

Corporate Social Responsibility Report 2019

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. These assessments and inspections have also been developed to include both environmental and site security aspects. During the year we completed a full review of Traffic Management at both Studio and Findel Education sites, in consultation with our insurers Aviva, together with best practice examples from the Freight Transport Association. The outcome of this was an incremental improvement programme, including investment in new line marking and external LED lighting enhancements which also improves energy consumption.

Findel Education has certifications in ISO9001 and OHSAS18001, the internationally recognised standard for Occupational Health and Safety Management Systems and are transitioning to the new ISO045001 International Standard. 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 mitigation 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 8% in the total accident numbers in the year to March 2019 and within this, the number of serious accidents remained similar from a very low base year on year.

Business continuity

Studio has reviewed its Business Continuity Framework and continues to invest heavily to protect its business from unplanned events. Particular focus has been given this year to improving our ability to recover critical IT systems and communications infrastructure and we have engaged with IBM and more recently, another key provider, Rackspace, to upgrade our resilience in these areas. This significant investment will use multiple recovery technologies to enhance our ability to recover critical business data within approved time frames. We have put 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 Studio customer and business support sites.

At Findel 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 General Data Protection Regulation. We strongly support the Modern Slavery Act and have published appropriate statements on our websites.

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

Studio and Findel Education require new suppliers to produce an ethical trading statement of compliance as part of the account set-up process with independent third-party ethical sourcing certificates also required depending on the risk profile and product type. We have also set up, with the help of Verisio, a system to verify authenticity of audit certification of our suppliers, which reinforces standards within the supply chain.

Findel Asia Sourcing, our office in Shanghai, has been sourcing products for group companies and third parties for over 30 years and requires that each of the *c.*210 factories they deal with has a valid audit certificate in place covering the time of manufacture of our products. There is a programme for ensuring continued compliance by evidencing renewal and remediation of any non-conformances reported. A further level of scrutiny applied, is for factories with improvement works required through the audit process to provide photographic evidence of the remediation and resulting compliance.

During the year, Findel Asia Sourcing increased the number of dedicated production Quality Assurance and Quality Control colleagues and implemented a new software solution to further strengthen processes, control and oversight of the Far-East supply chain.

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

Studio places the utmost importance on the safety and quality of its products and the returns rate is trending down year on year and is significantly lower than our peers. Findel Education has seen a significant decrease of 36% in returns due to better product quality.

The Environment

As a digital value retailer 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 2018/19 were 85 tonnes of CO_2 , which will be further decreased in the coming years as the contraction of our fleet continues. The Scope 2 emissions from our energy usage were 6,704 tonnes of CO_2 which is a decrease of 5.8% from 7,113 tonnes in 2017/18.

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. Findel Education continues to increase its range of eco-friendly products, with a newly created Classmates stationery brand reintroduced last year, 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 Findel 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. 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. 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.

During the year the introduction of new environmentally friendly MFDs/printers at the Studio offices has resulted in the use of less consumables and more efficiency in terms of power and energy usage.

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). The average fleet emissions remain low at 109g/km in 2018/19.

Paper

The tonnage of paper used in our catalogues and brochures has shown a reduction from 10,572 tonnes in 2017/18 to 8,688 tonnes in 2018/19; a significant reduction of 17.8% as our digital offerings become the dominant customer preference. All paper used for printing by our divisions is manufactured at mills which have a 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. Studio plans are in place to review all despatch packaging during 2019/20 to move to more environmentally friendly solutions. Findel Education continue to operate an on-demand packaging solution, minimising the use of card by making custom cartons for every delivery. All card used by the Group for making our boxes is FSC certified and the small amount of packaging infill we do use is not only FSC, but all natural, 100% renewable, recyclable and reusable.

In the current year, we have seen an overall decrease in packaging materials by 20% due to the reduced paper packaging used in Studio dispatching and swapping to plastic bags where appropriate. The business is investigating the changeover to plastic recyclable bags to further reduce emissions.

Corporate Social Responsibility Report 2019

Waste

All Studio sites continue to be zero to landfill sites and have been since May 2012. In the last 12 months, 2,285 tonnes of waste was collected, of which 63% was recycled and 37% was recovered via an Energy from Waste (EFW) plant. By partnering with contractors who utilise refuse-derived fuel, Findel Education have also now achieved zero to landfill across all sites, which shows an improvement from 2.02% in the prior year.

Community Support

Our local communities are important to us and the Group and its colleagues continue to support a number of local and national charities nominated by our colleagues, together with local communities and organisations close to our various bases of operation. Studio sees Accrington and the surrounding towns and villages as vital to maintain our success as a digital retailer and major employer. We support the local community by donating furniture, clothes, toys and other gifts to charities and helping those in need. In addition to this, Studio have sponsored many employment fairs and the Hyndburn sports awards. In February 2019, Findel Education collaborated with Tameside Council to bring their 'Tameside Loves Reading' initiative to life. The campaign sets out to give a free book to every new-born baby and its parents before leaving the hospital over the next 3 years.

Both Studio and Findel Education are partnering local schools providing support and guidance to staff and students. Findel 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.

Findel Education is, for a fourth year, supporting the Go4SET scheme. Go4Set is a 10-Week STEM (Science, Technology, Engineering & Maths) project for 12 to 14-year olds administered by the Engineering Development Trust (a registered charity). Its mission is to inspire students towards STEM related careers by linking Findel 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 Studio and Findel Education also support various colleague-managed social events that act as charity events to support several much-needed local charities. In addition to charitable donations, Studio has also been visible in the local community through partnership with #Amazingaccrington and sponsorship of the Accrington Stanley Football Club's family stand.

Signed on behalf of the Board

Phil Maudsley
Chief Executive

4 June 2019

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 29.

By order of the Board

Ian Burke Chairman	Phil Maudsley Chief Executive

4 June 2019

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 year ended 29 March 2019 which comprise the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated cash flow statement, consolidated 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 29 March 2019 and of the Group's profit for the year then ended;

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

— 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 first appointed as auditor by the directors in September 2010. The period of total uninterrupted engagement is for the nine financial years ended 29 March 2019.

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		£1.5m (2018: £1.1m) 5.0% (2018: 5%) of Group profit before tax
Coverage		99% (2018: 98%) of Group profit before tax
Key audit matters		**vs 2018**
Recurring risks	Recoverability of trade receivables in Studio Retail Limited	▲
	Recoverability of non-amortising intangible assets	◀ ▶
	Recoverable amount of investment in subsidiary – parent company	◀ ▶
Event driven	**New:** The impact of uncertainties due to the UK exiting the European Union on our Audit	▲
	New: Going concern	▲

2. Key audit matters: including 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 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
The impact of uncertainties due to the UK exiting the European Union on our audit *Refer to page 24 (principal risks), page 30 (Directors' Report) and page 62 (Audit Committee Report).*	**Unprecedented levels of uncertainty** All audits assess and challenge the reasonableness of estimates, in particular as described in Impairment allowances on trade receivables in Studio Retail Limited, Recoverability of non-amortising intangible assets, Recoverable amount of investment in subsidiary, related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group's future prospects and performance. In addition, we are required to consider the other information presented in the Annual Report including the principal risks disclosure and the viability statement and to consider the directors' statement 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. Brexit is one of the most significant economic events for the UK and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes, with the full range of possible effects unknown.	We developed a standardised firm-wide approach to the consideration of the uncertainties arising from Brexit in planning and performing our audits. Our procedures included: — **Our Brexit knowledge:** We considered the directors' assessment of Brexit-related sources of risk for the Group's business and financial resources compared with our own understanding of the risks. We considered the directors' plans to take action to mitigate the risks. — **Sensitivity analysis:** When addressing Impairment allowances on trade receivables in Studio Retail Limited, Recoverability of non-amortising intangible assets, Recoverable amount of investment in subsidiary and other areas that depend on forecasts, we compared the directors' analysis to our assessment of the full range of reasonably possible scenarios resulting from Brexit uncertainty and, where forecast cash flows are required to be discounted, considered adjustments to discount rates for the level of remaining uncertainty. — **Assessing transparency:** As well as assessing individual disclosures as part of our procedures on Impairment allowances on trade receivables in Studio Retail Limited, Recoverability of non-amortising intangible assets and Recoverable amount of investment in subsidiary we considered all of the Brexit related disclosures together, including those in the strategic report, comparing the overall picture against our understanding of the risks. **Our results** — As reported under Impairment allowances on trade receivables in Studio Retail Limited, Recoverability of non-amortising intangible assets and Recoverable amount of investment in subsidiary, we found the resulting estimates and related disclosures of Recoverability of trade receivables in Studio Retail Limited, Recoverability of non-amortising intangible assets Recoverable amount of investment in subsidiary and disclosures in relation to going concern to be acceptable. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to Brexit.

	The risk	Our response
Going concern *Refer to page 62 (Audit Committee Report) and page 98 (financial disclosures).*	**Disclosure quality** The financial statements explain how the Board has formed a judgement that it is appropriate to adopt the going concern basis of preparation for the Group and Company. That judgement is based on an evaluation of the inherent risks to the Group's and Company's business model and how those risks might affect the Group's and Company's financial resources or ability to continue operations for a period of at least twelve months from the date of approval of these financial statements. The risks most likely to affect the Group's and Company's available financial resources over this period were: — The level of financing available and the ability of the Group to comply with financial covenants at certain points within the year; and — The risk, increased due to the impact of Brexit uncertainty, that the Group will recover less cash than expected from the Studio Retail trade receivables. There are also less predictable but realistic second order impacts, such as the impact of Brexit and the erosion of customer confidence, which could result in a rapid reduction of available financial resources. The risk for our audit was whether those risks were such that they amounted to a material uncertainty that may have cast significant doubt over the Group's ability to continue to operate as a going concern. Had they been such, then that fact would have been required to have been disclosed.	Our procedures included: — **Funding assessment:** Assessed the committed level of financing available to the Group for at least the next twelve months through considering the facility agreements and assessing the Group's ability to comply with covenant requirements. — **Historical comparisons:** Considered the Group's historical budgeting accuracy, by assessing actual performance against budget and analysing the Group's explanations for variances between actual and budgeted results. — **Our sector experience:** Used our experience of the sector to challenge management's assumptions over forecast customer default ratios and cash flow forecasts. — **Key dependency assessment:** Assessing the Group's cash flow forecasts to identify key inputs for further enquiry. The key inputs included forecast customer default ratios and forecast revenue growth. — **Sensitivity analysis:** Considered sensitivities over the level of available financial resources indicated by the Group's financial forecasts taking account of reasonably possible (but not unrealistic) downside sensitivities that could arise, including a reduction in forecast revenue growth, a reduction in forecast gross profit margin and an increase in forecast customer default ratios. — **Assessing transparency:** Assessed the completeness and accuracy of the matters covered in the going concern disclosure by assessing the reasonableness of the risks and uncertainties specified by the disclosure against our findings from our evaluation of management's assessment of going concern. **Our results** — We found the going concern disclosure without any material uncertainty to be acceptable (2018 result: acceptable).

	The risk	Our response
Impairment allowances on trade receivables in Studio Retail Limited (£294m, allowance for doubtful debts £87.9m; 2018: £260.8m, allowance for doubtful debts £83.4m) *Refer to page 61 (Audit Committee Report), page 103 (accounting policy) and pages 122 to 124 (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 Studio Retail Limited business. The provision held against trade receivables is most sensitive to assumptions made in respect of the timing and value of cash recoveries in respect of debt sales, the determination of a significant increase in credit risk and the resulting impact on staging, and the probability of accounts falling into arrears and subsequently defaulting. Small changes in the assumptions and estimates used in calculating the probability of default and the assumptions relating to the timing and amount of cash recoveries 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 are also important. The effect of these matters is that, as part of our risk assessment, we determined that the impairment allowances on trade receivables had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole, and possibly many times that amount. The financial statements (note 14) disclose the sensitivity estimated by the Company. **Disclosure quality** The disclosures regarding the Group's application of IFRS 9 are key to understanding the change from IAS 39 and the key judgements involved.	Our procedures included: — **Control re-performance:** Testing key controls over the capture, monitoring, and reporting of credit advances to customers as well as other key provisioning controls including those over the key assumptions. — **Test of detail:** Testing a sample of receivables to gain comfort that significant changes in credit risk have been identified appropriately and the impact of these represented accurately within the model. Testing the capture of forborne accounts in the impairment model and the resulting provision impact. — **Our financial risk modelling expertise:** Using our financial risk modelling specialists to assess changes made to the underlying impairment model during the financial period and perform replication testing. Using our experience to independently assess probability of default, loss given default and exposure at default assumptions. — **Historical comparisons:** Critically challenging the Group's assumptions regarding the timing and value of cash recoveries based on historical experience and benchmarking against market prices, probability of default and the Group's approved debt sale strategies. — **Benchmarking assumptions:** Benchmarking the Group's key assumptions, including probability of default and criteria used to determine whether there has been a significant increase in credit risk, to comparable lenders. We also used our economic specialists to challenge the economic scenarios in the model and the weighting the model uses to build the provision through comparison's with market peers and PRA baseline stress testing scenarios. — **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** — Our testing identified some weaknesses in the design and implementation of controls. As a result we expanded the extent of our detailed testing over and above that originally planned. The results of this testing were satisfactory and we found the impairment allowances recognised, and the associated disclosures made, to be acceptable (2018 result: acceptable).

	The risk	Our response
Recoverability of non-amortising intangible assets (£17.3m; 2018: £17.3m) *Refer to page 62 (Audit Committee Report), page 106 (accounting policy) and pages 120 to 121 (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, the outcome could vary significantly if different assumptions were applied in the model. Therefore, the valuation of non-amortising intangible assets is a key judgemental area on which our audit is concentrated. The effect of these matters is that, as part of our risk assessment, we determined that the carrying value of non-amortising intangible assets had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole. The financial statements (note 11) disclose the sensitivity estimated by the Group.	Our procedures included: — **Historical comparison:** Assessing the Group's forecasting accuracy by comparing actual results in the period to what was forecast in the prior period. — **Benchmarking assumptions:** Using our valuation specialists to critically evaluate 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 assumption for the terminal growth rate and forecast operating profit growth. — **Sensitivity analysis:** Performing breakeven analysis on the key assumptions noted above. — **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 intangible assets. **Our results** — We found the recoverability of non-amortising intangible assets to be acceptable. (2018 result: acceptable).
Recoverable amount of investment in subsidiary – parent company Parent: £23.9m (amounts within the total investments in subsidiaries balance); 2018: £23.9m (amounts within the total investments in subsidiaries balance) *Refer to page 144 (accounting policy) and page 146 (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. The effect of these matters is that, as part of our risk assessment, we determined that the carrying value of non-amortising intangible assets had a high degree of estimation uncertainty, with a potential range of reasonable outcomes greater than our materiality for the financial statements as a whole.	Our procedures included: — **Historical comparison:** Assessing the Company's forecasting accuracy by comparing actual results in the period to what was forecast in the prior period. — **Benchmarking assumptions:** Using our valuation specialists to critically evaluate 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 assumption for the terminal growth rate and forecast operating profit growth. — **Sensitivity analysis:** Performing breakeven analysis on the key assumptions noted above. — **Assessing transparency:** Assessing whether the Parent Company'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 investments in subsidiaries. **Our results** — We found the recoverability of the parent company's investment in subsidiaries to be appropriate (2018 result: appropriate).

We continue to perform procedures over valuation of inventories, financial services redress provisions and the classification of individually significant items. However, following stock keeping unit rationalisation and management's efforts to reduce the ageing of inventories, the reduction in judgement over financial services redress provisions and the reduction in judgement required in arriving at the categorisation of items as individually significant we have not assessed these as the most significant risks in our current year audit and, therefore have not separately identified them in our report this year.

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 £1.5m (2018: £1.1m), determined with reference to a benchmark of Group profit before tax, normalised to exclude this year's financial services redress provisions as disclosed in note 5 (of which it represents 4.6% (2018: 5%)).

Materiality for the parent company financial statements as a whole was set at £1m (2018: £1m), determined with reference to a benchmark of Company total assets, of which it represents 1% (2018: 0.8%).

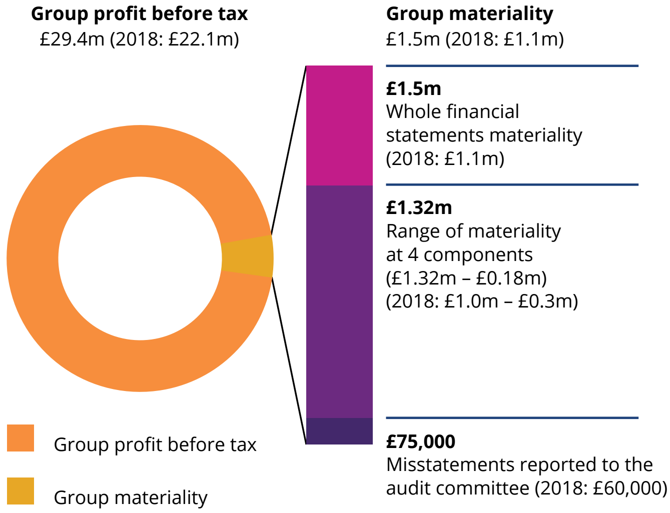
We agreed to report to the Audit Committee any corrected or uncorrected identified misstatements exceeding £75,000 (2018: £60,000), in addition to other identified misstatements that warranted reporting on qualitative grounds.

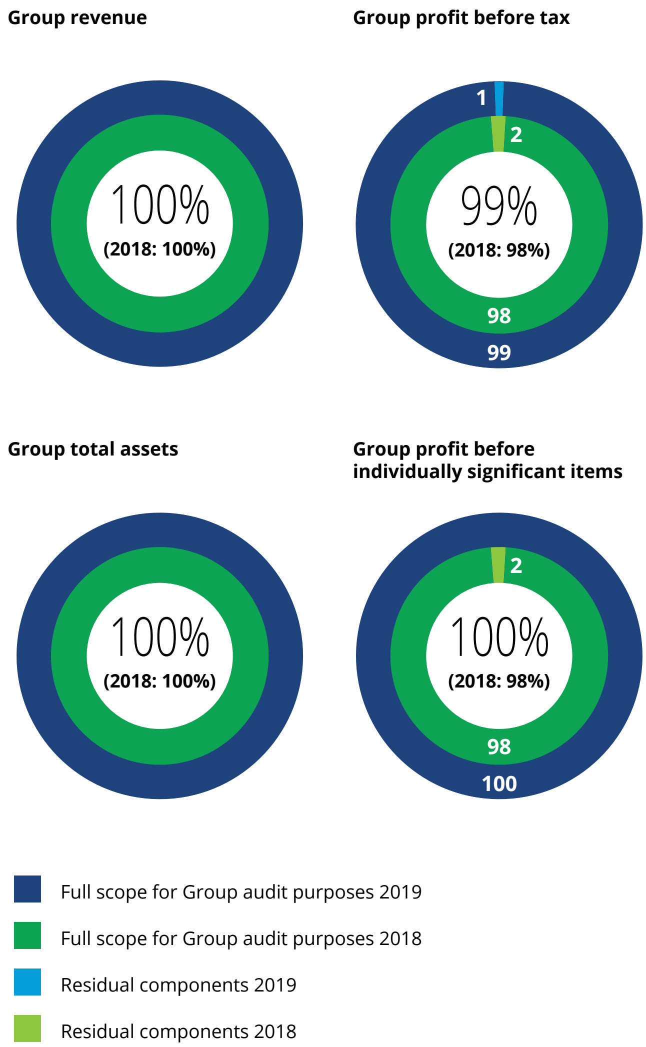
Of the Group's four (2018: four) reporting components, we subjected three (2018: three) to full scope audits for Group purposes.

The components within the scope of our work accounted for the percentages illustrated opposite.

The work on the three (2018: three) components, including the audit of the parent company, was performed by the Group team. The component materialities ranged from £0.18m – £1.32m, having regard to the mix of size and risk profile of the Group across the components.

The Group team performed procedures on the items excluded from normalised Group profit before tax.





4. We have nothing to report on going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the Company or the Group or to cease their operations, and as they have concluded that the Company's and the Group's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

Our responsibility is to conclude on the appropriateness of the directors' conclusions and, had there been a material uncertainty related to going concern, to make reference to that in this audit report. However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Group and the Company will continue in operation.

We identified going concern as a key audit matter (see section 2 of this report). Based on the work described in our response to that key audit matter, 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 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 30 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 year 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 30 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 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.

Our work is limited to assessing these matters in the context of only the knowledge acquired during our financial statements audit. As we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of anything to report on these statements is not a guarantee as to the Group's and Company's longer-term viability.

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.

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 73, 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 general commercial and 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 and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations. We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the Group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, pensions legislation and taxation legislation and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Secondly, the Group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the Group's licence to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, employment law and certain aspects of Company legislation recognising the financial and regulated nature of the part of the Group's activities.

Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Through these procedures, we became aware of actual or suspected non-compliance and considered the effect as part of our procedures on the related financial statement items. The identified actual or suspected non-compliance was not sufficiently significant to our audit to result in our response being identified as a key audit matter however we performed procedures to assess the completeness and accuracy of the Group's regulatory provisions. This work included reviewing correspondence with the Financial Conduct Authority, assessing the provision methodology against regulator guidelines and our market experience, re-performing the provision model calculations and performing sensitivity analysis on key assumptions.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations (irregularities) is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it. In addition, as with any audit, there remained a higher risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

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.

Mick Davies

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

5 June 2019

Contents

3 **Financial Statements**

84 Consolidated Income Statement

86 Consolidated Statement of Comprehensive Income

87 Consolidated Balance Sheet

88 Consolidated Cash Flow Statement

89 Consolidated Statement of Changes in Equity

90 Notes to the Consolidated Financial Statements

Consolidated Income Statement

52-week period ended 29 March 2019

	Notes	Before individually significant items £000	Individually significant items £000	Total £000
Continuing operations				
Revenue		408,688	—	408,688
Credit account interest		98,119	—	98,119
Total revenue (including credit interest)		506,807	—	506,807
Cost of sales		(261,377)	—	(261,377)
Impairment losses on customer receivables		(36,623)	—	(36,623)
Gross profit		208,807	—	208,807
Trading costs	4	(170,390)	(4,158)	(174,548)
Analysis of operating profit:				
– **EBITDA***		50,022	(4,158)	45,864
– Depreciation and amortisation		(11,605)	—	(11,605)
Operating profit	4	38,417	(4,158)	34,259
Finance costs	6	(9,656)	—	(9,656)
Profit before tax and fair value movements on derivative financial instruments		28,761	(4,158)	24,603
Fair value movements on derivative financial instruments		4,750	—	4,750
Profit before tax		33,511	(4,158)	29,353
Tax (expense)/income	7	(6,805)	741	(6,064)
Profit for the period	8	26,706	(3,417)	23,289
Earnings per ordinary share				
Basic	10			26.98p
Diluted				26.98p

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

52-week period ended 30 March 2018 (restated – refer to note 1)

	Notes	Before individually significant items £000	Individually significant items £000	Total £000
Continuing operations				
Revenue		387,702	—	387,702
Credit account interest		91,911	—	91,911
Total revenue (including credit interest)		479,613	—	479,613
Cost of sales		(253,550)	—	(253,550)
Impairment losses on customer receivables		(28,156)	—	(28,156)
Gross profit		197,907	—	197,907
Trading costs	4	(161,931)	—	(161,931)
Analysis of operating profit:				
– **EBITDA***		46,395	—	46,395
– Depreciation and amortisation		(10,419)	—	(10,419)
Operating profit	4	35,976	—	35,976
Finance costs	6	(9,130)	—	(9,130)
Profit before tax and fair value movements on derivative financial instruments		26,846	—	26,846
Fair value movements on derivative financial instruments		(4,701)	—	(4,701)
Profit before tax		22,145	—	22,145
Tax expense	7	(2,565)	—	(2,565)
Profit for the period	8	19,580	—	19,580
Earnings per ordinary share				
Basic	10			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 Statement of Comprehensive Income

52-week period ended 29 March 2019

	2019 £000	2018 (restated) £000
Profit for the period	23,289	19,580
Other Comprehensive Income		
Items that may be reclassified to profit or loss		
Cash flow hedges	(19)	16
Currency translation (loss)/gain arising on consolidation	(353)	293
	(372)	309
Items that will not subsequently be reclassified to profit or loss		
Remeasurements of defined benefit pension scheme (note 25)	(2,374)	5,227
Tax relating to components of comprehensive income (note 20)	643	(2,335)
	(1,731)	2,892
Total comprehensive income for period	21,186	22,781

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

Company Number: 549034

at 29 March 2019

	Notes	2019 £000	2018 (restated) £000	2017 (restated) £000
Non-current assets				
Intangible assets	11	24,952	25,175	26,186
Property, plant and equipment	12	45,511	45,350	44,416
Derivative financial instruments	18	6	41	32
Retirement benefit surplus	25	—	2,205	—
Deferred tax assets	20	10,556	8,904	8,524
		81,025	81,675	79,158
Current assets				
Inventories	13	48,757	54,375	58,410
Trade and other receivables	14	235,923	230,802	210,742
Derivative financial instruments	18	604	6	556
Cash and cash equivalents	15	37,603	26,244	29,173
Current tax assets	7	—	451	1,748
		322,887	311,878	300,629
Total assets		403,912	393,553	379,787
Current liabilities				
Trade and other payables	16	(72,592)	(67,047)	(63,474)
Obligations under finance leases	17	(498)	(572)	(545)
Derivative financial instruments	18	—	(4,147)	—
Provisions	19	(3,325)	(9,424)	(27,770)
Current tax liabilities		(1,762)	—	—
		(78,177)	(81,190)	(91,789)
Non-current liabilities				
Bank loans	17	(270,545)	(257,504)	(252,534)
Obligations under finance leases	17	—	(497)	(1,069)
Provisions	19	(7,753)	(10,605)	(12,767)
Retirement benefit obligation	25	(68)	—	(5,415)
Deferred tax liabilities	20	(3,849)	(4,564)	—
		(282,215)	(273,170)	(271,785)
Total liabilities		(360,392)	(354,360)	(363,574)
Net assets		43,520	39,193	16,213
Equity				
Share capital	22	48,644	48,644	48,644
Translation reserve		764	1,117	824
Hedging reserve		(54)	(35)	(51)
Accumulated losses		(5,834)	(10,533)	(33,204)
Total equity		43,520	39,193	16,213

Approved by the Board and authorised for issue on 4 June 2019

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 29 March 2019

	2019 £000	2018 (restated) £000
Profit for the period	23,289	19,580
Adjustments for:		
Income tax	6,604	2,565
Finance costs	9,656	9,130
Depreciation of property, plant and equipment	9,438	8,423
Amortisation of intangible assets	2,167	1,996
Share-based payment expense	926	199
Loss on disposal of property, plant and equipment	—	192
Fair value movements on financial instruments net of premiums paid	(4,784)	4,648
Pension contributions less income statement charge	(40)	(2,500)
Operating cash flows before movements in working capital	46,716	44,233
Decrease in inventories	5,618	4,547
Increase in receivables	(26,549)	(20,573)
Increase in payables	5,522	3,894
Decrease in provisions	(8,951)	(20,662)
Cash generated from operations	22,356	11,439
Income taxes (paid)/refunded	(1,931)	581
Interest paid	(10,017)	(8,482)
Net cash from operating activities	10,408	3,538
Investing activities		
Interest received	—	177
Proceeds on disposal of property, plant and equipment	—	50
Purchases of property, plant and equipment, software and IT development costs and other intangible assets	(11,545)	(10,595)
Acquisition of subsidiary, net of cash acquired	—	(450)
Net cash used in investing activities	(11,545)	(10,818)
Financing activities		
Repayments of obligations under finance leases	(571)	(545)
Bank loans repaid	(5,000)	(10,000)
Securitisation loan drawn	18,041	14,970
Net cash from financing activities	12,470	4,425
Net increase/(decrease) in cash and cash equivalents	11,333	(2,855)
Cash and cash equivalents at the beginning of the period	26,244	29,173
Effect of foreign exchange rate changes	26	(74)
Cash and cash equivalents at the end of the period	37,603	26,244

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

Consolidated Statement of Changes in Equity

52-week period ended 29 March 2019

	Share capital £000	Translation reserve £000	Hedging reserve £000	Accumulated losses £000	Total equity £000
At 31 March 2017 (as reported)	48,644	824	(51)	(32,714)	16,703
Effect of adopting IFRS 15 (note 1)	—	—	—	(490)	(490)
At 31 March 2017 (restated)	48,644	824	(51)	(33,204)	16,213
Total comprehensive income for the period (restated)	—	293	16	22,472	22,781
Share-based payments	—	—	—	199	199
At 30 March 2018 (restated)	48,644	1,117	(35)	(10,533)	39,193
Adjustment on initial application of IFRS 9 (net of tax)	—	—	—	(17,785)	(17,785)
Restated balance at 30 March 2018	48,644	1,117	(35)	(28,318)	21,408
Total comprehensive income for the period	—	(353)	(19)	21,558	21,186
Share-based payments	—	—	—	926	926
At 29 March 2019	48,644	764	(54)	(5,834)	43,520

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 29. The nature of the Group's operations and its principal activities are set out in the Strategic Report on pages 1 to 27.

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.

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

Impact of accounting standards that have become effective during the current period

The Group has initially applied IFRS 9 *Financial Instruments* and IFRS 15 *Revenue from Contracts with Customers* with effect from 31 March 2018 being the first day of the current accounting period.

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

  IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

  As a result of the adoption of IFRS 9, the Group has adopted consequential amendments to IAS 1 Presentation of Financial Statements, which require separate presentation in the Consolidated Income Statement of interest income calculated using the effective interest rate method and impairment of financial assets. Previously, the Group's approach was to include interest income calculated using the effective interest rate method within revenue and impairment of financial assets within cost of sales. Consequently, the Group has reclassified interest income of £98,119,000 (2018: £91,911,000) from revenue to "credit account interest" and £36,623,000 (2018: £28,156,000) from cost of sales to "impairment losses on customer receivables" in the consolidated income statement.

  #### i) Classification – financial assets and liabilities

  IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

  IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The standard eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

  A financial asset will be measured at amortised cost if both the following conditions are met and it has not been designated as at FVTPL:

  - the asset is held within a business model whose objective is to hold the asset to collect its contractual cash flows; and
  - the contractual terms of the financial asset give rise to cash flows on specified dates that represent payments of solely principal and interest on the outstanding.

  IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.

  The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies related to financial liabilities and derivative financial instruments. The impact of IFRS 9 on the classification and measurement of financial assets at 31 March 2018 is set out in the table below:

Financial Assets	Original classification under IAS 39 £000	New classification under IFRS 9 £000	Original carrying amount under IAS 39 £000	New carrying amount under IFRS 9 £000
Trade receivables	Loans and receivables	Amortised cost	212,897	191,469
Other receivables and prepayments	Loans and receivables	Amortised cost	17,905	17,905
Cash and cash equivalents	Loans and receivables	Amortised cost	26,244	26,244

1 General information and accounting policies – continued

The following table reconciles the carrying amounts of financial assets under IAS 39 to the carrying amounts under IFRS 9 on transition on 31 March 2018:

Financial Assets	Carrying amount under IAS 39 at 30 March 2018 £000	Remeasurement £000	Carrying amount under IFRS 9 at 31 March 2018 £000
Trade receivables	212,897	(21,428)	191,469
Other receivables and prepayments	17,905	—	17,905
Cash and cash equivalents	26,244	—	26,244

Studio's trade receivables that were classified as loans and receivables under IAS 39 are now classified at amortised cost. An increase in the allowance for impairment over these trade receivables of £21,428,000 was recognised in opening accumulated losses at 31 March 2018 as a result. A corresponding deferred tax asset of £3,643,000 was also recognised in accumulated losses at 31 March 2018.

Financial assets classified at amortised cost are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses (see point ii) below). Interest income, foreign exchange gains and losses and impairment are recognised in profit and loss. Any gain or loss on derecognition is recognised in profit or loss.

ii) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with a forward-looking expected credit loss ("ECL") model and therefore materially changes the way in which the Group calculates its provision for impairment in respect of Studio Retail's trade receivables. Under IFRS 9, credit losses are recognised earlier than under IAS 39.

As the Group has determined there is a significant financing component, the ECL model introduces the concept of staging:

- Stage 1: Where there is no evidence of significant increase in credit risk since the origination of the financial asset. Stage 1 applies from the initial recognition of the financial asset unless it was credit impaired when purchased or originated;
- Stage 2: Where there is evidence of significant increase in credit risk since origination of the financial asset; and
- Stage 3: Where the financial asset becomes credit impaired.

Under IFRS 9, loss allowances are measured on the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECL is used for Stage 1 performing assets and a lifetime ECL is used for stages 2 and 3. An asset will move from Stage 1 to Stage 2 when there is evidence of significant increase in credit risk since the asset originated and into Stage 3 when it is credit impaired. Should the credit risk improve so that the assessment of credit risk at the reporting date is considered not to be significant any longer, assets return to an earlier stage in the ECL model.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, has been placed on an arrangement to pay less than the standard required minimum payment or has had interest suspended.

The Group considers a financial asset to be in default when it is more than 120 days past due and/or when the borrower is unlikely to pay its obligations in full.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment including forward looking information.

Estimation uncertainty
The key assumptions in the ECL calculations are:

Probability of Default ("PD") – an estimate of the likelihood of default over 12 months and the expected lifetime of the debt;

Exposure at Default ("EAD") – an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by the contract or otherwise and accrued interest from missed payments; and

Loss Given Default ("LGD") – an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, discounted at the original effective interest rate.

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

Incorporation of forward-looking information
The Group incorporates forward-looking information into its measurement of ECLs. This is achieved by developing four potential economic scenarios and modelling ECLs for each scenario. The outputs from each scenario are combined; using the estimated likelihood of each scenario occurring to derive a probability weighted ECL.

Management judgement is required in setting assumptions around probabilities of default and the weighting of economic scenarios in particular which have a material impact on the results indicated by the ECL model.

Presentation
Loss allowances for financial assets are deducted from the gross carrying amount of the asset. Impairment losses related to Studio's trade receivables are presented separately in the Consolidated Income Statement..

Impact of new impairment model
The Group has determined that the application of IFRS 9's impairment requirements at 31 March 2018 results in an additional impairment provision in respect Studio Retail's trade receivables as follows:

	£000
Impairment provision at 30 March 2018 under IAS 39	(55,084)
Additional impairment provision recognised on adoption of IFRS 9	(21,428)
Impairment provision at 31 March 2018 under IFRS 9	(76,512)

iii) Transition
Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except that the Group has taken an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Differences in the carrying amounts of financial assets resulting from the adoption of IFRS 9 are recognised in accumulated losses as at 31 March 2018. Accordingly, the information presented for the period to 30 March 2018 reflects the requirements of IAS 39 rather than IFRS 9.

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

IFRS 15 replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations, and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards.

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 is 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 in most cases.

The impact of this change is to delay the recognition of revenue (and gross profit) by an average of 1 to 3 days, reflecting the Group's standard delivery timeframes.

The Group has adopted IFRS 15 using the fully retrospective method of adoption. Consequently, the comparative Condensed Consolidated Income Statement for the period ended 30 March 2018 and the Condensed Consolidated Balance Sheets at 31 March 2017 and 30 March 2018 have been restated to reflect the requirements of IFRS 15. The impact of adopting IFRS 15 on the current and comparative periods shown is summarised in the following tables.

1 General information and accounting policies – continued

Impact on the Consolidated Income Statement and Comprehensive Income

52-week period ended 29 March 2019

	Amounts prior to adoption of IFRS 15 £000	Impact of IFRS 15 adoption £000	As reported £000
Continuing operations			
Revenue	408,071	617	408,688
Credit account interest	98,119		98,119
Total revenue (including credit interest)	506,190	617	506,807
Cost of sales	(260,866)	(511)	(261,377)
Impairment losses on customer receivables	(36,623)		(36,623)
Gross profit	208,701	106	208,807
Trading costs	(174,424)	(124)	(174,548)
Analysis of operating profit:			
– **EBITDA***	45,882	(18)	45,864
– Depreciation and amortisation	(11,605)	—	(11,605)
Operating profit	34,277	(18)	34,259
Finance costs	(9,656)	—	(9,656)
Profit before tax and fair value movements on derivative financial instruments	24,621	(18)	24,603
Fair value movements on derivative financial instruments	4,750	—	4,750
Profit before tax	29,371	(18)	29,353
Tax expense	(6,064)	—	(6,064)
Profit for the period	23,307	(18)	23,289
Total comprehensive income for the period	21,204	(18)	21,186
Earnings per ordinary share			
Basic	27.00p	(0.02)p	26.98p
Diluted	27.00p	(0.02)p	26.98p

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

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

Impact on the Consolidated Income Statement and Comprehensive Income
52-week period ended 30 March 2018

	Amounts prior to adoption of IFRS 15 £000	Impact of IFRS 15 adoption £000	As reported £000
Continuing operations			
Revenue	387,048	654	387,702
Credit account interest	91,911		91,911
Total revenue (including credit interest)	478,959	654	479,613
Cost of sales	(253,020)	(530)	(253,550)
Impairment losses on customer receivables	(28,156)		(28,156)
Gross profit	197,783	124	197,907
Trading costs	(161,832)	(99)	(161,931)
Analysis of operating profit:			
– **EBITDA***	46,370	25	46,395
– Depreciation and amortisation	(10,419)	—	(10,419)
Operating profit	35,951	25	35,976
Finance costs	(9,130)	—	(9,130)
Profit before tax and fair value movements on derivative financial instruments	26,821	25	26,846
Fair value movements on derivative financial instruments	(4,701)	—	(4,701)
Profit before tax	22,120	25	22,145
Tax expense	(2,542)	(23)	(2,565)
Profit for the period	19,578	2	19,580
Total comprehensive income for the period	22,779	2	22,781
Earnings per ordinary share			
Basic	22.68p	0.00p	22.68p
Diluted	22.68p	0.00p	22.68p

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

1 General information and accounting policies – continued

Impact on the Consolidated Balance Sheet
at 29 March 2019

	Amounts prior to adoption of IFRS 15 £000	Impact of IFRS 15 adoption £000	As reported £000
Non-current assets	81,025	—	81,025
Current assets			
Inventories	47,526	1,231	48,757
Trade and other receivables	237,751	(1,828)	235,923
Derivative financial instruments	604	—	604
Cash and cash equivalents	37,603	—	37,603
	323,484	(597)	322,887
Total assets	404,509	(597)	403,912
Current liabilities			
Trade and other payables	(72,592)	—	(72,592)
Obligations under finance leases	(498)	—	(498)
Provisions	(3,325)	—	(3,325)
Current tax liabilities	(1,853)	91	(1,762)
	(78,268)	91	(78,177)
Non-current liabilities	(282,215)	—	(282,215)
Total liabilities	(360,483)	91	(360,392)
Net assets	44,026	(506)	43,520
Equity			
Share capital	48,644	—	48,644
Translation reserve	764	—	764
Hedging reserve	(54)	—	(54)
Accumulated losses	(5,328)	(506)	(5,834)
Total equity	44,026	(506)	43,520

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

Impact on the Consolidated Balance Sheet

at 30 March 2018

	Amounts prior to adoption of IFRS 15 £000	Impact of IFRS 15 adoption £000	As reported £000
Non-current assets			
Intangible assets	25,175	—	25,175
Property, plant and equipment	45,350	—	45,350
Derivative financial instruments	41	—	41
Retirement benefit surplus	2,205	—	2,205
Deferred tax assets	8,813	91	8,904
	81,584	91	81,675
Current assets			
Inventories	53,091	1,284	54,375
Trade and other receivables	232,665	(1,863)	230,802
Derivative financial instruments	6	—	6
Cash and cash equivalents	26,244	—	26,244
Current tax receivable	451	—	451
	312,457	(579)	311,878
Total assets	394,041	(488)	393,553
Current liabilities	(81,190)	—	(81,190)
Non-current liabilities	(273,170)	—	(273,170)
Total liabilities	(354,360)	—	(354,360)
Net assets	39,681	(488)	39,193
Equity			
Share capital	48,644	—	48,644
Translation reserve	1,117	—	1,117
Hedging reserve	(35)	—	(35)
Accumulated losses	(10,045)	(488)	(10,533)
Total equity	39,681	(488)	39,193

1 General information and accounting policies – continued

Impact on the Consolidated Balance Sheet
at 31 March 2017

	Amounts prior to adoption of IFRS 15 £000	Impact of IFRS 15 adoption £000	As reported £000
Non-current assets			
Intangible assets	26,186	—	26,186
Property, plant and equipment	44,416	—	44,416
Derivative financial instruments	32	—	32
Deferred tax assets	8,410	114	8,524
	79,044	114	79,158
Current assets			
Inventories	57,108	1,302	58,410
Trade and other receivables	212,648	(1,906)	210,742
Derivative financial instruments	556	—	556
Cash and cash equivalents	29,173	—	29,173
Current tax receivable	1,748	—	1,748
	301,233	(604)	300,629
Total assets	380,277	(490)	379,787
Current liabilities	(91,789)	—	(91,789)
Non-current liabilities	(271,785)	—	(271,785)
Total liabilities	(363,574)	—	(363,574)
Net assets	16,703	(490)	16,213
Equity			
Share capital	48,644	—	48,644
Translation reserve	824	—	824
Hedging reserve	(51)	—	(51)
Accumulated losses	(32,714)	(490)	(33,204)
Total equity	16,703	(490)	16,213

The adoption of IFRS 15 did not have a material impact on the Group's cash flows in either the current or comparative periods.

Impact of accounting standards not yet effective
At the date of authorisation of these financial statements, the following Standard 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 16 'Leases' ("IFRS 16")

  IFRS 16 is effective for all accounting periods beginning on or after 1 January 2019. For Findel plc the first reported accounting period under IFRS 16 will be the 2019/20 financial year.

  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. The total expense recognised over the life of the lease will be unaffected by the new standard. However, IFRS 16 will result in the timing of lease expense recognition being accelerated for leases which would be currently accounted for as operating leases. It will also affect presentation of costs in the Consolidated Income Statement

  The Group has several leased properties and leased equipment, including forklift trucks and other warehouse machinery. The minimum lease commitment on these at the financial year end is £57.8m as disclosed in note 24.

  The adoption of IFRS 16 has no effect on how the business is run, nor on the overall cash flows for the Group.

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

Transition
The Group has decided to adopt the modified retrospective transition approach. The Group will apply the practical expedient to grandfather the definition of a lease on transition and apply the recognition exemption for both short term and low value assets.

Findel plc has established a working group to ensure we take all necessary steps to comply with the requirements of IFRS 16, reporting regularly to the Audit Committee. Significant work has been completed, including collection of relevant data, changes to processes, and the determination of relevant accounting policies.

At March 2019 the weighted average discount rate, based on incremental borrowing rates, across the Group lease portfolio is approximately 3.6%. This is on the basis that the Group's borrowings are secured by fixed and floating charges and would therefore be similar in risk profile to lending secured against a leased asset.

Impact to financial statements
The modified retrospective approach does not require a restatement of the prior period comparatives. There will be no adjustment to FY20 opening retained earnings, but Findel plc will recognise an opening right of use asset in the region of £42m and a lease liability in the region of £50m. The models and business processes used to calculate these indicative figures are still under development. They therefore reflect management's best estimates at this stage and as such, are subject to final verification.

The most significant lease liabilities relate to property. The liability is lower than that shown in the current Note 24 due to discounting the future payments.

The opening right of use asset is lower than the opening lease liability as it takes into account onerous lease provisions which are reflected as impairments of the opening right of use asset. On an ongoing basis, if indicators of impairment exist then the right of use lease asset will be tested for impairment as per IAS 36.

We do not expect the adoption of IFRS 16 to have a material impact on the Group's effective tax rate.

There will be no impact on cash flows, although the presentation of the Cash Flow Statement will change significantly, with an increase in net cash inflows from operating activities being offset by an increase in net cash outflows from financing activities (interest paid).

- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 19 Employee Benefits
- Amendments to IFRS 3 Business Combinations
- Amendments to IAS 1 and IAS 8

Going concern
In determining whether the Group's financial statements for the period ended 29 March 2019 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 18 to 20.

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 under the downside sensitivities, 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 December 2020.

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.

1 General information and accounting policies – continued

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.

The Group's operations are organised into a central cost centre and two operating segments as follows:

- Studio (formerly Express Gifts); and
- Education.

The CODM 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.

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 Consolidated 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 ("APM's")

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 according to the five-step model set out in IFRS 15 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.

Product revenue

Revenue is recognised when the Group has completed its performance obligations which are the supply and delivery of products and that these obligations are deemed to be completed when 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 in most cases.

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

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

Financial services revenue

Financial services revenue, which includes interest charged on trade receivables in Studio Retail 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 Studio Retail 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 Consolidated Income Statement. In most cases, the discount is set off against outstanding invoices.

Both Studio Retail 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 29 March 2019 was approximately £4.7m (2018: £4.4m) which represents approximately 1.8% (2018: 1.7%) 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 its subsidiaries 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 recorded in the income statement.

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.

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, being an approximation for the prevailing exchange rate at the date of those transactions; 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 recorded in other comprehensive income. Tax charges and credits attributable to those exchange differences are recorded in other comprehensive income.

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.

1 General information and accounting policies – continued

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 3 to 7 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 liabilities 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.

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.

1 General information and accounting policies – continued

Financial instruments

(i) Recognition and initial measurement
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.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement
Financial Assets – policy applicable from 31 March 2018
On initial recognition, a financial asset is classified as measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL").

A financial asset will be measured at amortised cost if both the following conditions are met and it has not been designated as at FVTPL:

- the asset is held within a business model whose objective is to hold the asset to collect its contractual cash flows; and
- the contractual terms of the financial asset give rise to cash flows on specified dates that represent payments of solely principal and interest on the outstanding.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets.

Financial assets – business model assessment – policy applicable from 31 March 2018
The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- The stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income or realising cash flows from the sale of assets;
- How the performance of the portfolio is evaluated and reported to the Group's management;
- The risks that affect the performance of the business model and how those risks are managed;
- How management of the business is compensated; and
- The frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows; and
- terms that may adjust the contractual coupon rate.

Financial Assets – policy applicable prior to 31 March 2018
The Group's financial assets were classified as either derivatives or "loans and receivables". The classification depended on the nature and purpose of the financial assets and was determined at the time of initial recognition.

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

1 General information and accounting policies – continued

Impairment of financial assets – policy applicable from 31 March 2018
For trade receivables in Studio, assets that were not individually significant are assessed for impairment on a collective basis in accordance with the expected credit loss ("ECL") prescribed by IFRS 9.

As the Group has determined there is a significant financing component, the ECL model requires that assets are assessed for impairment using the following staging criteria:

- Stage 1: Where there is no evidence of significant increase in credit risk since the origination of the financial asset. Stage 1 applies from the initial recognition of the financial asset unless it was credit impaired when purchased or originated;
- Stage 2: Where there is evidence of significant increase in credit risk since origination of the financial asset; and
- Stage 3: Where the financial asset becomes credit impaired.

Impairment loss allowances are measured on the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are used for Stage 1 performing assets and a lifetime ECL is used for stages 2 and 3. An asset will move from Stage 1 to Stage 2 when there is evidence of significant increase in credit risk since the asset originated and into Stage 3 when it is credit impaired. Should the credit risk improve so that the assessment of credit risk at the reporting date is considered not to be significant any longer, assets return to an earlier stage in the ECL model.

Significant increase in credit risk
A financial asset is considered to have experienced a significant increase in credit risk since initial recognition where there has been a significant increase in the remaining lifetime probability of default of the asset.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, has been placed on an arrangement to pay less than the standard required minimum payment or has had interest suspended.

The Group considers a financial asset to be in default when it is more than 120 days past due and/or when the borrower is unlikely to pay its obligations in full.

Days past due are determined by counting the number of days since the earliest elapsed due date in respect of which the minimum payment has not been received. Due dates are determined without considering any grace period that might be available to the borrower.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Group's historical experience and informed credit assessment including forward looking information.

Estimation uncertainty
The key assumptions in the ECL calculations are:

Probability of Default ("PD") – an estimate of the likelihood of default over 12 months and the expected lifetime of the debt;

Exposure at Default ("EAD") – an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by the contract or otherwise and accrued interest from missed payments; and

Loss Given Default ("LGD") – an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the Group would expect to receive, discounted at the original effective interest rate.

Incorporation of forward-looking information
The Group incorporates forward-looking information into its measurement of ECLs. This is achieved by developing four potential economic scenarios and modelling ECLs for each scenario. The outputs from each scenario are combined; using the estimated likelihood of each scenario occurring to derive a probability weighted ECL.

Management judgement is required in setting assumptions around probabilities of default and the weighting of economic scenarios in particular which have a material impact on the results indicated by the ECL model.

Presentation
Loss allowances for financial assets are deducted from the gross carrying amount of the asset. Impairment losses related to Studio Retail's trade receivables are separately in the consolidated income statement.

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

Impairment of financial assets – policy applicable prior to 31 March 2018
Loans and receivables were assessed for indicators of impairment at each balance sheet date. Financial assets were impaired where there was 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 had 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 Studio, assets that were not individually significant were assessed for impairment on a collective basis. When assessing for collective impairment, the Group estimated incurred losses using a statistical model which multiplied 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 was incorporated to provide the estimated level of incurred losses at each reporting date.

An adjustment was 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 were adjusted for management's judgement as to whether current economic, political and credit conditions were 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 was reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount was reduced through the use of an allowance account. When a trade receivable was considered uncollectible, it was written off against the allowance account. Subsequent recoveries of amounts previously written off were credited against the allowance account. Changes in the carrying amount of the allowance account were recognised in profit or loss.

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

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".

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.

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.

1 General information and accounting policies – continued

(iii) Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Derivative financial instruments

Policy applicable from 31 March 2018

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are generally recognised in profit or loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and interest rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in OCI and accumulated in the hedging reserve. The effective portion of changes in the fair value of the derivative that is recognised in OCI is limited to the cumulative change in fair value of the hedged item, determined on a present value basis, from inception of the hedge. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

If the hedge no longer meets the criteria for hedge accounting or the hedging instrument is sold, expires, is terminated or is exercised, then hedge accounting is discontinued prospectively. When hedge accounting for cash flow hedges is discontinued, the amount that has been accumulated in the hedging reserve remains in equity until, for a hedge of a transaction resulting in the recognition of a non-financial item, it is included in the non-financial item's cost on its initial recognition or, for other cash flow hedges, it is reclassified to profit or loss in the same period or periods as the hedged expected future cash flows affect profit or loss. If the hedged future cash flows are no longer expected to occur, then the amounts that have been accumulated in the hedging reserve are immediately reclassified to 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 18 to the financial statements.

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.

Policy applicable prior to 31 March 2018

The policy applied in the comparative information presented is similar to that applied from 31 March 2018 onwards. However, for all cash flow hedges, including hedges of transactions resulting in the recognition of non-financial items, the amounts accumulated in the cash flow hedge reserve were reclassified to profit or loss in the same period or periods during which the hedged expected future cash flows affected profit or loss.

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.

Notes to the Consolidated Financial Statements

1 General information and accounting policies – continued

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).

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 asset 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

In the course of preparing the consolidated financial statements, no judgements have been made in the process of applying the Group's accounting policies (which are described in note 1), other than those involving estimations stated below, that have had a significant effect on the reported amounts of assets, liabilities, income and expenses.

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:

Studio's trade receivables (note 14)

Studio's trade receivables are recognised on the balance sheet at amortised cost (i.e. net of provision for expected credit loss). At 29 March 2019 trade receivables with a gross value of £295.5m (2018 restated: £259.1m) were recorded on the balance sheet, less a provision for impairment of £87.9m (2018: £55.1m).

An appropriate allowance for expected credit loss in respect of trade receivables is derived from estimates and underlying assumptions such as the Probability of Default and the Loss Given Default, taking into consideration forward looking macro-economic assumptions. Changes in the assumptions applied such as the value and frequency of future debt sales in calculating the Loss Given Default, and the estimation of customer repayments and Probability of Default rates, as well as the weighting of the macro-economic scenarios applied to the impairment model could have a significant impact on the carrying value of trade receivables.

As a result, these assumptions are continually assessed for relevance and adjusted appropriately. Revisions to estimates are recognised prospectively. Sensitivity analysis is given in note 14.

Valuation of indefinite-lived intangibles (note 11)

The Group has significant investments in indefinite lived intangible assets at 29 March 2019 as a result of acquisitions of businesses and purchases of such assets. The carrying value of indefinite-lived intangible assets at 29 March 2019 was £17.3m (2018: £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 11.

Other key accounting estimates which, although important estimates, are not considered to be a significant risk of resulting in a material adjustment within the next financial year are as follows:

Inventory provisioning (note 13)

The Group carries significant amounts of inventory against which there are provisions for slow moving and delisted products. At 29 March 2019 a provision of £2.5m (2018: £1.9m) was held against a gross inventory value of £51.2m (2018 restated: £56.3m).

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.

If a further 10% of lines were assessed as being slow moving, then the provision required would increase by approximately £250,000. If the recovery rate assumed decreased by 10% then the provision would increase by approximately £800,000. These sensitivities reflect management's assessment of reasonably possible changes to key assumptions which could result in adjustments to the level of provision within the next financial year.

Provisions for Financial Services redress (note 19)

At 29 March 2019 a provision of £2.2m (2018: £8.6m) remains provided in the balance sheet in respect of redress and refunds for flawed financial services products.

Provisions totalling £29m were built up in FY16 and FY17 in relation to the anticipated refund of premiums and interest to customers in respect of historic flawed credit and insurance products. Those provisions contained assumptions and judgements on the likely level of customer response and the quantum of refund due to each responding customer. This programme has also been refined over the last two years to include new guidance from the FCA on refund matters, including the treatment of commissions following the "Plevin" ruling. This refined scope, together with slightly higher response levels than originally anticipated, has led to an increase in the provision required at 29 March 2019 of £4,157,000. This has been partially offset by the recognition of a receivable balance of £1,239,000 (recorded in other debtors) in respect of contributions expected to be received from underwriters and the recovery of VAT on the operational costs of the exercise which were originally assumed to be irrecoverable. The net charge to the Consolidated Income statement in the current period is therefore £2,918,000. Due to the scale of the charge incurred, and the fact that the issues to which the redress and refund programmes relate did not arise in the current period, management have concluded that the additional charge should be separately disclosed as an individually significant item in the Consolidated Income Statement.

Whilst the refund programme is now substantially concluded, the amount that remains provided, particularly in respect of the treatment of commissions following the Plevin ruling, is based on an assumed response rate to a mailing exercise completed after the year end. An increase of 5% in this assumed response rate would increase the provision required by *c.*£0.1m. This sensitivity analysis reflects management's assessment of a reasonably possible change to key assumptions which could result in adjustments to the level of provision within the next financial year.

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

Provisions for onerous leases (note 19)

At 29 March 2019 a provision of £8.8m (2018: £11.4m) 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 represent the net of the remaining unavoidable lease rentals, less an assumed level of sublet income over the remaining terms of the leases of between nine and fifteen years. Because of the long-term nature of the liabilities, the cash flows have been discounted using a discount rate that reflects the risks inherent in the future cash flows. Cash outflows have been discounted at a risk-free rate of 3%, inflows from subleases that have been agreed at 29 March 2019 have been discounted at 4%, whilst assumed inflows from future subleases that have yet to be agreed have been 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 subleases agreed at the balance sheet date and local market conditions, as well as applying judgement in discounting the cash inflows at between 4% and 6%. During the year an agreement was reached to sublease the vacant property at Enfield. Since the level of sublet income was higher than anticipated, and the reduced risk around the sublease inflows has led to a reduced 4% discount rate being applied, a reduction in provision of £1.2m was indicated. Consequently, a credit has been recorded in the Consolidated Income Statement in this regard. Since this item does not relate to trading in the current period and the original provision was created as the result of costs classified as individually significant items, management have concluded that the credit should be separately disclosed as an individually significant item in the Consolidated Income Statement.

The level of provision required is sensitive to the key assumptions set out above. If the Hyde property remained vacant for one further year than planned then the provision required would increase by approximately £1.4m, whilst 1% increase in the discount rate applied to the assumed sublease income would increase the provision by approximately £0.7m. These sensitivities reflect management's assessment of reasonably possible changes to key assumptions which could result in adjustments to the level of provision within the next financial year.

Discount rate for pension scheme liabilities (note 25)

At 29 March 2019 the Group's defined benefit pension scheme showed a deficit of £0.1m (2018: surplus of £2.2m). Management makes use of 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. Changes to the discount rate applied could lead to significant changes in the level of liabilities recognised. Sensitivity analysis in this regard can be found in note 25.

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 29 March 2019 were as follows:

Name	Registered Office Address	Activity
Findel Education Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Trading entity
Studio Retail Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Trading entity
Findel Sourcing (Shanghai) Limited	Unit 1506, Tower A, Financial Street Hailun Center No.440, Hailun Road, Shanghai, PRC	Overseas entity*
Findel Asia Sourcing Limited	16/F, Wing On Centre, 111 Connaught Road Central, Hong Kong	Overseas 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 Europe B.V.	2 Gregory St, Hyde, Cheshire, United Kingdom, SK14 4TH	Overseas entity
SPA 4 Schools Limited	Units 1-2, Down Business Centre, 55 Antrim Road, Ballynahinch, Co Down, BT24 8AN	Non-dormant entity*
Findel Wholesale Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Non-dormant entity
TCC1 Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	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
Designers File Limited(THE)	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

Notes to the Consolidated Financial Statements

3 Subsidiaries – continued

Name	Registered Office Address	Activity
E.J. Arnold & Son 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
EB2C Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity*
Estore Fulfilment Limited	Church Bridge House, Henry Street, Accrington, United Kingdom, BB5 4EE	Dormant entity
Express Gifts 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 Education Group 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 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

3 Subsidiaries – continued

Name	Registered Office Address	Activity
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
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
Heron Educational 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

Notes to the Consolidated Financial Statements

3 Subsidiaries – continued

Name	Registered Office Address	Activity
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*
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 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
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.

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.

The Group's operations are organised into a central cost centre and two operating segments as follows:

- Studio (formerly Express Gifts); and
- Education.

The CODM 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 29 March 2019

	Studio £000	Education £000	Central £000	Total £000
Product revenue	307,249	82,081	—	389,330
Other financial services revenue	19,332	—	—	19,332
Credit account interest	98,119	—	—	98,119
Financial services revenue	117,451	—	—	117,451
Sourcing revenue	26	—	—	26
Reportable segment revenue	424,726	82,081	—	506,807
Product cost of sales	(208,344)	(53,015)	—	(261,359)
Financial services cost of sales	(36,623)	—	—	(36,623)
Sourcing costs of sales	(18)	—	—	(18)
Total cost of sales	(244,985)	(53,015)	—	(298,000)
Gross profit	179,741	29,066	—	208,807
Marketing costs	(39,694)	(2,803)	—	(42,497)
Distribution costs	(38,396)	(8,836)	—	(47,232)
Administrative costs	(53,723)	(12,552)	(2,781)	(69,056)
EBITDA*	47,928	4,875	(2,781)	50,022
Depreciation and amortisation	(8,480)	(1,658)	(1,467)	(11,605)
Operating profit/(loss) before individually significant items	39,448	3,217	(4,248)	38,417
Individually significant items	(2,918)	526	(1,766)	(4,158)
Operating profit/(loss)	36,530	3,743	(6,014)	34,259
Finance costs				(9,656)
Profit before tax and fair value movements on derivative financial instruments				24,603
Fair value movements on derivative financial instruments				4,750
Profit before tax				29,353

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

Notes to the Consolidated Financial Statements

4 Segmental analysis – continued

52 weeks ended 30 March 2018 (restated)

	Studio £000	Education £000	Central £000	Total £000
Product revenue	284,965	86,336	—	371,301
Other financial services revenue	16,205	—	—	16,205
Credit account interest	91,911	—	—	91,911
Financial services revenue	108,116	—	—	108,116
Sourcing revenue	196	—	—	196
Reportable segment revenue	393,277	86,336	—	479,613
Product cost of sales	(198,021)	(55,251)	—	(253,272)
Financial services cost of sales	(28,156)	—	—	(28,156)
Sourcing costs of sales	(205)	(73)	—	(278)
Total cost of sales	(226,382)	(55,324)	—	(281,706)
Gross profit	166,895	31,012	—	197,907
Marketing costs	(40,741)	(3,393)	—	(44,134)
Distribution costs	(35,183)	(10,013)	—	(45,196)
Administrative costs	(47,189)	(13,183)	(1,810)	(62,182)
EBITDA*	43,782	4,423	(1,810)	46,395
Depreciation and amortisation	(7,455)	(1,488)	(1,476)	(10,419)
Operating profit/(loss) before individually significant items	36,327	2,935	(3,286)	35,976
Individually significant items	—	—	—	—
Operating profit/(loss)	36,327	2,935	(3,286)	35,976
Finance costs				(9,130)
Profit before tax and fair value movements on derivative financial instruments				26,846
Fair value movements on derivative financial instruments				(4,701)
Profit before tax				22,145

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

2019

Other information

	Studio Retail £000	Education £000	Central £000	Total £000
Additions to property plant and equipment and software and IT development costs	10,585	958	2	11,545
Balance Sheet				
Assets				
Segment assets	368,696	66,976		435,672
Central adjustments			(31,760)	(31,760)
Consolidated total assets				403,912
Liabilities				
Segment liabilities	(250,014)	(56,048)		(306,062)
Central adjustments			(54,330)	(54,330)
Consolidated total liabilities				(360,392)

4 Segmental analysis – continued

2018 (restated)

Other information

	Studio Retail £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	356,056	61,638		417,694
Central adjustments			(24,141)	(24,141)
Consolidated total assets				393,553
Liabilities				
Segment liabilities	(246,921)	(59,059)		(305,980)
Central adjustments			(48,380)	(48,380)
Consolidated total liabilities				(354,360)

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 revenue (including credit account interest) by geographical market, irrespective of the origin of the goods/services.

	2019 £000	2018 (restated) £000
United Kingdom	499,382	472,106
Europe	1,842	1,772
Asia	4,236	4,226
Other	1,347	1,509
Total	506,807	479,613

The following is an analysis of the carrying amount of non-current assets analysed by geographical area in which the assets are located.

	2019 £000	2018 (restated) £000
United Kingdom	80,656	81,255
Asia	369	420
	81,025	81,675

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 29 March 2019 or the period ended 30 March 2018.

5 Individually significant items

An analysis of individually significant items arising during the current period is as follows:

	2019 £000
Studio financial services redress and refund costs	(2,918)
Reduction in onerous lease provisions	1,220
GMP equalisation adjustment	(2,460)
	(4,158)
Tax credit in respect of individually significant items	741
Total	(3,417)

Individually significant costs totalling £29m were recorded in FY16 and FY17 in relation to the creation of provisions for the anticipated refund of premiums and interest to customers in respect of historic flawed credit and insurance products. Those provisions contained assumptions and judgements on the likely level of customer response and the quantum of refund due to each responding customer. The refund programme has also been refined over the last two years to include new guidance from the FCA on refund matters, including the treatment of commissions following the "Plevin" ruling. This refined scope, together with slightly higher response levels than originally anticipated, has led to an increase in the provision required at 29 March 2019 of £4,157,000. This has been partially offset by the recognition of a receivable balance of £1,239,000 (recorded in other debtors) in respect of contributions expected to be received from underwriters and the recovery of VAT on the operational costs of the exercise, which were originally assumed to be irrecoverable. The net charge to the Consolidated Income statement in the current period is therefore £2,918,000.

During the current period, an agreement was reached to sublease the vacant property at Enfield. Since the level of sublet income was higher than anticipated, and the reduced risk around the sublease inflows has led to a reduced 4% discount rate being applied, a reduction in provision of £1.2m was indicated. Consequently, a credit has been recorded in the Consolidated Income Statement in this regard. Please refer to note 2 for further details.

In October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension ("GMP") benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes, including the Findel Group Pension Fund. After discussion with the trustees, actuaries and legal advisors of our fund, a past service cost of £2,460,000 has been recognised, increasing the total scheme liabilities by approximately 1.7%, to address this historical issue.

There were no individually significant items identified in the prior period.

6 Finance costs

	2019 £000	2018 £000
Interest on bank loans	(9,623)	(8,754)
Net interest income/(cost) on defined benefit pension obligations (note 25)	61	(107)
Unwind of discount on onerous lease provisions	—	(151)
Fair value movements on interest rate caps	(56)	(54)
Interest on finance lease obligations	(38)	(64)
	(9,656)	(9,130)

7 Current taxation

(a) Tax charged/(credited) in the income statement

	2019 £000	2018 (restated) £000
Current tax expense/(income):		
Current period (UK tax)	3,879	1,404
Current period (overseas tax)	123	63
Adjustments in respect of prior periods (UK tax)[1]	143	(751)
	4,145	716
Deferred tax expense:		
Origination and reversal of temporary differences	1,775	328
Adjustments in respect of prior periods[1]	144	772
Effect of tax rate change on opening balance[2]	—	749
	1,919	1,849
Tax expense	6,064	2,565

1. The prior period adjustment in FY18 related to the tax treatment of a post balance sheet event recorded in the statutory accounts of Studio Retail 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 a to a reduction in the level of brought forward losses, which resulted in a corresponding adjustment to deferred tax.
2. The prior period figure related to the recognition of deferred tax liabilities in respect of the group section of the Findel Group Pension Fund, which moved into a surplus position during FY18. Consequently, the deferred tax liability was calculated at a tax rate of 35% in FY18, which reflects the rate of tax payable on any return of defined benefit pension surpluses, rather than the 17% rate assumed in FY17.

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

	2019 £000	2018 £000
Deferred tax:		
Tax on defined benefit pension plans	(643)	2,335

(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% (2018: 19%).

The differences are reconciled below:

	2019 £000	2018 (restated) £000
Profit before tax	29,353	22,145
Tax calculated at standard corporation tax rate of 19% (2018: 19%)	5,577	4,208
Effects of:		
Expenses not deductible for tax purposes	429	264
Higher tax rates on overseas earnings	178	135
Deferred tax asset not previously recognised[3]	(407)	(2,812)
Impact of change in rate of corporation tax	—	749
Adjustments in respect of prior periods	287	21
Total tax expense for the period	6,064	2,565

3. In FY18, the Group 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 utilise these losses.

Notes to the Consolidated Financial Statements

8 Profit for the period

	2019 £000	2018 (restated) £000
Stated after (charging)/crediting:		
Cost of inventories recognised as expense	(249,978)	(246,874)
Impairment charge for inventories (note 13)	(1,280)	(4,041)
Fair value movements on derivate financial instruments:		
– forward foreign currency contracts	4,750	(4,701)
– Interest rate caps	(56)	(54)
Depreciation of property, plant and equipment		
– owned	(9,290)	(8,275)
– held under finance lease	(148)	(148)
Operating lease rentals	(11,866)	(10,487)
Amortisation of intangible assets	(2,167)	(1,996)
Loss on disposal of property, plant and equipment	—	(192)
Impairment charge for receivables (note 14)	(36,678)	(28,226)
Staff costs (note 9)	(60,964)	(57,889)

Auditor's remuneration
The analysis of auditor's remuneration is as follows:

	2019 £000	2018 £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	260
Total audit fees	375	375
Half year review	43	43
Total audit and non-audit fees	418	418

9 Staff costs and directors' emoluments

(a) Staff costs
The average monthly number of employees (including executive directors) was as follows:

	2019 No.	2018 No.
Administration	1,041	1,150
Selling and distribution	688	721
	1,729	1,871

	2019 £000	2018 £000
Wages and salaries	54,199	51,886
Social security costs	4,460	4,264
Other pension costs	1,379	1,540
Share-based payments expense	926	199
	60,964	57,889

9 Staff costs and directors' emoluments – continued

(b) Directors' emoluments
Directors' emoluments which are included in the above and are detailed further in the Directors' Remuneration Report on pages 38 to 59 are as follows:

	2019 £000	2018 £000
Short-term employee benefits	1,730	1,540
Company pension contributions	123	111
Termination payments	7	365
	1,860	2,016

One (2018: One) of the directors is accruing pension benefits under the Group's defined contribution pension scheme. No directors (2018: none) are accruing benefits under the Group's defined benefit pension scheme.

In the current period 244,526 (2018: 350,855) £nil cost options over ordinary shares were granted to directors in respect of the Performance Share Plan.

10 Earnings per share

Weighted average number of shares

	2019 Number of shares	2018 Number of shares
Ordinary shares in issue (note 22)	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 attributable to ordinary shareholders

	2019 £000	2018 (restated) £000
Net profit attributable to equity holders for the purposes of basic earnings per share	23,289	19,580
Individually significant items (net of tax)	3,417	—
Fair value movements on derivative financial instruments (net of tax)	(3,847)	3,808
Net profit attributable to equity holders for the purposes of adjusted earnings per share	22,859	23,388

Earnings per share		
Earnings per share – basic	26.98p	22.68p
Earnings per share – adjusted* basic	26.48p	27.09p
Earnings per share – diluted	26.98p	22.68p
Earnings per share – adjusted* diluted	26.48p	27.09p

* Adjusted to remove the impact of individually significant items and fair value movements on derivative financial instruments.

The earnings per share attributable to convertible ordinary shareholders is £nil. The convertible shares have not converted at 29 March 2019 or subsequently and are therefore not dilutive from an earnings per share perspective.

Notes to the Consolidated Financial Statements

11 Intangible assets

(a) Other intangible assets

	Software and IT development costs £000	Brand names £000	Customer relationships £000	Total £000
Cost				
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
Additions	684	—	—	684
Transfer from tangible assets	1,260	—	—	1,260
At 29 March 2019	20,518	21,704	20,940	63,162
Accumulated amortisation and impairment				
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
Amortisation for the period	1,039	108	1,020	2,167
At 29 March 2019	16,950	4,130	17,130	38,210
Carrying amount				
Net book value at 29 March 2019	3,568	17,574	3,810	24,952
Net book value at 30 March 2018	2,663	17,682	4,830	25,175

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. The Spa 4 Schools brand is being amortised over a useful economic life of 5 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:

	2019 £000	2018 £000
Education	17,574	17,682
	17,574	17,682

(b) Impairment testing

The Group tests 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.

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 2019/20. 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% (2018: 17.7%). 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% (2018: 1.6%) 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.

11 Intangible assets – continued

Results

The estimated recoverable amount of Education CGU exceeded the carrying value by approximately £6,970,000 (2018: £4,931,000) and as such no impairment was necessary.

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)	6,970
Assumptions used in the calculation of value in use	
Pre-tax discount rate	17.7%
Total pre-discounted forecast operating cash flow (£000)	61,684
Change required for the recoverable amount to equal the carrying value	
Pre-tax discount rate	2.4%
Total pre-discounted forecast operating cash flow (£000)	(11,536)

12 Property, plant and equipment

	Land and buildings		Plant and	
	Freehold £000	Leasehold £000	equipment £000	Total £000
Cost				
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
Additions	—	—	10,861	10,861
Exchange differences	1	8	13	22
Transfer to intangible assets	—	—	(1,260)	(1,260)
At 29 March 2019	17,220	3,166	105,116	125,502
Accumulated depreciation and impairment				
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
Provision for the period	329	53	9,056	9,438
Exchange differences	—	1	23	24
At 29 March 2019	8,564	2,758	68,669	79,991
Carrying amount				
Net book value at 29 March 2019	8,656	408	36,447	45,511
Net book value at 30 March 2018	8,984	454	35,912	45,350

At 29 March 2019 the net book value of assets held under finance lease agreements was £1,750,000 (2018: £1,898,000). Details of the finance lease arrangement are set out in note 17.

Notes to the Consolidated Financial Statements

13 Inventories

	2019 £000	2018 (restated) £000
Inventories at cost	51,233	56,266
Provision for impairment	(2,476)	(1,891)
	48,757	54,375

	2019 £000	2018 £000
Movement in the provision for impairment:		
Balance at beginning of the period	1,891	1,890
Provision made in the period	1,280	4,041
Provision utilised in the period	(695)	(4,040)
Balance at end of the period	2,476	1,891

Inventories recognised as cost of sales in the year amounted to £249,978,000 (2018 restated: £246,874,000).

The methodology for calculating the provision for impairment is detailed in note 2.

14 Trade and other receivables

	2019 £000	2018 (restated) £000
Gross trade receivables	304,279	268,106
Allowance for expected credit loss	(88,030)	(55,209)
Trade receivables	216,249	212,897
Other debtors	5,347	2,467
Prepayments	14,327	15,438
	235,923	230,802

Trade receivables are measured at amortised cost. 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.

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. At the period end, receivables of £239,620,000 (2018: £221,837,000) were funded through the securitisation facility, and the facilities utilised were £175,545,000 (2018: £157,504,000).

Due to the different nature of trade receivables within the Studio operating segment compared to those in the rest of the Group, the following analysis of trade receivables has been split between Studio and the rest of the Group.

Studio

The average credit period taken on sales of goods is 212 days (2018 restated: 200 days). On average, interest is charged at 3.1% (2018: 3.1%) per month on the outstanding balance.

Before accepting any new customer, Studio uses an external credit scoring system to assess the potential customer's credit quality and affordability of the credit 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.

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 16,922 accounts (2018: 19,429) with total gross balances of £10,429,000 (2018: £10,973,000). Provisions are assessed as detailed above.

During the current period, overdue receivables with a gross value of £35,492,000 (2018: £69,889,000) 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.

14 Trade and other receivables – continued

The following tables provide information about the exposure to credit risk and ECLs for trade receivables from individual customers as at 29 March 2019:

	2019			2018 (restated)		
	Trade receivables £000	Trade receivables on forbearance arrangements £000	Total £000	Trade receivables £000	Trade receivables on forbearance arrangements £000	Total £000
Ageing of trade receivables						
Not past due	213,568	8,148	221,716	195,282	9,002	204,284
Past due:						
0 – 60 days	25,422	1,837	27,259	25,461	1,967	27,428
60 – 120 days	13,727	444	14,171	12,286	4	12,290
120+ days	32,327	—	32,327	15,110	—	15,110
Gross trade receivables	285,044	10,429	295,473	248,139	10,973	259,112
Allowance for expected credit loss	(81,358)	(6,548)	(87,906)	(47,370)	(7,714)	(55,084)
Carrying value	203,686	3,881	207,567	200,769	3,259	204,028

	2019				2018
	Stage 1 £000	Stage 2 £000	Stage 3 £000	Total £000	Total £000
Gross trade receivables	117,512	113,371	64,590	295,473	259,112
Allowance for doubtful debts					
Opening balance (2019 figure restated to reflect £21,428,000 impact of IFRS 9 adoption)	(8,217)	(30,430)	(37,865)	(76,512)	(83,449)
Impairment charge	(1,043)	163	(35,743)	(36,623)	(28,156)
Utilised in the period	—	—	25,229	25,229	56,521
Closing balance	(9,260)	(30,267)	(48,379)	(87,906)	(55,084)
Carrying value	108,252	83,104	16,211	207,567	204,028

Allowance for expected credit loss

An appropriate allowance for expected credit loss in respect of trade receivables is derived from estimates and underlying assumptions such as the Probability of Default and the Loss Given Default, taking into consideration forward-looking macro-economic assumptions. Changes in the assumptions applied such as the value and frequency of future debt sales in calculating the Loss Given Default, and the estimation of customer repayments and Probability of Default rates, as well as the weighting of the macro-economic scenarios applied to the impairment model could have a significant impact on the carrying value of trade receivables

Sensitivity analysis

Management judgement is required in setting assumptions around probabilities of default, cash recoveries and the weighting of macro-economic scenarios applied to the impairment model, 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 £2.1m.

A 1p increase in the assumed recoveries rate would result in the impairment provision decreasing by approximately £1.1m.

Changing the weighting of macro-economic scenarios applied to the impairment model so that the base-case scenario's weighting is doubled at the expense of the various stress scenarios would result in the impairment provision decreasing by approximately £1.0m.

These sensitivities reflect management's assessment of reasonably possible changes to key assumptions which could result in a material adjustment to the level of provision within the next financial year.

Notes to the Consolidated Financial Statements

14 Trade and other receivables – continued

Rest of Group

The average credit period taken on sales of goods is 33 days (2018 restated: 32 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 £123,000 (2018: £125,000) 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 152 days (2018: 155 days).

The carrying value of not past due trade receivables which are unimpaired is £5,593,000 (2018 restated: £5,336,000).

The aged analysis of the carrying values of past due trade receivables which are unimpaired is as follows:

	2019 £000	2018 £000
0 – 60 days	1,909	2,554
60 – 120 days	849	529
120+ days	208	325
Total	2,966	3,408

The aged analysis of the carrying values of past due trade receivables which are impaired is as follows:

	2019 £000	2018 £000
0 – 60 days	—	—
60 – 120 days	—	—
120+ days	123	125
Total	123	125

Movement in allowance for expected credit losses

	Studio Retail £000	Rest of Group £000	Total £000
Balance at 31 March 2017 (restated)	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 (restated)	55,084	125	55,209
Adjustment to opening balance on adoption of IFRS 9	21,428	—	21,428
Impairment losses recognised	36,623	55	36,678
Amounts written off as uncollectible	(25,229)	(56)	(25,285)
Balance at 29 March 2019	87,906	124	88,030

15 Cash and cash equivalents

	2019 £000	2018 £000
Cash at bank and in hand	37,603	26,244

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.

16 Trade and other payables

	2019 £000	2018 £000
Trade payables	46,195	45,361
Other payables	2,374	3,239
Accruals	24,023	18,447
	72,592	67,047

The average credit period taken for trade purchases is 54 days (2018 restated: 54 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.

17 Loans and borrowings

(a) Secured bank loans (at amortised cost)

	2019 £000	2018 £000
Bank loans	270,545	257,504
Amount due for settlement within one year	—	—
Amount due for settlement after one year	270,545	257,504
	270,545	257,504

The average interest rates paid on the loans were as follows:

Bank loans	3.62%*	3.48%*

* 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 3.50% (2018: 3.19%).

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 26.

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 revolving credit facility with its lenders on 24 November 2015, which was originally due to mature in November 2019. The facility's maturity was extended to 31 December 2020 in July 2019, following negotiations with the lenders. The facility reduced by £5m to £95m on 29 March 2019 and will reduce by a further £5m on 31 December 2019.

The securitisation facility is coterminous with the revolving credit facility. The facility limit was increased to £185,000,000 in November 2018 and was still at that level at 29 March 2019 (2018: £170,000,000).

	2019 £000	2018 £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	—	—
	—*	—*

* This figure represents drawn headroom against the available facilities. Total headroom (i.e., including cash and cash equivalents) at 29 March 2019 is £37,603,000 (2018: £26,244,000).

Notes to the Consolidated Financial Statements

17 Loans and borrowings – continued

(b) Finance leases

	2019 £000	2018 £000
Obligations under finance leases	498	1,069
Amount due for settlement within one year	498	572
Amount due for settlement after one year	—	497
	498	1,069
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	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Within one year	(508)	(610)	(11)	(38)	(497)	(572)
In the second to fifth years	—	(508)	—	(11)	—	(497)
After five years	—	—	—	—	—	—
	(508)	(1,118)	(11)	(49)	(497)	(1,069)

(c) Reconciliation of movements in assets/(liabilities) arising from financing activities

	At 30 March 2018 £000	Cash outflow/(inflow) £000	Fair value movements recorded in finance costs £000	Fair value movements recorded through other comprehensive income £000	At 29 March 2019 £000
Interest rate caps	47	34	(56)	(19)	6
Loans and borrowings	(257,504)	(13,041)	—	—	(270,545)
Obligations under finance leases	(1,069)	572	—	—	(497)
	(258,526)	(12,435)	(56)	(19)	(271,036)

	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)

18 Derivative financial instruments

At 29 March 2019 the Group had outstanding derivative financial instruments as follows:

Non-current assets

	2019 £000	2018 £000
Interest rate cap	6	41

Current assets

	2019 £000	2018 £000
Interest rate cap	—	6
Forward foreign exchange contracts	604	—
	604	6

Current liabilities

	2019 £000	2018 £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 26.

19 Provisions

	Onerous leases £000	Studio financial services redress and refunds £000	Restructuring provision £000	Total £000
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
Released during the period	(1,220)	—	—	(1,220)
Provided during the period	—	4,157	—	4,157
Utilised in the period	(1,344)	(10,544)	—	(11,888)
At 29 March 2019	8,843	2,235	—	11,078
2019				
Analysed as:				
Current	1,090	2,235	—	3,325
Non-current	7,753	—	—	7,753
	8,843	2,235	—	11,078
2018				
Analysed as:				
Current	802	8,622	—	9,424
Non-current	10,605	—	—	10,605
	11,407	8,622	—	20,029

Onerous leases

A provision was made in prior periods for onerous leases regarding vacated leasehold properties. Refer to note 2 for further details.

Studio financial services redress and refunds

Provisions totalling £29m were built up in FY16 and FY17 in relation to the anticipated refund of premiums and interest to customers in respect of historic flawed credit and insurance products. The amount provided was increased by £4,157,000 in the current period. Refer to note 2 for details. The provision is expected to be utilised within 12 months.

Restructuring provision

A provision was made in FY17 in respect of the restructuring exercise undertaken to relocate the head office function from Hyde to Studio's offices in Accrington. The provision was fully utilised in the prior financial year.

Notes to the Consolidated Financial Statements

20 Deferred tax

Recognised deferred tax

	Short-term timing differences £000	Fixed asset timing differences £000	Retirement benefit obligations £000	Tax losses £000	Other intangible assets £000	Total £000
Net balance at 31 March 2017 (restated)	71	(6,540)	(920)	(4,731)	3,596	(8,524)
Adjustments in respect of prior periods	—	(9)	—	781	—	772
Impact of change in rate of corporation tax(1)	—	—	749	—	—	749
Recognised in other comprehensive income	—	—	2,335	—	—	2,335
Charge/(credit) for the period (restated)	41	1,129	559	(1,395)	(6)	328
Net balance at 30 March 2018 (restated)	112	(5,420)	2,723	(5,345)	3,590	(4,340)
Adjustment on adoption of IFRS 9(2)	(3,643)	—	—	—	—	(3,643)
Restated balance at 31 March 2018	(3,531)	(5,420)	2,723	(5,345)	3,590	(7,983)
Adjustments in respect of prior years	—	(12)	—	156	—	144
Recognised in other comprehensive income	—	—	(643)	—	—	(643)
Charge/(credit) for the period	484	797	(109)	772	(169)	1,775
Net balance at 29 March 2019	(3,047)	(4,635)	1,971	(4,417)	3,421	(6,707)
At 29 March 2019						
Deferred tax liabilities	—	—	3,849	—	3,421	7,270
Deferred tax assets	(3,047)	(4,635)	(1,878)	(4,417)	—	(13,977)
At 30 March 2018 (restated)						
Deferred tax liabilities	112	—	4,564	—	3,590	8,266
Deferred tax assets	—	(5,420)	(1,841)	(5,345)	—	(12,606)

1. This related to the recognition of deferred tax liabilities in respect of the group section of the Findel Group Pension Fund, which moved into a surplus position during FY18. Consequently, the deferred tax liability was calculated at a tax rate of 35% in FY18, which reflects the rate of tax payable on any return of defined benefit pension surpluses, rather than the 17% rate assumed in FY17.
2. Recognised as an adjustment to accumulated losses at 31 March 2018. See note 1 for details.

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	Fixed asset timing differences £000	Retirement benefit obligations £000	Tax losses £000	Other intangible assets £000	Total £000
At 29 March 2019						
Deferred tax liabilities	—	—	3,849	—	—	3,849
Deferred tax assets	(3,047)	(4,635)	(1,878)	(4,417)	3,421	(10,556)
At 30 March 2018 (restated)						
Deferred tax liabilities	—	—	4,564	—	—	4,564
Deferred tax assets	112	(5,420)	(1,841)	(5,345)	3,590	(8,904)

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 £6,391,000 (2018: £6,516,000). 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	Fixed asset timing differences £000	Tax losses £000	Total £000
At 31 March 2017	(131)	(17)	(9,277)	(9,425)
Adjustments in respect of prior periods	39	9	47	95
Movements during the period	50	1	2,763	2, 814
At 30 March 2018	(42)	(7)	(6,467)	(6,516)
Adjustments in respect of prior periods	(91)	(1)	76	(16)
Movements during the period	133	8	—	141
At 29 March 2019	—	—	(6,391)	(6,391)

21 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 2016 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 2019.
- 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.
- Awards made during FY19 were subject to the same vesting criteria as those for the Executive Directors, which were that half the awards were linked to total shareholder return over the three-year period to March 2021 and half were linked to the adjusted earnings per share for the year to March 2021.

(ii) Measurement of fair values

The estimated fair value of the awards granted during the period is £1,792,000 (2018: £1,748,000). 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:

	2019	2018
Weighted average fair value (pence)	217.5	158.5
Share price at issue (pence)	274.0	195.2
Weighted average exercise price (pence)	—	—
Expected volatility (%)	44.5	41.8
Expected life (years)	3.0	3.0
Risk free rate (%)	0.8	0.3
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

	2019 No. of shares	2018 No. of shares
Outstanding at the beginning of the period	2,757,732	3,037,183
Granted during the period	823,882	1,102,673
Lapsed during the period	(1,034,455)	(1,382,124)
Exercised during the period	—	—
Outstanding at the end of the period	2,547,159	2,757,732

The weighted average exercise price of all options is £nil.

(iv) Charge recognised in the income statement

The Group recognised a charge of £926,000 (2018: £199,000) 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.

22 Share capital

The Company has two classes of ordinary shares, neither of which carry any right to fixed income.

Ordinary shares of 10p each

	2019 Number of shares	2018 Number of shares	2019 £000	2018 £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

	2019 Number of shares	2018 Number of shares	2019 £000	2018 £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 that is declared unconditional (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.

23 Capital commitments

At 29 March 2019, amounts contracted for but not provided in the financial statements in respect of property, plant and equipment amounted to £991,000 (2018: £1,259,000).

24 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:

	2019 £000	2018 £000
Within one year	10,749	10,802
In the second to fifth years	18,694	13,349
After five years	28,398	28,746
	57,841	52,897

During the period £11,866,000 (2018: £10,487,000) was recognised as an expense in the consolidated income statement in respect of operating leases.

25 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 £1,379,000 (2018: £1,540,000) 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 29 March 2019 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:

	2019 £000	2018 £000
Fair value of scheme assets	148,346	145,329
Present value of funded obligations	(148,414)	(143,124)
(Deficit)/surplus in the scheme	(68)	2,205

The weighted average duration of the Scheme's IAS 19 liabilities is 16.7 years.

Plan assets

	2019 £000	2018 £000
Plan assets comprise:		
Equities	58,143	56,453
Bonds	88,996	88,277
Other	1,207	599
	148,346	145,329

Movement in the present value of defined benefit obligations

	2019 £000	2018 £000
At beginning of the period	(143,124)	(152,764)
Past service costs(1)	(2,460)	—
Interest cost	(3,739)	(3,875)
Effect of changes in financial assumptions	1,346	2,650
Effect of changes in demographic assumptions	(5,924)	3,917
Effect of experience adjustments	(367)	60
Benefits paid	5,854	6,888
At end of the period	(148,414)	(143,124)

Movement in the fair value of plan assets

	2019 £000	2018 £000
At beginning of the period	145,329	147,349
Employer contributions	2,500	2,500
Interest on assets	3,800	3,768
Remeasurements – return on scheme assets	2,571	(1,400)
Benefits paid	(5,854)	(6,888)
At end of the period	148,346	145,329

25 Pensions – continued

Movement in the pension deficit

	2019 £000	2018 £000
Surplus/(deficit) at the beginning of the period	2,205	(5,415)
Past service cost[(1)]	(2,460)	—
Net interest income/(cost)	61	(107)
Remeasurements	(2,374)	5,227
Employer contributions	2,500	2,500
(Deficit)/surplus at the end of the period	(68)	2,205

Expense recognised in the Consolidated Income Statement

	2019 £000	2018 £000
(i) Included within individually significant items – trading costs		
Past service cost[(1)]	(2,460)	—
(ii) Included within finance costs		
Net interest income/(cost)	61	(107)

Amounts recognised in other comprehensive income

	2019 £000	2018 £000
Total remeasurements	(2,374)	5,227

1. In October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension ("GMP") benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes, including the Findel Group Pension Fund. After discussion with the trustees, actuaries and legal advisors of our fund, a past service cost of £2,460,000 has been recognised, increasing the total scheme liabilities by approximately 1.7%, to address this historical issue.

Actuarial Assumptions

The following are the principal actuarial assumptions at the reporting date:

	2019	2018
Financial Assumptions		
Discount rate for scheme liabilities	2.45%	2.65%
RPI Price Inflation	3.30%	3.15%
CPI Price Inflation	2.30%	2.15%
Rate of increase to pensions in payment in line with RPI inflation (up to 5% per annum)	3.20%	3.10%
Rate of increase to pensions in payment in line with CPI inflation (up to 5% per annum)	2.30%	2.20%
Rate of increase to deferred pensions	2.30%	2.20%
Post retirement mortality (in years)		
Current pensioners at 65 – male	87.0 yrs	87.1 yrs
Current pensioners at 65 – female	89.0 yrs	89.1 yrs
Future pensioners at 45 – male	88.3 yrs	88.5 yrs
Future pensioners at 45 – female	90.5 yrs	90.6 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	61.0 yrs

Assumptions regarding post retirement mortality are based on published statistics and mortality tables – S2NXA – CMI 2018 1.25% p.a. (2018: S2NXA – CMI 2017 1.25% p.a.)

* The Scheme 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 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.

25 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 7.6%	Increase by 8.6%
RPI Inflation	0.5%	Increase by 3.6%	Decrease by 3.3%
CPI Inflation	0.5%	Increase by 3.0%	Decrease by 2.8%
Salary increase	0.5%	No change	No change
Longevity	1 year	Increase by 4.8%	Decrease by 4.6%
TPIE take up %	5%	Decrease by £250,000	Increase by £250,000
TPIE age	1 year	Increase by £500,000	Decrease by £500,000

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 2015 and 2016, 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 (2018: £2,500,000). The Group expects to make contributions of £5,00,000 in the financial year ended March 2020, 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
2019 – 2028	54,074
2029 – 2038	65,973
2039 – 2048	55,066
2049 – 2058	35,948
2059 – 2068	11,957
2069 – 2078	1,308
2079 – 2088	37
2089 – 2098	—
After 2098	—
Total	224,363

Notes to the Consolidated Financial Statements

26 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 20.

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:

	2019 £000	2018 (restated) £000
Net debt		
Borrowings (note 17)	270,545	257,504
Cash at bank and in hand (note 15)	(37,603)	(26,244)
Finance leases (note 17)	498	1,069
	233,440	232,329
Total equity		
Share capital (note 22)	48,644	48,644
Translation reserve	764	1,117
Hedging reserve	(54)	(35)
Accumulated losses	(5,834)	(10,533)
	43,520	39,193
Gearing (being net debt divided by total equity)	5.36	5.93

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.

26 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:

	2019 Carrying value £000	2019 Fair value £000	2018 Carrying value (restated) £000	2018 Fair value (restated) £000
Trade and other receivables	221,596	221,596	215,364	215,364
Cash and cash equivalents	37,603	37,603	26,244	26,244
Trade and other payables	(48,569)	(48,569)	(48,600)	(48,600)
Bank loans	(270,545)	(270,545)	(257,504)	(257,504)
Obligations under finance leases	(498)	(498)	(1,069)	(1,069)
Derivative financial instruments	610	610	(4,100)	(4,100)
	(59,803)	(59,803)	(69,665)	(69,665)
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 held at amortised cost (i.e. net of provision for expected credit loss). At Studio an appropriate allowance for expected credit loss in respect of trade receivables is derived from estimates and underlying assumptions such as the Probability of Default and the Loss Given Default, taking into consideration forward looking macro-economic assumptions.

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 29 March 2019 and 30 March 2018, 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.

Notes to the Consolidated Financial Statements

26 Financial instruments – continued

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.

Foreign currency risk management

A proportion of the products sold through Studio and Education are procured through the Group's Far-East sourcing operations. 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:

	2019 £000	2018 £000
Less than 6 months	32,137	37,015
6 to 12 months	37,646	28,195
At the end of the period	69,783	65,210

Forward contracts outstanding at the period end are contracted at US dollar exchange rates between £1/$1.40 and £1/$1.29. 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	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Euro	217	310	(104)	(54)	113	256
Hong Kong dollar	36	262	—	(34)	36	228
US dollar	4,156	144	(6,682)	(2,133)	(2,526)	(1,989)
	4,409	716	(6,786)	(2,221)	(2,377)	(1,505)

Foreign currency sensitivity analysis

A significant proportion of products sold through Studio Retail and Education are procured through the Group's Far-East sourcing operations. 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	
	2019 £000	2018 £000	2019 £000	2018 £000	2019 £000	2018 £000
Profit or loss and equity	(10)	(23)	(3)	(21)	230	181

26 Financial instruments – continued

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 29 March 2019, the Group was committed to forward foreign exchange contracts for a notional sterling contract value of £69,783,000.

	2019 £000	2018 £000
Notional amount – Sterling contract value	69,783	65,210
Fair value of asset/(liability) recognised	604	(4,147)

The fair value of the derivative asset recognised in the balance sheet at 29 March 2019 in this regard was £604,000 (2018 liability: £4,147,000). Changes in fair value of forward foreign exchange contracts amounted to a credit of £4,750,000 (2018 charge of: £4,701,000) which has been recorded separately in the Consolidated 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.

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 29 March 2019. 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 29 March 2019 would decrease/increase by £1,328,000 (2018: £1,311,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

Notes to the Consolidated Financial Statements

26 Financial instruments – continued

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 29 March 2019:

	At 29 March 2019		
	Notional borrowing amount £000	Cap rate	Fair value £000
Maturity			
Less than 12 months	100,000	1.590%	—
1 to 2 years	95,000	1.477%	6
			6

The Group has two caps in place. The first cap was purchased on 15 March 2018 and matures in November 2019. The second cap was purchased on 12 March 2019 and matures in August 2020. Both caps were designated as cash flow hedges from inception. The movement in the fair value of interest rate caps during the current and prior periods was as follows:

	2019 £000	2018 £000
At the beginning of the period	47	32
Purchase of interest rate caps	34	53
Movement in fair value credited/(charged) to the hedging reserve	(19)	16
Movement in fair value of ineffective element charged to finance costs	(56)	(54)
At the end of the period	6	47

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. At Studio an appropriate allowance for expected credit loss in respect of trade receivables is derived from estimates and underlying assumptions such as the Probability of Default and the Loss Given Default, taking into consideration forward-looking macro-economic assumptions. 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 14.

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.

26 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 17 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.

2019

	Weighted average effective interest rate %	Less than 1 year £000	1 to 5 years £000	Total £000
Financial liabilities				
Non-interest bearing		(48,569)	—	(48,569)
Variable interest rate instruments	3.62	(270,545)	—	(270,545)
Finance leases	4.72	(498)	—	(498)
		(319,612)	—	(319,612)

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)

The Group has access to financing and securitisation facilities, the total unused amount of which was £nil* (2018: £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 facility 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 December 2020.

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) 29 March 2019 is £37,603,000 (2018: £26,244,000).

27 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 considered to be a related party as it is a significant shareholder in the ultimate parent company, Findel plc. The Group also provided consultancy services to Sports Direct International plc itself in the current period on arm's-length terms. The value of purchases made, and consultancy fees charged in the current and prior periods and amounts owed at the 29 March 2019 and 30 March 2018 were as follows:

Brands Inc. Limited

	2019 £000	2018 £000
Purchases	196	175
Amounts owed	22	15

Firetrap Limited

	2019 £000	2018 £000
Purchases	176	822
Amounts owed	—	125

Sports Direct International plc

	2019 £000	2018 £000
Consultancy fees received	93	—
Amounts due	—	—

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 arms-length basis and are 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 pages 38 to 59 and is summarised below.

	2019 £000	2018 £000
Short-term employee benefits	1,730	1,540
Company pension contributions	123	111
Termination payments	7	365
	1,860	2,016
Share-based payments charge	642	138
	2,502	2,154

Contents

4 **Company Financial Statements**

142 Company Balance Sheet

143 Company Statement of Changes in Equity

144 Notes to the Company Financial Statements

Company Balance Sheet

at 29 March 2019

Company Number: 549034

	Notes	2019 £000	2018 £000
Fixed assets			
Tangible assets	3	56	73
Investment property	4	8,697	9,026
Investments	5	59,228	59,228
Derivative financial instruments		6	41
Deferred tax asset		426	—
		68,413	68,368
Current assets			
Derivative financial instruments		604	6
Debtors: amounts falling due after one year	6	8,538	10,652
Debtors: amounts falling due within one year	7	35,228	42,897
Cash at bank and in hand		783	254
		45,153	53,809
Derivative financial instruments		—	(4,147)
Creditors: amounts falling due within one year	8	(57,128)	(54,445)
Net current liabilities		(11,975)	(4,783)
Total assets less current liabilities		56,438	63,585
Creditors: amounts falling due after more than one year	9	(95,000)	(100,000)
Provisions for liabilities			
Deferred tax liability	10	(3,849)	(4,564)
Other provisions	11	(8,843)	(5,893)
		(12,692)	(10,457)
Net liabilities		(51,254)	(46,872)
Capital and reserves			
Share capital	12	48,644	48,644
Accumulated losses		(99,898)	(95,516)
Total equity		(51,254)	(46,872)

Approved by the Board and authorised for issue on 4 June 2019

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 29 March 2019

	Share capital £000	Accumulated losses £000	Total equity £000
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)
Loss for the period	—	(3,735)	(3,735)
Remeasurements in respect of defined benefit pension plan, net of tax	—	(1,037)	(1,037)
Share-based payments	—	409	409
Amounts charged to reserves in respect of cash flow hedge	—	(19)	(19)
At 29 March 2019	48,644	(99,898)	(51,254)

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

Accumulated losses at 29 March 2019 included 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 2018: £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.

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes 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 – IFRS 2 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 pages 90 to 106, 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.

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 29 March 2019 of £3,735,000 (2018: £1,828,000).

The Auditor's remuneration for audit services to the Company was £115,000 (2018: £115,000).

3 Tangible fixed assets

	Leasehold land and buildings £000	Fixtures and equipment £000	Total £000
Cost			
At 31 March 2017	404	74	478
Additions	—	7	7
At 30 March 2018	404	81	485
Additions	—	2	2
At 29 March 2019	404	83	487
Accumulated depreciation			
At 31 March 2017	341	45	386
Charge for the period	14	12	26
At 30 March 2018	355	57	412
Charge for the period	9	10	19
At 29 March 2019	364	67	431
Carrying amount			
Net book value at 29 March 2019	40	16	56
Net book value at 30 March 2018	49	24	73

4 Investment Property

	Land and buildings £000
Cost	
At 31 March 2017	17,234
At 30 March 2018	17,234
At 29 March 2019	17,234
Accumulated depreciation	
At 31 March 2017	7,879
Charge for the period	329
At 30 March 2018	8,208
Charge for the period	329
At 29 March 2019	8,537
Carrying amount	
Net book value at 29 March 2019	8,697
Net book value at 30 March 2018	9,026

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 (2018: £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 (2018: £800,000) on which no depreciation is charged.

Notes to the Company Financial Statements

5 Investments

	Shares in subsidiary undertakings £000
Cost	
At 31 March 2017	181,461
At 30 March 2018	181,461
At 29 March 2019	181,461
Provisions	
At 31 March 2017	122,233
At 30 March 2018	122,233
At 29 March 2019	122,233
Carrying amount	
Net book value at 29 March 2019	59,228
Net book value at 30 March 2018	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 after one year

Debtors: amounts falling due after 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

	2019 £000	2018 £000
Amounts due from subsidiary undertakings	32,676	40,480
Trade debtors	195	241
Other debtors	584	271
Corporation tax	—	469
Prepayments and accrued income	1,773	1,436
	35,228	42,897

Loans between the Company and its trading subsidiaries are repayable on demand and attract interest at a rate of 4.6% per annum.

The application of IFRS 9 impairment requirements as at 31 March 2018, results in no material additional impairment allowance.

8 Creditors: amounts falling due within one year

	2019 £000	2018 £000
Bank loans and overdrafts	23,082	24,528
Trade creditors	484	546
Amounts due to subsidiary undertakings	28,249	24,974
Other creditors	104	124
Corporation tax	1,762	—
Accruals and deferred income	3,447	4,273
	57,128	54,445

Loans between the Company and its trading subsidiaries are repayable on demand and attract interest at a rate of 4.6% per annum.

9 Creditors: amounts falling due after more than one year

	2019 £000	2018 £000
Bank loans	95,000	100,000
The average interest rates paid on the loans were as follows	4.00%*	3.92%*

* 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 17 to the consolidated financial statements). The average interest rate excluding these fees was 3.68% (2018: 3.23%).

10 Deferred tax

Recognised deferred tax

	Retirement benefit obligations £000	Fixed asset timing differences £000	Total £000
At 31 March 2017	1,984	—	1,984
Recognised in other comprehensive income	1,787	—	1,787
Charge recognised in the income statement	793	—	793
At 30 March 2018	4,564	—	4,564
Recognised in other comprehensive income	(504)	—	(504)
Credit recognised in the income statement	(630)	(7)	(637)
At 29 March 2019	3,430	(7)	3,423
At 29 March 2019			
Deferred tax liabilities	3,849	—	3,849
Deferred tax assets	(419)	(7)	(426)
At 30 March 2018			
Deferred tax liabilities	4,564	—	4,564
Deferred tax assets	—	—	—

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.

In the current period, management has deemed it appropriate to recognise deferred tax assets of £419,000 in respect of the Galt section of the Findel Group Pension Fund, which is in a deficit position and £7,000 in respect of fixed asset timing differences. This is on the basis that current tax relief obtained on the payment of pension contributions and claiming of capital allowances can be surrendered to the Company's subsidiaries via group relief.

The aggregate value of deferred tax assets which have not been recognised is £6,391,000 (2018: £6,398,000). 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.

Notes to the Company Financial Statements

11 Other provisions

	Onerous leases £000	Restructuring provision £000	Total £000
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
Utilised during the period	(624)	—	(624)
Provided in the period	3,502	—	3,502
Unwind of discount	72	—	72
At 29 March 2019	8,843	—	8,843

Analysed as:			
Non-current	7,753	—	7,753
Current	1,090	—	1,090

Onerous leases

The onerous lease provision relates to unoccupied areas of the Company's premises at Enfield and Hyde. The provision represents the net of the remaining unavoidable lease rentals, less an assumed level of sublet income over the remaining terms of the leases of between nine and fifteen years. Because of the long-term nature of the liabilities, the cash flows have been discounted using a discount rate that reflects the risks inherent in the future cash flows. Cash outflows have been discounted at a risk-free rate of 3%, inflows from subleases that have been agreed at 29 March 2019 have been discounted at 4%, whilst assumed inflows from future subleases that have yet to be agreed have been 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 subleases agreed at the balance sheet date and local market conditions, as well as applying judgement in discounting the cash inflows at between 4% and 6%. During the year, the provision was increased as the Company released a subsidiary entity from its obligations in respect of the Enfield property.

The level of provision required is sensitive to the key assumptions set out above. If the Hyde property remained vacant for one further year than planned then the provision required would increase by approximately £1.4m, whilst 1% increase in the discount rate applied to the assumed sublease income would increase the provision by approximately £0.7m. These sensitivities reflect management's assessment of reasonably possible changes to key assumptions which could result in a material adjustment to the level of provision within the next financial year.

Restructuring provision

A provision was made in the year ended 31 March 2017 in respect of the restructuring exercise undertaken to relocate the Findel plc's head office function from Hyde to Studio's offices in Accrington. The provision was fully utilised in the prior financial year.

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

	2019 Number of shares	2018 Number of shares	2019 £000	2018 £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

	2019 Number of shares	2018 Number of shares	2019 £000	2018 £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 that is declared unconditional (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 29 March 2019 or 30 March 2018.

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	
	2019 £000	2018 £000	2019 £000	2018 £000
Expiry date:				
Within one year	4,798	4,582	—	12
In the second to fifth years	17,892	12,192	—	—
After five years	28,398	28,746	—	—
	51,088	45,520	—	12

During the period £2,376,000 (2018: £2,400,000) was recognised as an expense in the income statement in respect of operating leases.

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.

Notes to the Company Financial Statements

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 £202,000 (2018: £212,000).

There was no outstanding contributions payable to the scheme at 29 March 2019 (2018; £14,000).

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: £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 29 March 2019 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 £1,230,000, 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: £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 29 March 2019 by PwC using the assumptions detailed below.

Company contributions to the Galt section for the upcoming financial year are expected to be around £560,000, in line with the current Schedule of Contributions.

The results of the IAS 19 valuation for both sections are summarised as follows:

	2019			2018		
	Group £000	Galt £000	Total £000	Group £000	Galt £000	Total £000
Fair value of scheme assets	113,108	3,334	116,442	111,822	3,028	114,850
Present value of funded obligations	(102,111)	(5,793)	(107,904)	(98,781)	(5,417)	(104,198)
Surplus/(deficit) in the scheme	10,997	(2,459)	8,538	13,041	(2,389)	10,652

The weighted average duration of the Scheme's IAS 19 liabilities is 17.0 years in respect of the Group section and 16.3 years in respect of the Galt section.

14 Retirement benefits – continued

Plan assets

	2019 Group £000	2019 Galt £000	2019 Total £000	2018 Group £000	2018 Galt £000	2018 Total £000
Plan assets comprise:						
Equities	40,117	3,086	43,203	40,033	2,584	42,617
Bonds	72,213	148	72,361	71,510	318	71,828
Other	778	100	878	279	126	405
	113,108	3,334	116,442	111,822	3,028	114,850

Movement in the present value of defined benefit obligations

	2019 Group £000	2019 Galt £000	2019 Total £000	2018 Group £000	2018 Galt £000	2018 Total £000
At beginning of period	(98,781)	(5,417)	(104,198)	(105,308)	(5,614)	(110,922)
Past service cost[1]	(1,660)	(90)	(1,750)	—	—	—
Interest expense	(2,575)	(143)	(2,718)	(2,674)	(145)	(2,819)
Effect of changes in demographic assumptions	913	50	963	2,696	95	2,791
Effect of changes in financial assumptions	(4,164)	(228)	(4,392)	1,823	102	1,925
Effect of experience adjustments	(269)	(96)	(365)	142	74	216
Benefits paid	4,425	131	4,556	4,540	71	4,611
At end of period	(102,111)	(5,793)	(107,904)	(98,781)	(5,417)	(104,198)

Movement in the fair value of plan assets

	2019 Group £000	2019 Galt £000	2019 Total £000	2018 Group £000	2018 Galt £000	2018 Total £000
At beginning of period	111,822	3,028	114,850	113,821	2,770	116,591
Interest on assets	2,908	82	2,990	2,903	75	2,978
Return on scheme assets – remeasurements	2,177	76	2,253	(977)	(26)	(1,003)
Company contributions	626	279	905	615	280	895
Benefits paid	(4,425)	(131)	(4,556)	(4,540)	(71)	(4,611)
At end of period	113,108	3,334	116,442	111,822	3,028	114,850

Movement in the pension surplus/(deficit)

	2019 Group £000	2019 Galt £000	2019 Total £000	2018 Group £000	2018 Galt £000	2018 Total £000
At beginning of period	13,041	(2,389)	10,652	8,513	(2,844)	5,669
Past service cost[1]	(1,660)	(90)	(1,750)	—	—	—
Net interest income/(cost)	333	(61)	272	229	(70)	159
Remeasurements	(1,343)	(198)	(1,541)	3,684	245	3,929
Company contributions	626	279	905	615	280	895
At end of period	10,997	(2,459)	8,538	13,041	(2,389)	10,652

Amounts recognised in the income statement

	2019 Group £000	2019 Galt £000	2019 Total £000	2018 Group £000	2018 Galt £000	2018 Total £000
Past service cost[1]	(1,660)	(90)	(1,750)	—	—	—
Net interest income/(cost)	333	(61)	272	229	(70)	159
	(1,327)	(151)	(1,478)	229	(70)	159

Amounts recognised in other comprehensive income

	2019 Group £000	2019 Galt £000	2019 Total £000	2018 Group £000	2018 Galt £000	2018 Total £000
Total Remeasurements	(1,343)	(198)	(1,541)	3,684	245	3,929

1. In October 2018, the High Court handed down a judgement involving the Lloyds Banking Group's defined benefit pension schemes. The judgement concluded that the schemes should be amended to equalise pension benefits for men and women in relation to guaranteed minimum pension ("GMP") benefits. The issues determined by the judgement arise in relation to many other defined benefit pension schemes, including the Findel Group Pension Fund. After discussion with the trustees, actuaries and legal advisors of our fund, a past service cost of £1,750,000 has been recognised, increasing the total scheme liabilities to address this historical issue.

14 Retirement benefits – continued

Actuarial Assumptions – Group and Galt sections

The following are the principal actuarial assumptions at the reporting date:

	2019	2018
Financial Assumptions		
Discount rate for scheme liabilities	2.45%	2.65%
RPI Price Inflation	3.30%	3.15%
CPI Price Inflation	2.30%	2.15%
Rate of increase to pensions in payment in line with RPI inflation (up to 5% per annum)	3.20%	3.10%
Rate of increase to pensions in payment in line with CPI inflation (up to 5% per annum)	2.30%	2.20%
Rate of increase to deferred pensions	2.30%	2.20%
Post retirement mortality (in years)		
Current pensioners at 65 – male	87.0 yrs	87.1 yrs
Current pensioners at 65 – female	89.0 yrs	89.1 yrs
Future pensioners at 45 – male	88.3 yrs	88.5 yrs
Future pensioners at 45 – female	90.5 yrs	90.6 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	61.0 yrs

Assumptions regarding post retirement mortality are based on published statistics and mortality tables – S2NXA – CMI 2018 1.25% p.a. (2018: S2NXA – CMI 2017 1.25% p.a.)

* The Scheme 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 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

		Impact on scheme liabilities	
Assumption	Change in assumption	If assumption increases	If assumption decreases
Discount rate	0.50%	Decrease by 7.7%	Increase by 8.7%
Inflation	0.50%	Increase by 3.5%	Decrease by 3.3%
Longevity	1 year	Increase by 4.8%	Decrease by 4.6%

Galt section

		Impact on scheme liabilities	
Assumption	Change in assumption	If assumption increases	If assumption decreases
Discount rate	0.50%	Decrease by 7.4%	Increase by 8.3%
Inflation	0.50%	Increase by 4.0%	Decrease by 3.7%
Longevity	1 year	Increase by 4.2%	Decrease by 4.1%

The above sensitivities are approximate and show the likely increase to each section'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.

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 2015 and 2016, 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
2019 – 2028	36,625	2,077
2029 – 2038	45,926	2,763
2039 – 2048	39,507	2,261
2049 – 2058	26,554	1,284
2059 – 2068	8,599	338
2069 – 2078	871	24
2079 – 2088	22	—
2089 – 2098	—	—
After 2098	—	—
Total	158,104	8,747

Notes

Notes

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