

FINDEL PLC

REJECT SPORTS DIRECT'S OFFER

THE BOARD OF FINDEL STRONGLY RECOMMENDS
YOU REJECT SPORTS DIRECT'S OFFER OF 161P PER
SHARE

THIS OFFER SIGNIFICANTLY UNDERVALUES FINDEL
AND ITS FUTURE PROSPECTS

TO REJECT THIS OPPORTUNISTIC OFFER,

TAKE NO ACTION

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser duly authorised under the Financial Services and Markets Act 2000 (as amended) if you are resident in the United Kingdom or, if not, another appropriately authorised independent financial adviser in the relevant jurisdiction.

If you have sold or otherwise transferred all of your Findel Shares (other than pursuant to acceptances of the Offer), please send this document and any accompanying document(s) (but not any personalised Form of Acceptance) as soon as possible to the stockbroker, bank or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee. However, these documents must not be distributed, forwarded or transmitted in or into any jurisdiction where to do so would constitute a violation of the relevant laws of that jurisdiction (a "**Restricted Jurisdiction**"). If you have sold or transferred only part of your holding of Findel Shares, you should retain these documents and consult the stockbroker, bank or other agent through whom the sale or transfer was effected.

The release, publication or distribution of this document in, into or from jurisdictions other than the United Kingdom and the availability of the Offer to Findel Shareholders who are not resident in the United Kingdom may be restricted by the laws of those jurisdictions. Therefore persons into whose possession this document comes should inform themselves about, and observe, such restrictions. Any failure to comply with the restrictions may constitute a violation of the securities laws of any such jurisdiction. This document does not constitute an offer to sell or issue, nor the solicitation of an offer to buy or subscribe for, shares in any jurisdiction in which such offer or solicitation is unlawful.

FINDEL P.L.C.

(incorporated in England and Wales with limited liability under registration number 00549034)

RESPONSE TO THE MANDATORY CASH OFFER

for

FINDEL P.L.C.

by

SPORTS DIRECT INTERNATIONAL PLC

The Offer is subject to the jurisdiction of the Panel.

Nplus1 Singer Advisory LLP ("**N+1 Singer**"), which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for Findel and no one else in connection with the Offer and will not be responsible to anyone other than Findel for providing the protections afforded to its clients or for providing advice in relation to the Offer, the contents of this document or any other matters referred to in this document.

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The statements contained in this document are not to be construed as legal, business, financial or tax advice. If you are in any doubt about the content of this document, you should consult your own legal, financial or tax adviser for legal, business, financial or tax advice.

The statements contained in this document are made as at the date of this document, unless some other time is specified in relation to them, and service of this document shall not give rise to any implication that there has been no change in the facts set out in this document since such date. No dealer, salesperson or other person is authorised to give any information or to make any representations with respect to the Offer other than such information or representations contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised by Findel.

IMPORTANT NOTICE

Overseas jurisdictions

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The Offer is not being, and will not be, made available, directly or indirectly, or by any other means or in any Restricted Jurisdiction, unless conducted pursuant to an exemption from the applicable securities laws of such Restricted Jurisdiction and will not be capable of acceptance by any such use, means or facility or from within any Restricted Jurisdiction.

Accordingly, copies of this document and all other documents relating to the Offer are not being, and must not be, directly or indirectly, mailed, transmitted or otherwise forwarded, distributed or sent in, into or from any Restricted Jurisdiction except pursuant to an exemption from the applicable securities laws of such Restricted Jurisdiction and persons receiving this document (including, without limitation, agents, nominees, custodians and trustees) must not distribute, send or mail it in, into or from such jurisdiction. Any person (including, without limitation, any agent, nominee, custodian or trustee) who has a contractual or legal obligation, or may otherwise intend, to forward this document and/or any other related document to a jurisdiction outside the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of their jurisdiction.

US investors

The Offer is being made for securities in a company incorporated in England and Wales with a listing on the Main Market of the London Stock Exchange and Findel Shareholders in the United States should be aware that this document and any other documents relating to the Offer have been prepared in accordance with the Code and UK disclosure requirements, format and style, all of which differ from those in the United States. All financial information relating to Sports Direct and Findel that is included in this document or any other documents relating to the Offer may not be comparable to financial statements of US companies or companies whose financial statements are prepared in accordance with generally accepted accounting principles in the United States.

Neither the US Securities and Exchange Commission nor any US state securities commission has approved or disapproved the Offer, or passed comment upon the adequacy or completeness of this document. Any representation to the contrary is a criminal offence in the United States.

Forward-looking statements

This document, including information included or incorporated by reference in this document, may contain "forward-looking statements" concerning Findel. All statements other than statements of historical fact may be forward-looking statements. Generally, the words "will", "may", "should", "continue", "believes", "expects", "intends", "anticipates" or similar expressions identify forward-looking statements. The forward-looking statements involve risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements. Many of these risks and uncertainties relate to factors that are beyond the relevant persons abilities to control or estimate precisely, such as future market conditions and the behaviours of other market participants and, therefore undue reliance should not be placed on such statements, which speak only as of the date of this document.

No member of the Group, nor any of their respective associates, directors, officers, employees or advisers, provides any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this document will actually occur.

Other than in accordance with its legal or regulatory obligations, Findel is not under any obligation and Findel expressly disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Except as expressly provided in this document, no forward-looking or other statements have been reviewed by the auditors of Findel. All subsequent oral or written forward-looking statements attributable to any member of the Group, or any of their respective associates, directors, officers, employees or advisers, are expressly qualified in their entirety by the cautionary statement above.

Profit forecasts or estimates

The Findel Profit Forecast is a profit forecast for the purposes of Rule 28 of the Takeover Code. As required by Rule 28.1 of the Takeover Code, the assumptions on which the Profit Forecast is stated are set out in Part III of this document.

Other than the Findel Profit Forecast, no statement in this document is intended as a profit forecast, projection or estimate for any period and no statement in this document should be interpreted to mean that earnings or earnings per share for Findel for the current or future financial years would necessarily match or exceed the historical published earnings or earnings per share for Findel.

Publication on website

This document, together with those documents listed in paragraph 10 of Part IV of this document, and all information incorporated into this document by reference to another source, will be available free of charge, subject to certain restrictions relating to persons resident in Restricted Jurisdictions, on Findel's website at www.findel.co.uk, in each case until the Offer closes. For the avoidance of doubt, except as expressly provided in this document, the content of such website is not incorporated into, and does not form part of, this document.

Dealing and Opening Disclosure requirements of the Takeover Code

Under Rule 8.3(a) of the Takeover Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any securities exchange offeror (being any offeror other than an offeror in respect of which it has been announced that its offer is, or is likely to be, solely in cash) must make an Opening Position Disclosure following the commencement of the offer period and, if later, following the announcement in which any securities exchange offeror is first identified. An Opening Position Disclosure must contain details of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s). An Opening Position Disclosure by a person to whom Rule 8.3(a) applies must be made by no later than 3.30 p.m. (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 p.m. (London time) on the 10th business day following the announcement in which any securities exchange offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a securities exchange offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the Takeover Code, any person who is, or becomes, interested in 1% or more of any class of relevant securities of the offeree company or of any securities exchange offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any securities exchange offeror. A Dealing Disclosure must contain details of the dealing concerned and of the person's interests and short positions in, and rights to subscribe for, any relevant securities of each of (i) the offeree company and (ii) any securities exchange offeror(s), save to the extent that these details have previously been disclosed under Rule 8. A Dealing Disclosure by a person to whom Rule 8.3(b) applies must be made by no later than 3.30 p.m. (London time) on the business day following the date of the relevant dealing.

If two or more persons act together pursuant to an agreement or understanding, whether formal or informal, to acquire or control an interest in relevant securities of an offeree company or a securities exchange offeror, they will be deemed to be a single person for the purpose of Rule 8.3. Opening Position Disclosures must also be made by the offeree company and by any offeror and Dealing Disclosures must also be made by the offeree company, by any offeror and by any persons acting in concert with any of them (see Rules 8.1, 8.2 and 8.4).

Details of the offeree and offeror companies in respect of whose relevant securities Opening Position Disclosures and Dealing Disclosures must be made can be found in the Disclosure Table on the Takeover Panel's website at www.thetakeoverpanel.org.uk, including details of the number of relevant securities in

issue, when the offer period commenced and when any offeror was first identified. You should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129 if you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure.

In accordance with, and to the extent permitted by, the Code and normal UK market practice, N+1 Singer and Stifel and their respective affiliates will continue to act as exempt principal traders in Findel Shares on the London Stock Exchange and engage in certain other purchasing activities consistent with their respective normal and usual practice and applicable law. To the extent required by the applicable law (including the Code), any information about such purchases will be disclosed on a next day basis to the Panel and a Regulatory Information Service including the Regulatory News Service on the London Stock Exchange website, www.londonstockexchange.com. To the extent that such information is made public in the United Kingdom, this information will also be deemed to be publicly disclosed in the United States.

Availability of hard copies

You may request hard copies of any document published on Findel's website in connection with the Offer by contacting Findel's registrar, Equiniti, on 0207 463 1080 or by submitting a request in writing to Equiniti, Level 6, Broadgate Tower, 20 Primrose Street, London EC2A 2EW. You may also request that all future documents, announcements, and information to be sent to you in relation to the Offer should be in hard copy form.

Rounding

Certain figures included in this document have been subjected to rounding adjustments. Accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Definitions

Certain words and terms used in this document are defined in Part V of this document.

Time

All references to time in this document are references to London time unless otherwise stated.

Date of publication

The date of publication of this document is 27 March 2019.

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PART I
LETTER FROM THE DIRECTORS OF

FINDEL P.L.C.

(incorporated in England and Wales with registered number 00549034)

Ian Burke	<i>Chairman</i>
Phil Maudsley	<i>Chief Executive Officer</i>
Stuart Caldwell	<i>Chief Financial Officer</i>
Clare Askem	<i>Non-Executive Director</i>
Greg Ball	<i>Non-Executive Director</i>
Francois Coumau	<i>Non-Executive Director</i>
Bill Grimsey	<i>Non-Executive Director</i>
Elaine O'Donnell	<i>Non-Executive Director</i>

Registered Office
Church Bridge House
Henry Street
Accrington
BB5 4EE

(the "**Findel Directors**")

27 March 2019

To: *Findel Shareholders and, for information only, to persons with information rights and holders of share options and/or awards under any of the Company's employee share schemes*

Dear Shareholders

Response to the mandatory cash offer by Sports Direct for Findel

Thank you for taking the time to read this document. It contains important information which we believe is of significance to you. As you are aware, on 4 March 2019, Sports Direct announced an unsolicited mandatory offer for your Group of 161p in cash per share ("**Offer**"). It is your Board's strong belief that the Offer is entirely opportunistic and the terms of which fundamentally undervalue Findel. This response document sets out the key reasons why we believe this to be the case.

1. Your Group comprises a market leading UK online value retailer and a leading supplier of resources and equipment to schools worldwide, both with significant potential

Your Group's largest business is Studio, a market leading UK online value retailer that has transitioned from a catalogue order business to a digital-first retailer. We have made significant long-term investments across the business and this, coupled with our strong executive management team and a strengthened balance sheet, means we are on track to successfully deliver against our stated strategy. It is your Board's belief that your Group has been successfully shaped in recent years to be fit for purpose in what is a dynamic and fast changing retail environment. As supportive shareholders of Findel, the Board believes that you should receive the benefit of our investment and enjoy our continued growth.

2. The Offer is opportunistic and undervalues your Group

The Offer price of 161p represents a 35% discount to the undisturbed share price of 250p¹ ("**Undisturbed Share Price**") as well as a discount of 10% to the closing share price two days prior to the Offer announcement and 1% to the closing share price of 162p on 1 March 2019, being the trading day prior to the Offer announcement. The Offer Price also represents a:

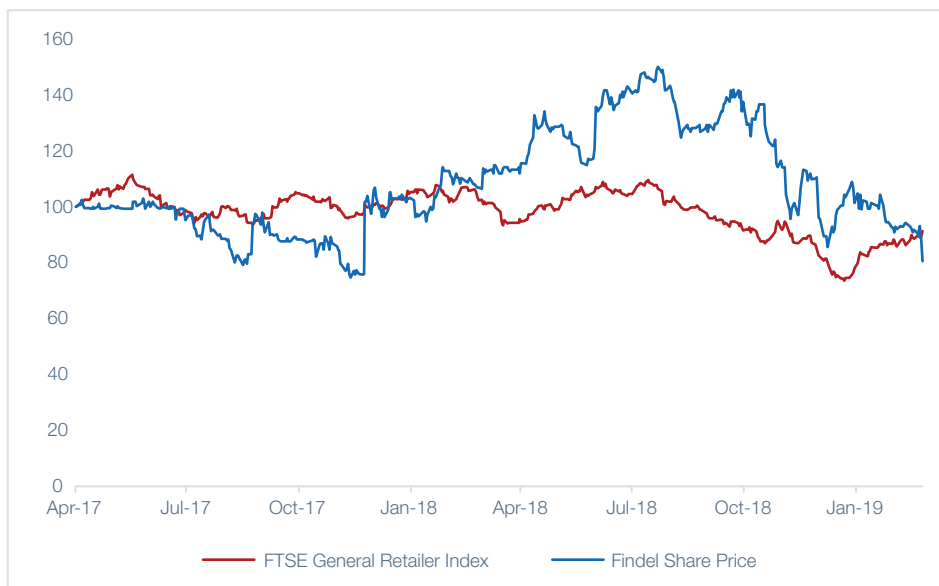
- Discount of 15.0% to the 30-day average closing price;
- Discount of 17.1% to the 60-day average closing price;

¹ Findel closing share price on 31 October 2018, being the last practicable date before Toscafund Asset Management LLP began selling its entire 18.3% shareholding.

- Discount of 21.7% to the 90-day average closing price; and
- Discount of 27.4% to the 120-day average closing price.

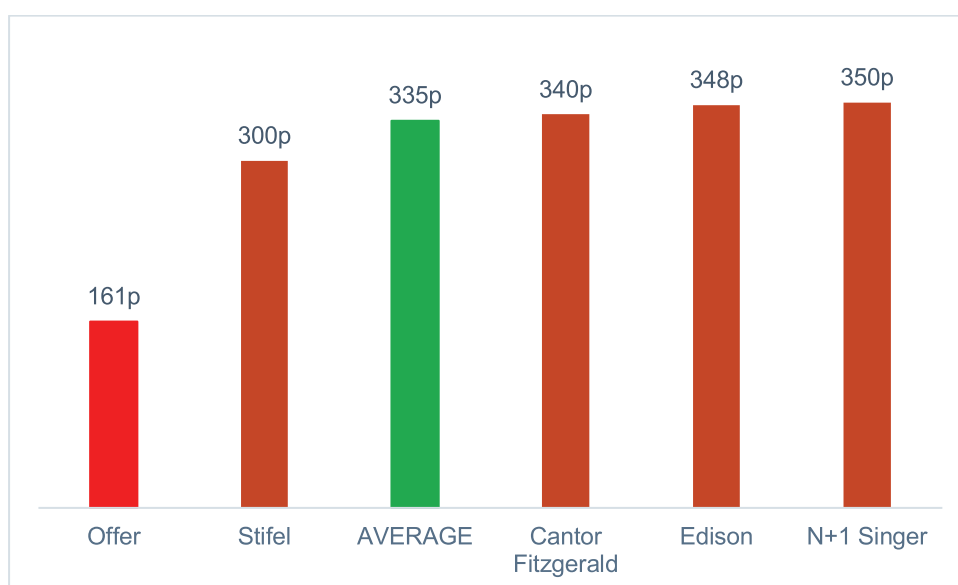
Your Board would also like to highlight that the **typical level of premium paid on UK public takeovers over the last 5 years is between 30 – 50%.**

Your Group has outperformed the FTSE General Retailers Index by 33.0% between 6 April 2017, being the date on which Phil Maudsley was appointed as your Group’s CEO, and 31 October 2018, being the reference date for the Undisturbed Share Price, as evidenced in the following chart.



In Sports Direct’s Offer announcement on 4 March 2019, Sports Direct acknowledged the high-quality nature of your Group, yet clearly based on the aforementioned metrics it has not subscribed any valuation premium to your business.

Analysts’ target prices for your Group, derived from research notes published in January and February 2019, range from 300p to 350p, with an arithmetic average of 335p being more than double the Offer price of 161p, as illustrated in the chart below.



Your Board therefore concludes that this Offer is entirely opportunistic and should not be accepted by Findel Shareholders.

3. Findel's recent share price performance does not reflect the underlying financial performance of the Group

In early November 2018 Toscafund Asset Management LLP ("**Toscafund**") took steps to **dispose of its entire 18.3% shareholding in your Group** (the "**Toscafund Sale**"). Toscafund implemented the sale of its stake through a series of on market transactions over an extended period, placing considerable downward pressure on the Group's share price. The decision by Toscafund to proceed with the Toscafund Sale was not as a result of their view of your Group and, in a letter to Phil Maudsley (CEO) on 17 December 2018, Toscafund recognised your Group's excellent leadership and its good prospects for the future.

Further downward pressure was placed on your Group's share price when it was reported in the media on 27 February 2019 that City Financial Investment Company Limited had filed for administration on 22 February 2019 and **as a result of which its entire 5.78% interest in your Group was put up for sale and subsequently acquired by Sports Direct.**

Since the appointment of Phil Maudsley and Stuart Caldwell (CFO) on 6 April 2017 and 13 July 2017 respectively, your Group has reported financial results in relation to the period to 30 March 2018 slightly ahead of market expectations, showing growth in Adjusted PBT of 21%.

This strong performance has continued into the 2019 financial year and on 25 January 2019 we announced record-breaking sales and strong margin performance at Studio in the weeks leading up to Black Friday, which resulted in your Board confirming on the said date that it anticipated full year Adjusted PBT being towards the upper end of current market expectations for the 52 week period ending 31 March 2019 (£26 million to £28 million). The Board confirms this expectation remains valid on the date of this document, with full year Adjusted PBT being compiled in line with the Group's accounting policies, including the newly implemented IFRS 9 and IFRS 15 accounting standards.

At the time of Findel's 25 January 2019 trading update, analysts' consensus estimates in respect of Adjusted PBT for the period to 29 March 2019 were £26 million to £28 million, which would represent growth in Adjusted PBT measured on a constant GAAP basis of 5-13%.

It is also worth noting that between 31 October 2018 and 1 March 2019 (being the last practicable date prior to the announcement of the Offer) there have been no downgrades to analysts' forecasts, other than for newly implemented IFRS 9 and IFRS 15 accounting standards for the 2019 financial year. Indeed, the 25 January 2019 trading update led to a small upgrade in analysts' forecasts.

Your Group delivered this robust financial performance against the backdrop of an adverse macro-economic environment in the wake of much political uncertainty and subdued consumer confidence levels. During the period between 31 October 2018 and 1 March 2019 (being the last practicable date prior to the announcement of the Offer), the share price of your Group declined by 35.1%, which was uncorrelated to the Group's financial performance. Your Group's business model is resilient in these market conditions given its value offering and your Board does not believe that this is reflected in the current share price or the Offer Price.

Based on your Group's robust financial performance, the Board is strongly of the view that the Offer fundamentally undervalues your Group's future prospects.

4. Implications for Findel Shareholders of the Offer by Sports Direct

Your Group's relationship with Sports Direct stretches back to September 2015, when it acquired a 19.9% shareholding in Findel. This holding increased to 29.9% in July 2016. Since April 2017, your Group's current management has developed a good working relationship with Sports Direct, enabling pilot-scale type commercial tests to be undertaken with Studio. Furthermore, on 6 March 2018, your Board approved the appointment by Sports Direct of Liam Rowley as an observer to the Board.

Notwithstanding this, there are considerations that should be brought to the attention of shareholders in the situation where Sports Direct remains a significant shareholder in Findel with a shareholding of 36.8% and Findel, as stated in Sports Direct's Offer, remains listed on the London Stock Exchange.

In the Offer announcement on 4 March 2019, Sports Direct stated that it continued "*to recognise the value and quality of the Findel business, and views the Offer as an opportunity to give increased support to Findel*

in order to maximise the value of its existing business. The Offer is an effective way of expanding the commercial arrangements between Sports Direct and Findel, and giving Sports Direct increased exposure to the future growth of the Findel business.”

There have been extensive discussions with Sports Direct around a number of operational areas, but to date progress has been limited to pilot-scale type commercial tests across limited Sports Direct ranges which have represented less than 1% of Studio’s product revenue. As Findel Shareholders would expect, negotiations with Sports Direct have been conducted on an arm’s length basis, as would be necessary between related parties. However, we would have considered arm’s length terms that made commercial sense with any suitable supplier, regardless of the ultimate ownership of the supplier.

Whilst your Board is delighted that Sports Direct is supportive of Findel and its management team, **there is no reason why an increased shareholding in Findel should influence the outcome of future commercial supply negotiations for either Findel or Sports Direct shareholders.**

In addition to the above, your Board would make the following observations:

- your Group’s agreements with its lending banks contain customary change of control provisions. These change of control provisions would be triggered in the event that Sports Direct’s share ownership exceeds 50%. Whilst your Group has made good progress in reducing its core net debt² over a number of years and has good relationships with its lenders there can be no guarantees that the lenders will renew the facilities in the event of a change of control;
- under the agreement reached with the pension trustee in 2016, the Group makes annual contributions of £2.5 million, rising to £5.0 million from April 2019 in order to address the historical pension deficit. In the event of a change of control the pension trustee has the right to review the level of contributions in light of the covenant of the ultimate parent company. This may result in a change in the level of contributions;
- in the event that Sports Direct’s share ownership exceeds 50%, the 166,878,704 convertible ordinary shares of 23.97p arising through Findel’s 2011 debt restructuring held at nominal value on the Group’s balance sheet, will convert automatically into an additional 8,343,935 ordinary shares at the Offer Price for nil consideration, resulting in dilution to all existing Findel Shareholders of 8.8%;
- Sports Direct has indicated in its Offer Document that it wishes to maintain your Group’s listing on the London Stock Exchange. Your Board believes it is not in the interests of Findel Shareholders for Sports Direct to further increase its shareholding beyond 36.8%, since it is highly likely to adversely impact the future liquidity and trading of Findel Shares. There is a risk that your Group’s free float will fall below the required minimum threshold of 25% under LR9.2.15 of the Listing Rules. In such circumstances your Group will require, as a minimum, a derogation from the UK Listing Authority to remain listed on the Premium List Segment of the Official List and admitted to trading on the Main Market of the London Stock Exchange; and
- there can be no guarantees, in the event Sports Direct increases its shareholding above the current level, that it does not use its increased level of influence to move your Group away from its current strategy and in a direction that may not benefit all Findel Shareholders equally.

5. Your Group, under its current leadership, continues to deliver on its strategy, resulting in a strong track record of robust financial performance and future prospects

Your Group’s current management has built on a major transformational program in moving Findel from a catalogue to a digital-first retailer, simplifying your Group, improving its balance sheet and is executing strategies to unlock the potential in both the Studio and Education businesses.

The Studio strategy consists of three strategic pillars: improve Retail profitability; maximise the financial services opportunity and build strong foundations. The Education strategy comprises digital enhancement, reintroduction of a more improved value proposition, improved sourcing and measured cost reduction in order to deliver robust return on sales.

² Core net debt excludes obligations under finance leases and securitisation borrowings thereby disclosing net debt with reference to draw down of the Company’s revolving credit facility netted off against cash and overdrafts.

As shown by the following metrics and key investment highlights, significant positive progress has already been made in both the Studio and Education businesses.

Studio continues to demonstrate strong revenue growth that is complemented by a fit for purpose cost base, leading to growth in operating profits and margins.

<i>£m</i>	<i>March '18</i>	<i>March '17</i>	<i>% Growth</i>
Product	285.1	262.2	8.7%
Financial services	108.1	101.1	7.0%
Overseas sourcing	0.2	2.0	
Total Revenue	393.4	365.3	7.7%
Product gross profit	87.0	81.0	7.4%
<i>Product gross margin</i>	30.5%	30.9%	
Financial services gross profit	79.9	73.0	9.5%
Overseas sourcing gross profit	–	0.3	
Total gross profit	166.9	154.3	8.2%
<i>Total gross margin</i>	42.4%	42.2%	
Total operating costs	(123.1)	(117.7)	(4.6%)
Adjusted EBITDA³	43.8	36.6	19.7%
<i>Adjusted EBITDA margin</i>	11.1%	10.0%	
Adjusted operating profit⁴	36.3	30.2	20.2%
<i>Adjusted operating profit margin</i>	9.2%	8.3%	

Key investment highlights across Studio for the period ended 30 March 2018 included:

- improved brand and customer experience, as well as enhanced customer engagement and retention, along with product range development, which resulted in a 13% increase in Studio's customer base to 1.8 million;
- 8.7% growth in product revenue with clothing sales particularly strong as evidenced by its 14.2% year on year growth;
- 7% growth in financial services revenue predominantly due to growth in the business;
- investment in digitising the company, predominantly through development of website functionality and enhancing the mobile experience, which led to 68% of product sales occurring online, with over 84% of new customers placing their first orders online;
- implementation of the new "Financier" system which will create opportunities to provide new and relevant financial services products to our customers;
- new segmentation of customers in order to introduce improved targeting of marketing communications; and
- improved operating margins to 9.2% driven by:
 - streamlining of product planning, through the reduction in the number of stock lines;
 - driving sourcing efficiencies through continued work with suppliers, closing our Hong Kong sourcing office and replacing it with a new office based in Shanghai;
 - realising cost savings from the migration of the majority of our parcel deliveries to Hermes;
 - strong collections and recoveries which resulted in the reduction in the bad debt charge to 7.2% of revenue, down from 7.7% for the financial year ended 31 March 2017; and
 - the substantial completion of the customer redress program within current provision parameters.

³ Before fair value movements in derivatives and individually significant items.

⁴ Before fair value movements in derivatives and individually significant items.

The Education business continues to stabilise through its turnaround process with improving margins and profitability.

Key highlights in our turnaround of the Education business include:

- creating a strong portfolio of highly regarded regional, national and specialist brands allowing for a one-stop shop for schools both in the UK and internationally;
- reducing market share loss in the UK, achieved through strong discount incentives for schools and nurseries in order to drive ordering away from catalogues in favour of upgraded websites;
- enhancing our digital offering through the development of online tools to assist teachers in price comparisons versus competitors, thereby driving brand and customer acquisition into our Classmates product range; and
- mitigating against downward pressures on margins through Far East sourcing and an overhaul of the cost base, which led to an improvement in operating margins to 3.4%.

Your Group continues to generate robust and improving cash flows despite individually significant one-off cash flow items with further progress being made in deleveraging its core net debt.⁵

<i>£m</i>	<i>March '18</i>	<i>March '17</i>	<i>Change</i>
Adjusted EBITDA	46.4	40.6	5.8
Working capital	6.9	1.7	5.2
Net customer loan book	(4.0)	(7.1)	3.1
Capital expenditure	(10.6)	(11.7)	1.1
Pension and other	(1.6)	(2.0)	0.4
Individually significant items	(20.7)	(8.2)	(12.5)
Free cash flow	16.4	13.3	3.1
Interest	(8.3)	(9.1)	0.8
Business disposals and finance leases	(1.0)	0.6	(1.6)
Net cash flow	7.1	4.8	2.3
Closing core net debt⁵	73.8	80.8	(7.0)

Key highlights in relation to free cash flow generation include:

- strong working capital generation ahead of our expectations;
- continued capital investment, particularly in Studio's digital capabilities; and
- legacy cash outflows in line with existing provisions.

The current leadership team has delivered a performance such that your Group has consistently met consensus estimates and this trend is expected to continue for the period ending 29 March 2019 as announced in the Group's third quarter trading update on 25 January 2019.

Consensus estimates

The table below sets out analysts' consensus forecasts relating to revenue for Findel in respect of the periods ending 29 March 2019, 27 March 2020 and 26 March 2021. Such consensus forecasts have been made without the agreement or approval of Findel. As such, caution should be exercised in considering the consensus forecasts and no undue reliance should be placed on such forecasts.

The consensus forecasts have been compiled only from the forecasts of those investment analysts who have published such forecasts since the publication of Findel's half year results, on 28 November 2018, for the period ending 29 March 2019.

⁵ Core net debt excludes obligations under finance leases and securitisation borrowings thereby disclosing net debt with reference to draw down of the Company's revolving credit facility netted off against cash and overdrafts.

Y/E 31 March (£'m)	2018A	2019E	2020E	2021E
Revenue:				
Lowest	479.0	505.1	530.2	549.9
Highest	479.0	510.7	539.9	560.6
Arithmetic Mean	<u>479.0</u>	<u>507.6</u>	<u>535.8</u>	<u>555.3</u>
Year-on-year growth		6.0%	5.6%	3.6%

6. Current trading

(a) Q3 trading statement from 25 January 2019

Within Findel's Q3 Trading statement announcement, covering the 15-week period to the end of December 2018 ("Q3"), which was released on 25 January 2019, the Board stated that in respect of the period to 29 March 2019, it anticipated that "given the strong performance from Studio in Q3, the Group believes that full-year [Adjusted PBT] is now likely to be towards the upper end of current market expectations" (£26 million to £28 million).

Trading of Findel since 31 December 2018 has been in line with the Board's expectations for the period to 29 March 2019 and, pursuant to Rule 28.1(c)(i) of the Takeover Code, the Findel Directors, who are now in receipt of the management accounts for the 47 weeks to 22 February 2019, confirm that the Findel Profit Forecast remains valid, that it has been properly compiled on the basis of the assumptions stated and that the basis of accounting used in making the Findel Profit Forecast is consistent with Findel's accounting policies. Further details of the Findel Profit Forecast, which the Panel has confirmed constitutes an ordinary course profit forecast for the purposes of Rule 28 of the Takeover Code, including the basis of preparation and the assumptions used in making the Findel Profit Forecast, are set out in Part III of this document.

(b) Q4 trading update

Studio has seen good trading in the seasonally quieter weeks of Q4, with garden ranges benefitting from the warmer weather in early February and homeware ranges trading well throughout. Collections and recoveries from credit receivables have been in line with plan.

Education has seen an acceleration of its customer recruitment in recent weeks and a further increase in online ordering levels, which is encouraging as we go into the new financial year.

7. The Findel Directors' views on the effects of the implementation of the Offer on Findel's interests, employees and locations

The Code requires the Findel Directors to give their views on the effects of the implementation of the Offer on all Findel's interests, including, specifically, employment, and their views on Sports Direct's strategic plans for Findel and their likely repercussions on employment and the locations of Findel's places of business. In fulfilling their obligations under the Code, the Findel Directors can only comment on the details provided in the Offer Document.

The Findel Directors welcome Sports Direct's statement that it has no intention to make any changes to: (i) the future business of Findel including any research and development functions; (ii) the continued employment of Findel's employees and management (and those of its subsidiaries), including any material change in conditions of employment or the balance of skills and function of the employees and management; (iii) the strategic plans for Findel; (iv) employer contributions into Findel's pension schemes, the accrual of benefits for new members and the admission of new members; (v) the redeployment of the fixed assets of Findel; and (vi) the continuation of the Findel Shares being admitted to the Premium Listing Segment of the Official List and admitted to trading on the Main Market of the London Stock Exchange.

8. Conclusion

Your Group is performing admirably and has a coherent and well executed strategy which continues to make your Group fit for a changing retail environment. **Your Board, which has been so advised by N+1 Singer and Stifel as to the financial terms of the Offer, unanimously recommends that you should reject the Offer. In providing advice to the Board, N+1 Singer and Stifel have taken into account the Board's commercial assessment. The Findel Directors do not intend to accept the Offer in respect of their own beneficial shareholdings amounting to 492,417 Findel Shares or 0.57% of the issued share capital.**

PART II

FINANCIAL INFORMATION RELATING TO FINDEL

The following sets out financial information in respect of Findel as required by Rule 24.3 of the Code. The documents referred to below (or parts thereof), the contents of which have previously been announced through a Regulatory Information Service, are incorporated by reference into this document pursuant to Rule 24.15 of the Code.

<i>Document</i>	<i>Website address</i>	<i>Page numbers of the document incorporated by reference</i>
Interim results for the 26 week period ended 28 September 2018	https://www.findel.co.uk/content/3-investor-centre/2-financial-reports-presentations/210-2018-interim-results/2018-Interim-Results-FINAL.PDF	11 – 30
Annual report and accounts for the 52 week period ended 30 March 2018	https://www.findel.co.uk/content/3-investor-centre/2-financial-reports-presentations/205-2018-annual-report-and-accounts/2018-Annual-Report-and-Accounts.pdf	78 – 128
Annual report and accounts for the 52 week period ended 31 March 2017	https://www.findel.co.uk/content/3-investor-centre/2-financial-reports-presentations/175-Annual-Report-and-Accounts-2017/FY17-Annual-Report-WEB-version.pdf	74 – 123

The information above is available free of charge in a read only, printable format from the hyperlinks set out above.

Availability of hard copies

You may request hard copies of any document published on Findel's website in connection with the Offer by contacting Findel's registrar, Equinti, on 0207 469 1080 or by submitting a request in writing to Equinti, Level 6, Broadgate Tower, 20 Primrose Street, London EC2A 2EW. You may also request that all future documents, announcements, and information to be sent to you in relation to the Offer should be in hard copy form.

No incorporation of website information

Save as set out above, neither the Findel website, nor the content of any website accessible from hyperlinks on the Findel website, is incorporated into, or forms part of, this document.

PART III

THE FINDEL PROFIT FORECAST

Within Findel's Q3 Trading statement announcement, covering the 15-week period to the end of December 2018 ("Q3"), which was released on 25 January 2019, the Board stated that in respect of the period to 29 March 2019, it anticipated that "given the strong performance from Studio in Q3, the Group believes that full-year Adjusted PBT is now likely to be towards the upper end of current market expectations." Analysts' consensus, at the time of this trading update, in respect of Adjusted PBT for the period ending 29 March 2019 was £26 million to £28 million.

The 2018 Findel Profit Forecast was published before Sports Direct announced its mandatory bid for Findel and therefore the requirements of Rule 28.1(c) of the Takeover Code apply.

Basis of preparation

The Findel Directors prepared the Findel Profit Forecast released on 25 January 2019 on the basis of the Group's latest quarterly forecast for the period to 29 March 2019. In confirming the Findel Profit Forecast, the Findel Directors have reconfirmed the Group's latest quarterly forecast for the period to 29 March 2019 and have made the following assumptions in respect of the balance of the period to March 2019:

Assumptions outside of Findel's influence or control:

- there is no material change in the bad debt charge as a result of non-payment by customers;
- there will be no material adverse foreign exchange movements; and
- there being no significant increase in economic uncertainty in the UK as a result of the ongoing Brexit negotiations.

The Findel Profit Forecast excludes the costs associated with and the ongoing impact of the Offer.

Findel Directors' confirmation

The Findel Directors have considered the Findel Profit Forecast and confirm that it remains valid as at the date of this document, that the Findel Profit Forecast has been properly compiled on the basis set out above and that the basis of accounting used is consistent with Findel's accounting policies, which are in accordance with IFRS and are those that Findel will apply in preparing its Annual Report and Financial Statements for the period ending on 29 March 2019.

PART IV

ADDITIONAL INFORMATION

1. Responsibility

The issue of this document has been approved by the Findel Directors. The Findel Directors, whose names appear in paragraph 2 below, accept responsibility for the information contained in this document. To the best of their knowledge and belief (having taken all reasonable care to ensure that such is the case), the information contained in this document (other than any information relating to Sports Direct, Sports Direct's directors or their immediate families, related trusts and connected persons) for which they are responsible is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Directors

The Findel Directors and their respective positions are set out below:

<i>Name</i>	<i>Position</i>
Ian Burke	Chairman
Phil Maudsley	Chief Executive Officer
Stuart Caldwell	Chief Financial Officer
Clare Askem	Non-Executive Director
Greg Ball	Non-Executive Director
Francois Coumau	Non-Executive Director
Bill Grimsey	Non-Executive Director
Elaine O'Donnell	Non-Executive Director

The registered office of Findel and the service address of each Findel Director is Church Bridge House, Henry Street, Accrington BB5 4EE. The registered number of Findel is 00549034.

3. Interests and dealings

(a) Definitions

For the purposes of this paragraph 3 only:

- (i) **acting in concert** with a party means any such person acting or deemed to be acting in concert with that party for the purposes of the Code and/or the Offer. Persons who will be presumed to be acting in concert with other persons in the same category include:
 - (A) a company, its parent, subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies, all with each other (for this purpose ownership or control of 20% or more of the equity share capital of a company is regarded as the test of associated company status);
 - (B) a company with any of its directors (together with their close relatives and related trusts);
 - (C) a company with any of its pensions schemes and the pension schemes of any company covered in (A);
 - (D) a fund manager (including an exempt fund manager) with any investment company, unit trust or other person whose investments such fund manager manages on a discretionary basis, in respect of the relevant accounts; and
 - (E) connected advisers (and persons controlling, controlled by or under the same control as such connected advisers) with their clients;
- (ii) **connected adviser** includes an organisation which: (i) is advising Sports Direct or (as the case may be) Findel in relation to the Offer; (ii) is a corporate broker to Sports Direct or (as the case may be) Findel; or (iii) is advising a person acting in concert with Sports Direct or (as the case may be) Findel in relation to the Offer or in relation to the matter which is the reason for that person being a member of the concert party;

- (iii) **control** means an interest or interests in shares carrying in aggregate 30% or more of the voting rights attributable to the share capital of a company which are currently exercisable at a general meeting, irrespective of whether the holding or holdings gives de facto control;
- (iv) **dealing** includes: (i) the acquisition or disposal of relevant securities, of the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to relevant securities or of general control of relevant securities; (ii) the taking, granting, acquisition, disposal of, entering into, closing out, termination, exercise (by either party) or variation of an option (including a traded option contract) in respect of any relevant securities; (iii) subscribing or agreeing to subscribe for relevant securities; (iv) the exercise or conversion, whether in respect of any new or existing securities, or any relevant securities carrying conversion or subscription rights; (v) the acquisition, disposal of, entering into, closing out, exercising (by either party) of any rights under, or variation of, a derivative referenced, directly or indirectly, to relevant securities; (vi) entering into, terminating or varying the terms of any agreement to purchase or sell relevant securities; and (vii) any other action resulting, or which may result, in an increase or decrease in the number of relevant securities in which a person is interested or in respect of which he has a short position;
- (v) **derivative** includes any financial product the value of which, in whole or in part, is determined directly or indirectly by reference to the price of an underlying security;
- (vi) **disclosure date** means 26 March 2019, being the latest practicable date before publication of this document;
- (vii) **disclosure period** means the period which began on 4 March 2018 (the date 12 months before the start of the Offer Period) and ended on the disclosure date;
- (viii) **exempt fund manager** means a person who manages investment accounts on a discretionary basis and is recognised by the Panel as an exempt fund manager for the purposes of the Code;
- (ix) a person has an **interest** or is **interested** in relevant securities if he has a long economic exposure, whether absolute or conditional, to changes in the price of those securities (but not if he only has a short position in such securities) and in particular if: (i) he owns them; (ii) he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them; (iii) by virtue of any agreement to purchase, option or derivative, he: (A) has the right or option to acquire them or call for their delivery; or (B) is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute and whether it is in the money or otherwise; or (iv) he is party to any derivative: (I) whose value is determined by reference to their price; and (II) which results, or may result, in his having a long position in them; and
- (x) **relevant securities** includes: (i) Findel Shares and any other securities of Findel conferring voting rights; (ii) equity share capital of Findel; and (iii) securities of Findel carrying conversion or subscription rights into any of the foregoing.

(b) **Findel Directors**

As at the disclosure date, the interests of the Findel Directors in the issued share capital of the Company are as follows:

Name of Director	<i>Number of Findel Shares held</i>	<i>Percentage of Findel Shares held</i>
Ian Burke	60,000	0.069%
Phil Maudsley	292,436	0.338%
Stuart Caldwell	52,359	0.061%
Clare Askem	Nil	Nil
Greg Ball	Nil	Nil
Francois Coumau	40,558	0.047%
Bill Grimsey	47,064	0.054%
Elaine O'Donnell	Nil	Nil
Total	<u>492,417</u>	<u>0.570%</u>

(c) **Persons acting in concert with Findel**

In addition to the Findel Directors (together with their close relatives and related trusts and connected persons), the persons who are acting in concert with Findel for the purposes of the Offer and which are required to be disclosed are:

<i>Person acting in concert</i>	<i>Type of company</i>	<i>Relationship with Findel</i>	<i>Address</i>
Nplus1 Singer Advisory LLP	Limited liability partnership	Financial adviser and corporate broker	1 Bartholemew Lane, London EC2N 2AX
Stifel Nicolaus Europe Limited	Private limited company	Financial adviser and corporate broker	150 Cheapside, London EC2V 6ET

(d) **Dealings in relevant securities of Findel**

Neither Findel, nor any director of Findel, nor their close relatives and related trusts has dealt in relevant securities of Findel during the period commencing on 4 March 2019 (being the first day of the Offer Period) and ending on the disclosure date.

(e) **Interests and Dealings in Sports Direct shares**

As at the disclosure date, neither Findel, nor any director of Findel, nor their close relatives and related trusts was interested in or had any right to subscribe for any relevant securities of Sports Direct nor has any such person dealt in relevant securities of Sports Direct during the period commencing on 4 March 2019 (being the first day of the Offer Period) and ending on the disclosure date.

(f) **General**

Save as disclosed in this paragraph 3, as at the disclosure date;

(i) none of:

(A) the Findel Directors (and their close relatives and related trusts and connected persons); nor

(B) any other person acting in concert with Findel,

held any interest in or right to subscribe for or any short position, including any short position under a derivative in relation to, is party to any agreement to sell or has any delivery obligation or right to require another person to purchase or take delivery of any relevant securities of Findel;

(ii) none of:

(A) Findel;

(B) the Findel Directors (and their close relatives and related trusts and controlled companies); nor

(C) any other person acting in concert with Findel,

save for any borrowed shares which have either been on-lent or sold, had borrowed or lent any relevant securities of Findel (including for these purposes any financial collateral arrangements of the kind referred to in Note 4 on Rule 4.6 of the Code), nor had any such person dealt in relevant securities of Findel during the Offer Period;

(iii) none of:

(A) Findel; nor

(B) the Findel Directors,

held any interest in or right to subscribe for or any short position, including any short position under a derivative in relation to, is party to any agreement to sell or has any delivery obligation or right to require another person to purchase or take delivery of any relevant securities of Sports Direct; and

(iv) none of:

(A) the Findel Directors (and their close relatives and related trusts and controlled companies); nor

- (B) any other person acting in concert with Findel, dealt in any relevant securities of Findel; and
- (v) none of:
- (A) Findel; nor
- (B) the Findel Directors, dealt in any relevant securities of Sports Direct.

4. Market quotations

The following table sets out the Closing Price for Findel Shares on:

- (a) the first dealing day in each of the six months prior to the disclosure date (as defined in paragraph 3 of this Part IV);
- (b) 1 March 2019 (being the last dealing day before commencement of the Offer Period); and
- (c) on the disclosure date.

<i>Date</i>	<i>Price per Findel Share (pence)</i>
3 September 2018	255.0
1 October 2018	285.0
1 November 2018	232.0
3 December 2018	221.5
2 January 2019	219.0
1 February 2019	190.0
1 March 2019 (being the last dealing day before commencement of the Offer Period)	162.0
26 March 2019 (being the disclosure date)	160.0

5. Material contracts and dealing arrangements

There are no dealing arrangements and there have been no material contracts entered into by Findel or any other member of the Group other than in the ordinary course of business within the period of two years prior to 4 March 2019 and which are or may be considered to be material and there have been no material changes to any such contracts or any other such material contracts entered into since the date of publication of the Offer Document.

6. Directors' employment arrangements

Save as is set out below there are no service agreements in force between any Findel Director or any proposed director of Findel or any of its subsidiaries and no such contracts have been entered into or amended within six months of the date of this document. Particulars of the Findel Directors' current service agreements or letters of appointment with Findel are as follows:

<i>Director</i>	<i>Position</i>	<i>Effective date of contract</i>	<i>Current annual remuneration (including other benefits)</i>	<i>Notice period</i>	<i>Compensation on early termination</i>
Ian Burke	Chairman	5 April 2017	£150,000	1 month	No provisions other than notice.
Phil Maudsley	Chief Executive Officer	5 April 2017	£875,500*	6 months	No provisions other than notice or pay in lieu of notice.
Stuart Caldwell	Chief Financial Officer	13 July 2017	£521,500*	6 months	No provisions other than notice or pay in lieu of notice.
Clare Askem	Non-Executive Director	21 March 2019	£40,000	At will	No provisions other than notice.
Greg Ball	Non-Executive Director	23 February 2016	£60,000	At will	No provisions other than notice.

<i>Director</i>	<i>Position</i>	<i>Effective date of contract</i>	<i>Current annual remuneration (including other benefits)</i>	<i>Notice period</i>	<i>Compensation on early termination</i>
Francois Coumau	Non-Executive Director	12 August 2013	£40,000	At will	No provisions other than notice.
Bill Grimsey	Non-Executive Director	1 March 2012	£50,000	At will	No provisions other than notice.
Elaine O'Donnell	Non-Executive Director	24 January 2018	£50,000	At will	No provisions other than notice.

* Made up of current salary, pension allowance and benefits and bonus from previous year

7. Bases and sources of information

Unless otherwise stated, the following constitute the bases and sources of information referred to in this document:

- (a) The financial information relating to Findel is extracted (without adjustment) from the audited consolidated financial statements of Findel for the relevant years prepared in accordance with IFRS.
- (b) The value attributed to Findel's entire issued and to be issued share capital as implied by the Offer price of 161p per Findel Share is based on 86,442,534 Findel Shares in issue as at close of business on 26 March 2019 (being the last dealing day prior to the date of this document).
- (c) All prices and closing prices for Findel Shares are closing middle market prices derived from the London Stock Exchange Daily Official List.
- (d) The average closing prices are derived from Factset.
- (e) The International Securities Identification Number for the Findel Shares is GB00B8B4R053.

8. General

- (a) Nplus1 Singer Advisory LLP has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- (b) Stifel Nicolaus Europe Limited has given and has not withdrawn its written consent to the issue of this document with the inclusion of the references to its name in the form and context in which they appear.
- (c) There has been no significant change in the trading or financial position of the Group since 28 September 2018, the date to which the Company's most recent interim financial statements have been prepared.

9. Fees and expenses

The estimated aggregate fees and expenses expected to be incurred by Findel in connection with the Offer at the current Offer Price are £294,500 (exclusive of VAT and expenses). This aggregate amount comprises the following categories (in each case excluding VAT and expenses):

- (a) financial and corporate broking advice: approximately £175,000;
- (b) legal advice: approximately £100,000;
- (c) public relations advice: approximately £5,000;
- (d) other professional services: approximately £5,500; and
- (e) other costs and expenses: £9,000.

10. Documents available for inspection

Copies of the documents referred to below will be available, free of charge, for inspection on Findel's website (www.findel.co.uk) while the Offer remains open for acceptance:

- (a) the announcement of the Offer by Sports Direct on 4 March 2019;
- (b) the Company's announcements dated 4 March 2019, 7 March 2019 and 27 March 2019;
- (c) this response circular;
- (d) the Offer Document and the accompanying Form of Acceptance;
- (e) the audited consolidated financial statements of Findel for the 52 week periods ended 30 March 2018 and 31 March 2017;
- (f) the interim results for the 26 week period ended 28 September 2018; and
- (g) the Articles of Association of Findel.

For the avoidance of doubt, the content of the website referred to above is not incorporated into and, save for the information specifically incorporated by reference into this document, does not form part of this document.

PART V

DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

Act	means the Companies Act 2006 (as amended).
Adjusted PBT	means profit before tax, fair value movements on derivatives and individually significant items.
Business Day	means a day which is not a Saturday, Sunday or a public holiday in England and Wales.
City Financial	means City Financial Absolute Equity Fund.
Code or Takeover Code	means the City Code on Takeovers and Mergers.
Disclosure Period	has the meaning set out in paragraph 3 of Part III of this document.
Education	means the business of Findel Education Limited, a wholly owned subsidiary of the Company.
Findel or the Company	means Findel P.L.C., a company incorporated in England and Wales with limited liability under registration number 00549034.
Findel Directors	means the directors of Findel at the date of this document.
Findel Shares	means the existing issued or unconditionally allotted and paid (or credited as fully paid) ordinary shares of 10p each in the capital of Findel and any further shares which are unconditionally allotted or issued fully paid (or credited as fully paid) on or prior to the date on which the Offer closes (but excluding, for the avoidance of doubt, any treasury shares held by Findel).
Findel Shareholders	means the holders of Findel Shares.
Group	means Findel and its subsidiaries from time to time.
Offer	means the mandatory cash offer made by Sports Direct to acquire the entire issued and to be issued share capital of Findel not already owned by Sports Direct, as further detailed in the Offer Document.
Offer Period	means the period commencing on 4 March 2019 and ending on the 21st day after the date of publication of the Offer Document or (if that day is a Saturday, Sunday or public holiday) on the next succeeding business day.
Offer Price	means 161p in cash, being the consideration payable by Sports Direct for each Findel Share under the terms of the Offer.
Offer Document	means the document containing the Offer sent to Findel Shareholders by Sports Direct on 19 March 2019.
Panel	means the Panel on Takeovers and Mergers.
Restricted Jurisdiction	means, subject always to the requirements of Rule 23.2 of the Code in relation to the distribution of offer documentation to jurisdictions outside the UK, any jurisdiction where extension of the Offer would violate the law of that jurisdiction.

Sports Direct	means Sports Direct International plc, a company incorporated in England and Wales with registration number 06035106.
Studio	means the business of Studio Retail Limited, a wholly owned subsidiary of the Company.
subsidiary	has the meaning given to that term in the Act.
United Kingdom or UK	means the United Kingdom of Great Britain and Northern Ireland and its dependent territories.
United States or US	means the United States of America, its territories and possessions, any state of the United States of America, the District of Columbia and all other areas subject to its jurisdiction and any political subdivision thereof.

