

Ideal Shopping Direct Plc
(“Ideal Shopping Direct” or the “Company” or the “Group”)

Preliminary Results
For the 52 weeks ended 2 January 2011

Ideal Shopping Direct, the independent TV shopping and online business, today announces its preliminary results for the 52 weeks ended 2 January 2011 together with an update of the Board’s previously announced strategic review.

Financial Highlights

- Sales increased by 13.5% to £117.3 million (2009: £103.3 million)
- Like for like sales increased by 10.9% to £111.7 million (2009: £100.8 million) *
- Gross margin improved to 43.8% (2009: 41.1%)
- EBITDA of £8.4 million (2009: £2.7 million) including non underlying** costs of £0.3 million (2009: £0.2 million)
- Profit before tax of £6.7 million (2009: £1.1 million) including non underlying** costs of £0.3 million (2009: £0.2 million)
- Basic earnings per share of 14.0p (2009: 7.1p)
- Net cash of £14.7 million at 2 January 2011 (2009: £13.4 million at 3 January 2010)

Operational Highlights

- Craft division sales; up 18.2% to £27.6 million
- Internet sales increased by 69.8% (£15.8 million)
- Animal Bargains (pets division) began trading in July 2010. Development is in line with expectations
- International wholesale business initiated
- Lead The Good Life (LTGL), acquired during the year, made a profit before tax of £1.2m. Integration has progressed to plan
- In light of the anticipated completion of the strategic review, the Board has not proposed a final dividend

Current Trading

- Sales in the first 13 weeks of 2011 have been in line with management expectations.

Strategic Review

As we announced on 14 January 2011, a number of avenues, including a potential sale of the Company, continue to be explored by the Board as part of its wider strategic review. Whilst this review is still underway, and all options remain open, the Board believes that it would be inappropriate to recommend the payment of a final dividend. The Board expects to announce the outcome of its strategic review shortly.

Paul Wright, Chairman, commented:

“This is a good set of results that has been delivered in a difficult economic environment. It demonstrates the value of our strategy of moving Ideal Shopping Direct forward to being a multi channel retailer with strong positions in niche product categories. During the year internet sales have continued to grow and have now increased by approximately 70% over the last two years. In September, we launched our pets offer Animal Bargains, another new niche area, and good progress has been made in establishing the business in a short time. In the second half year we have also seen our first international orders being taken on a wholesale basis for our craft range.

Trading in the first thirteen weeks of 2011 has been in line with management expectations.”

* Excluding Lead The Good Life, Animal Bargains and a 53 week 2009

** Non underlying items consist of costs associated with the strategic review, amortisation of intangible assets following the acquisition of LTGL, restructuring, costs associated with the acquisition of LTGL, movement in the fair value of contingent consideration in respect of LTGL and the receipt of Kaupthing bank deposits previously written off.

For further information please contact:

Paul Wright, Chairman Mike Hancox, Chief Executive Ian Jebson, Finance Director Ideal Shopping Direct	+44 (0) 1733 316203
Simon Bennett, Ewan Leggat, Laura Littley Fairfax IS PLC	+44 (0) 207 598 5368
Richard Darby, Helen Chan, Christian Goodbody Buchanan Communications	+44 (0) 20 7466 5000

Notes to editors:

Ideal Shopping Direct is one of the UK's leading home shopping retailers, selling via its TV channels and the internet. Its main channel, Ideal World, is broadcast on the rapidly expanding Freeview platform as well as on Sky, Virgin Media and Freesat. It has three other channels on Sky, 'Ideal Extra', 'Ideal & More' and 'Create and Craft'. 'Create and Craft' is also on Freeview and Freesat.

'Ideal World' offers a broad selection of general merchandise with three product categories; Home & Leisure, Craft and Personal Care. 'Ideal Extra' focuses on Gardening and related outdoor product and Home and Leisure including selected Ideal World repeats. 'Ideal & More' repeats selected shows of Ideal World. 'Create and Craft' is a niche channel selling craft products.

Ideal's transactional websites www.idealworld.tv and www.createandcraft.tv carry a live web stream of the TV broadcasts and offer a wide selection of products sold on TV as well as web-only deals. www.gardenbargains.com offers a range of gardening products. www.animalbargains.com offers a range of animal related products.

For more information see www.idealshoppingdirect.co.uk

Chairman's Statement

The retail environment in 2010 continued to face challenges with consumer confidence being affected by the changes required to address the UK's enormous debt burden. That said I am pleased to be able to report a recovery in the Group's results for 2010. The platform for 2010 was firmly established in the second half of 2009 when the business returned to profitability and more importantly had made inroads into improving the customer experience. This, together with a focus on broadening both our multi channel routes to market, product ranges and exploiting niche markets, delivered a sales increase of 13.5%, a profit before non underlying items of £7.0 million and a closing cash position of £14.7 million for the Group.

Val Kaye and I re-joined the business nearly two years ago as Non-Executive Director and Chairman respectively. We have worked with the new management team who have led a business turn around from a loss before tax of £13.2m in 2008 to a substantial profit in 2010. Shareholder value has been restored over this period despite the financial downturn.

The financial controls continued to be robust throughout 2010 and we have conserved our cash reserves whilst controlling costs and stock levels.

The Board remained unchanged in 2010 and that stability enabled it to be focused on continuing to deliver shareholder value. We are also fortunate to have a loyal and committed workforce that has risen to the many challenges and opportunities in 2010.

Strategy

In my statement last year I mentioned that we had refocused the business on its original fundamentals of customer service, customer loyalty and diversity of product and that we were to have a genuine multi channel offering in particular through ecommerce initiatives. Significant progress has been made in these areas through 2010, albeit that there is always more to do to further improve our customer experience and product diversity. We have delivered good sales growth and our share of business through the web has increased by 70% year on year.

In the Summer of 2010 we were on track for an excellent step forward in our trading position prompting the Board to commission a strategic review of our operations and options. Whilst I am delighted with the continuing trading performance in the second half, I believe this was a reflection of the benefits of the actions taken in 2009 to enable the business to concentrate on delivering an excellent product offer together with a much improved customer experience. The focus on our niche categories of Craft and Gardening coupled with strengthening our core TV centric categories has been successful, and we have continued to develop our multi-channel proposition and improve our management of the supply chain.

We are approaching the conclusion of our strategic review and will announce the outcome of that review shortly.

Outlook

Many forecasters are predicting a challenging retail environment in 2011. The Group's business model provides it with trading flexibility. That said, many other consumer facing organisations supplying similar customers to our own have experienced challenging trading conditions and a deteriorating outlook and the Board remains conscious of the risks in the current environment as well as the opportunities.

For the first 13 weeks of 2011 trading has been in line with our expectations.

Dividend

In light of the anticipated completion of the strategic review, the Board has not proposed a final dividend.

Paul Wright
Chairman
14 April 2011

Chief Executive's Review

During 2010, the management team has focused on growing our customer file, developing our multi channel proposition, accelerating the growth in our niche product categories and integrating the Lead The Good Life (LTGL) acquisition into Ideal Shopping Direct (IDS). Good progress has been made in respect of all of these objectives.

More new customers have been recruited during 2010 than in 2009 and our database of customers is at its highest ever. As the UK progresses through the Digital Switch Over (DSO) in 2011, we believe we are well placed to continue to attract more viewers. There is predicted growth in the number of second and third televisions in homes that will receive a digital signal, and these sets will be well placed to receive the specialist content that IDS can provide, for example, our Craft offering.

The growth in internet sales has been impressive and we now see many customers visiting our web sites who have not been directed to the site by a television experience. An increasing range of products and easy to use web site is helping increase our online sales. A large proportion of our customers visit the web site weekly to look for the "Picks of the day", even if they cannot access the TV shows. As digital commerce develops I believe that we will be well placed to develop a mobile commerce offer during the coming year.

With niche propositions in Craft, Gardening and Pets we have a robust business model that complements the core TV shopping offer. At the start of 2010 we established Create and Craft as a separate business unit with a dedicated management team within IDS. This has proved to be an excellent decision with craft sales growing by 18.2%. We have tested a number of new craft strands i.e. pottery, knitting, crocheting and haberdashery, and we expect to introduce more complementary new strands in 2011 that will enhance our current, predominantly paper-craft offer. The average spend per customer on craft products has increased by 18.7% and this has been strongly influenced by our sales of craft hardware that gives crafters the opportunity to use a number of crafting techniques such as die cutting, laminating and developing their own shaped cards.

LTGL was acquired in January 2010 and immediately went into the peak garden trading period which lasted until June, when the 'earn out' consideration was finalised. During the second half of 2010 LTGL has made good progress in delivering synergy benefits through being part of IDS and in developing the product offer for 2011. The net profit before tax performance in 2010 was £1.2 million and this provides a solid platform for growth in this category in 2011.

The management team have done an excellent job of turning the Company around, positioning it for growth with a defensible strategy and then delivering that strategy with profit and cash growth (EBITDA growth of 309%). It is only right that the team effort is acknowledged in this report.

Future Prospects

The completion of the DSO and the growth in secondary televisions being converted to a digital signal provides an exciting backdrop to 2011. Data collected by Gfk and reported by Ofcom indicate a rapid increase in the number of secondary televisions giving multi channel reception. Having a channel on Freeview, Sky, Virgin and Freesat we are well placed to benefit from this.

Despite the negative publicity about VAT increases, consumer confidence and retail clearance sales, we have started the first thirteen weeks of the year with positive sales growth compared to 2010. We are confident that by enhancing our product offers and delivering an improved multi channel shopping experience, we will continue to attract customers and grow.

Mike Hancox
Chief Executive
14 April 2011

Finance Director's Review

The year on year comparison of key numbers is as follows:

£'000's	Underlying	Non Underlying	52 weeks ended 2 January 2011 Total	Underlying	Non Underlying	53 weeks ended 3 January 2010 Total
Sales Revenue	117,296	0	117,296	103,336	0	103,336
Gross Profit	51,339	0	51,339	42,505	0	42,505
Operating Profit / Loss	6,984	(475)	6,509	1,231	(198)	1,033
Profit / Loss from Continuing Operations before taxation	7,012	(323)	6,689	1,261	(198)	1,063
EBITDA	8,639	(257)	8,382	2,909	(198)	2,711

Total revenues have increased year on year by 13.5% during 2010. Growth has been led by Lead The Good Life (LTGL) (acquired in January this year and providing £5.5 million of external sales) and our Craft niche (revenue has increased by 18.2% to £27.6 million). Core revenue excluding LTGL and Animal Bargains, increased by 8.1% during 2010 to £111.7 million. Excluding the impact of week 53 in 2009, our total and core revenues increased 16.4% and 10.9% respectively.

Internet sales increased by 69.8% (£15.8 million) to £38.5 million and represented 36.5% of Ideal Shopping Direct Ltd product sales.

Gross margin of 43.8% represents a 2.7ppt increase over 2009 driven primarily by increased Craft and LTGL sales.

Underlying overheads were 7.5% higher at £44.4 million (2009: £41.3 million) driven by the acquisition of LTGL. However, increased sales resulted in the underlying operational gearing of the Group reducing to 37.8% from 39.9%.

Underlying profit before tax was £7.0 million compared to £1.3 million for the comparative period. Non underlying costs of £0.3 million (2009: £0.2 million) relate predominantly to costs associated with the strategic review and amortisation of intangible assets (following the acquisition of LTGL) partially offset by adjustments to the fair value of LTGL consideration and the recovery of bank deposits previously written off. Profit after non underlying items but before tax was £6.7 million (2009: £1.1 million).

EBITDA was £8.4 million (2009: £2.7 million) and basic earnings per share for the period were 14.0p (2009: 7.1p).

Purchase of Lead the Good Life Ltd

Lead The Good Life Limited (LTGL) was acquired in January 2010 for an initial consideration of £0.75 million cash and £4.25 million equity through the issue of 3,971,962 ordinary shares.

As part of the agreement, the Group agreed to pay the selling shareholders additional consideration of 2.056075 earn out consideration shares for every £1 of relevant profit in excess of £799,999 up to and including £1.8 million. This additional consideration was capped at £2.2 million.

Following the finalisation of the accounts of LTGL, earn out consideration was payable in respect of £314,537 of relevant profit. Accordingly the final additional consideration paid for LTGL was settled by the issue of 646,712 ordinary shares on 20 September 2010.

The integration of the business continues according to plan.

Animal Bargains

AnimalBargains.com, our niche, direct to consumer pet / animal product business started trading in July. Development is in line with management expectations.

Cash flow and debt

The closing cash balance was £14.7 million (2009: £13.4 million).

The net cash inflow of £1.3 million, since the start of the year has arisen from the following; £8.5 million cash inflows from operating activities offset by £5.6 million working capital outflows (primarily stock and debtor increases due to the success of flexi-pay); £0.9 million capital expenditure (predominantly software development); £0.5 million dividend payment and £0.2 million income tax paid (LTGL). The £0.75 million outflow in relation to the acquisition of LTGL was offset by £0.725 million of cash acquired with the purchase.

Future liquidity and going concern

The Group has considerable financial resources and a large customer base. As a consequence, the Directors believe that the Group is well placed to manage its business risks successfully despite the current uncertain economic outlook.

Full and detailed profit and loss, balance sheet and cash flow forecasts have been prepared for the period to the end of 2013. These forecasts show that the Company can operate as a going concern without the need for bank borrowing facilities. Sensitivity analysis does not suggest any concern over the future trading of the Company.

The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future.

Inventory

At the year end, inventory (net of provisions) was £5.4 million, a year on year increase of £3.0 million. It should be noted that LTGL stock accounts for £0.3m of this increase. We have also deliberately increased our base stock position to optimise sales during the first quarter of 2011. This strong performance is driven by continued effective product and supplier management.

Banking arrangements

RBS remain our bankers. They are secured by a charge and cross guarantees over the assets of the Group excluding land and buildings which were valued at £6.85 million at January 2009.

There are bank guarantees of £0.3 million to support trading but we remain covenant free.

The Group has no loans or borrowings.

Dividend

In light of the anticipated completion of the strategic review the Board is not proposing a final dividend in addition to the interim dividend of 1.5 pence per share that was paid on 29 October 2010 (2009: nil).

Ian Jebson
Finance Director
14 April 2011

**Consolidated statement of comprehensive income
For the 52 week period ended 2 January 2011**

	52 Weeks Ended 02-Jan-11			53 Weeks Ended 03-Jan-10		
	Underlying £000	Non Underlying £000	Total £000	Underlying £000	Non Underlying £000	Total £000
Continuing operations						
Sales revenue	117,296		117,296	103,336	-	103,336
Cost of sales	(65,957)		(65,957)	(60,831)	-	(60,831)
Gross profit	51,339	-	51,339	42,505	-	42,505
Distribution costs	(4,261)		(4,261)	(4,247)	-	(4,247)
Administrative expenses	(39,841)	(475)	(40,316)	(36,740)	(198)	(36,938)
Other expenses	(253)		(253)	(287)	-	(287)
Operating profit	6,984	(475)	6,509	1,231	(198)	1,033
Finance costs	(32)		(32)	(46)	-	(46)
Finance income	60	152	212	76	-	76
Profit from continuing operations before taxation	7,012	(323)	6,689	1,261	(198)	1,063
Taxation			(1,976)			1,044
Net Profit for the period			4,713			2,107
Earnings per share						
From continuing operations						
Basic			14.0			7.1 p
Diluted			13.0			7.1 p

Non underlying items consist of costs associated with the strategic review, amortisation of intangible assets following the acquisition of LTGL, restructuring, costs associated with the acquisition of LTGL, movement in the fair value of contingent consideration in respect of LTGL and the receipt of Kaupthing bank deposits previously written off

Non Underlying items incurred during the year are disclosed in note 5.

All amounts relate to the continuing activities of the Company

Consolidated statement of financial position
As at 2 January 2011

	02-Jan-11 £000	03-Jan-10 £000
Assets		
Non-current assets		
Property, plant and equipment	7,799	8,113
Intangible assets	3,616	3,011
Goodwill	5,419	-
Deferred tax assets	1,423	1,402
Total non-current assets	18,257	12,526
Current assets		
Inventories	5,402	2,419
Other investments, including derivatives	33	-
Current tax assets	-	3
Trade and other receivables	9,470	6,033
Cash and cash equivalents	14,731	13,379
Total current assets	29,636	21,834
Total assets	47,893	34,360
Equity		
Share capital	1,034	895
Share premium	334	327
Reserves	7,071	1,780
Retained earnings	13,611	8,549
Total equity	22,050	11,551
Liabilities		
Non-current liabilities		
Deferred tax liabilities	177	138
Total non-current liabilities	177	138
Current liabilities		
Trade and other payables	23,614	21,978
Provisions	640	669
Current tax liabilities	1,412	24
Total current liabilities	25,666	22,671
Total liabilities	25,843	22,809
Total equity and liabilities	47,893	34,360

Consolidated statement of cashflows
For the 52 week period ended 2 January 2011

	52 Weeks Ended 02-Jan- 11 £000	53 Weeks Ended 03-Jan-10 £000
Continuing operations		
Cash flows from operating activities		
Profit for the period	4,713	2,107
Depreciation	717	748
Amortisation of intangible assets	1,035	930
Net finance income	(180)	(30)
Equity settled share-based payment transactions	253	287
(Profit)/Loss on disposal	8	-
Income tax expense / (credit)	1,976	(1,044)
Adjustment to fair value of contingent consideration	(33)	-
Operating cash flows before changes in working capital and provisions	8,489	2,998
Change in inventories	(2,823)	1,453
Change in trade and other receivables	(3,135)	(1,496)
Change in trade and other payables	422	3,829
Change in provisions	(29)	(134)
Cash generated from operations	2,924	6,650
Interest paid	-	(45)
Net foreign exchange rate loss	(32)	(1)
Income tax (paid)/received	(186)	1,297
Net cash flows from operating activities	2,706	7,901
Cash flows from investing activities		
Interest received	60	76
Proceeds from sale of property, plant and equipment	2	13
Acquisition of property, plant and equipment	(416)	(291)
Acquisition of intangible assets	(467)	(648)
Acquisition of subsidiary, net of cash acquired	(25)	-
Net cash flows from investing activities	(846)	(850)
Cash flows from financing activities		
Proceeds from issue of share capital	7	13
Repayment of bank loans	-	(1,863)
Dividends paid	(515)	(221)
Net cash flows from financing activities	(508)	(2,071)
Net increase in cash and cash equivalents	1,352	4,980
Cash and cash equivalents at 4 January 2010	13,379	8,399
Cash and cash equivalents at 2 January 2011	14,731	13,379

Consolidated statement of changes in equity

	Share capital	Share premium	Revaluation reserve	Merger reserve	IFRS2 reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000
Group							
Balance at 28 December 2008	895	314	1,319	-	347	5,963	8,838
Profit for the period	-	-	-	-	-	2,107	2,107
Total comprehensive income for the period	-	-	-	-	-	2,107	2,107
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Issue of shares	-	13	-	-	-	-	13
Share based payment transactions (net of tax)	-	-	-	-	114	479	593
Total transactions with owners	-	13	-	-	114	479	606
Balance at 3 January 2010	895	327	1,319	-	461	8,549	11,551
Profit for the period	-	-	-	-	-	4,713	4,713
Total comprehensive income for the period	-	-	-	-	-	4,713	4,713
Transactions with owners, recorded directly in equity							
<i>Contributions by and distributions to owners</i>							
Issue of shares	139	7	-	5,169	-	-	5,315
Dividends to equity holders	-	-	-	-	-	(515)	(515)
Share based payment transactions (net of tax)	-	-	-	-	122	864	986
Total transactions with owners	139	7	-	5,169	122	349	5,786
Balance at 2 January 2011	1,034	334	1,319	5,169	583	13,611	22,050

Notes:

1. Basis of preparation

Ideal Shopping Direct plc (the 'Company') is a company domiciled in the United Kingdom. The address of the Company's registered office is Ideal Home House, Newark Road, Peterborough, PE1 5WG. The consolidated financial statements of the Company as at and for the 52 week period ended 2 January 2011 comprise the Company and its subsidiaries (together referred to as the 'Group'). The Group is primarily involved in distance selling to consumers through television home shopping channels and the internet.

The Company's shares are listed on the AIM Market on the London Stock Exchange.

The Group's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ('Adopted IFRSs') and the Companies Act 2006. The Company has elected to prepare its parent company financial statements in accordance with Adopted IFRS.

The consolidated financial statements were authorised for issuance on 14 April 2011.

2. Segmental reporting

At 2 January 2011 the Group was organised into Home & Leisure, Craft and Personal Care business segments, all operating within the UK. This followed the acquisition of LTGL and subsequent review of reporting segments. Income segment results for the 52 weeks to 2 January 2011 are as follows;

Information about reportable segments

	Home & leisure		Craft	Personal care		Other *		Total		
	2 Jan 2011 £000	3 Jan 2010 £000	2 Jan 2011 £000	3 Jan 2010 £000	2 Jan 2011 £000	3 Jan 2010 £000	2 Jan 2011 £000	3 Jan 2010 £000	2 Jan 2011 £000	3 Jan 2010 £000
External revenues	58,512	48,750	32,613	27,588	24,062	25,697	2,109	1,301	117,296	103,336
Inter-segment revenue	3,849	3,997	10,469	3,144	-	2,848	-	-	14,318	9,989
Finance Income	1	-	-	-	-	-	-	-	1	0
Finance Costs	-	-	-	-	-	-	-	-	-	0
Depreciation and amortisation	175	-	16	53	-	-	-	-	191	53
Reportable gross profit	22,286	16,564	15,522	12,674	11,538	11,336	1,993	1,931	51,339	42,505
Other material non-cash items:										
Reportable segment assets	4,355	824	4,349	1,422	903	838	-	101	9,607	3,185
Capital expenditure	(64)	-	-	(6)	-	-	-	-	(64)	(6)
Reportable segment liabilities	992	-	2,286	1,094	-	-	185	101	3,463	1,195

* Other includes primarily fees relating to the sale of broadcasting airtime to external parties.

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2 Jan 2011 £000	3 Jan 2010 £000
Revenues		
Total revenue for reportable segments	131,614	113,325
Non segment specific	-	-
Elimination of inter-segment revenue	(14,318)	(9,989)
Consolidated revenue	117,296	103,336
Profit or loss		
Total gross margin for reportable segments	51,339	41,875
Non segment specific costs	(44,547)	(41,033)
Elimination of inter-segment profit held in stock	(103)	221
Consolidated profit before income tax	6,689	1,063
Assets		
Total assets of reportable segments	9,607	3,185
Non segment specific	40,687	32,243
Inter-segment assets	(2,401)	(1,068)
Consolidated total assets	47,893	34,360
Liabilities		
Total liabilities of reportable segments	(3,463)	(1,195)
Non segment specific	(24,320)	(22,645)
Inter-segment liabilities	1,940	1,031
Consolidated total liabilities	(25,843)	(22,809)

3. Share issues

On 18th January 2010 Ideal Shopping Direct Plc acquired Lead the Good Life Limited, as part of the consideration 3,971,962 3p ordinary shares were issued. A further 646,712 ordinary 3p shares were issued following finalisation of 'earn out' consideration (see note 7 for further details).

During the period under review 200,000 share options were granted.

During the period 20,212 shares granted under the Company's share based compensation plan have been exercised.

4. Earnings per share

Both the basic and diluted earnings per share have been calculated by reference to the net results attributable to shareholders of the Group.

Diluted earnings per share is determined by adjusting the profit and loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise of share options granted to employees.

Reconciliation of average number of shares used for basic and diluted earnings per share.

	02-Jan-11	03-Jan-10
	Number	Number
Weighted average number of ordinary shares used for basic earnings per share	33,693,428	29,673,467
Weighted average number of dilutive shares under option	2,590,726	14,349
Weighted average number of ordinary shares for dilutive earnings per share	36,284,154	29,687,816

5. Non Underlying items

The following items have been presented as non underlying

	02-Jan-11	03-Jan-10
	£000	£000
<i>Included in administrative expenses:</i>		
Business strategic review	609	-
Pre LTGL acquisition VAT prior year claim	(13)	-
Restructuring costs	4	254
Legal and professional fees in respect of restructuring	-	16
Bank deposit recovery	(181)	(236)
Amortisation of intangible assets in relation to the acquisition of LTGL (under IFRS3)	66	-
Acquisition costs	(10)	164
	475	198
<i>Included in finance income:</i>		
Adjustment to the fair value of contingent consideration	(152)	-
Total non underlying items	323	198

6. Dividends

The Directors do not propose a final dividend for the year ended 2 January 2011 (2009: nil). An interim dividend of 1.5p (2009: nil) was paid on 29 October 2010 resulting in a total dividend for the year of 1.5p (2009:nil).

7. Acquisition of subsidiary

On 18 January 2010 the Group obtained control of Lead the Good Life Limited, a gardening products retailer by acquiring 100 percent of the shares and voting interests in the Company. Lead the Good Life was previously owned by Paul Wright, Val Kaye and Peter McDermott.

Taking control of Lead the Good Life Limited has enabled the Group to increase profitability by the introduction of a high margin, low returns niche category, together with business growth opportunities via database, website and gardening club development.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Consideration transferred	£'000
Cash	750
Equity instruments (3,971,962 ordinary shares)	4,250
Final contingent consideration	1,210
	6,210

The fair value of the ordinary shares issued was based on the average closing mid market share price of the Group between 20 November 2009 and 17 December 2009 of £1.07 per share

Contingent consideration

Subsequent to the Group publishing the 2009 report the fair value of the contingent consideration was reduced to £1,210,000. The Board believes this more accurately represents its fair value at the acquisition date.

The fair value of the contingent consideration has been updated as at 2 January 2011 to reflect the final amount paid out. This has led to a reduction in fair value to £1,058,000. This movement has been included in non underlying items in the Consolidated Statement of Comprehensive Income in line with IFRS 3 (2008).

Identifiable assets acquired and liabilities assumed

Property, plant and equipment	449
Intangible assets	722
Inventories	160
Trade and other receivables	303
Cash and cash equivalents	725
Deferred tax liabilities	(161)
Trade and other payables	(1,407)
Total net identifiable assets	791

Goodwill

Goodwill has been recognised as a result of the acquisition as follows:

Total consideration transferred	6,210
Less value of identifiable assets	(791)
Goodwill	5,419

The goodwill is attributable mainly to the intrinsic value of future earnings potential of Lead The Good Life, the skills and experience of its management in the horticultural market place and synergies obtained by integrating the Company into the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

The acquired business has generated profit of £1,173,000 during the year. The Directors consider that the difference had the business been acquired on day 1 of the current accounting period would be immaterial.

8. Principal accounting policies

The consolidated financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- Derivative financial instruments at fair value through profit and loss are measured at fair value
- Property, plant & equipment which fall within the Company revaluation policy are measured at their revalued amount.

The accounting policies adopted in preparation of the consolidated financial statements are consistent with those in previous years with the exception of the application of IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008), in accounting for the business combination during the year (see below).

Use of estimates and judgements

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

Estimates underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which estimates are revised and in any future periods affected.

Judgements made by the Directors in the application of 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.

Revenue

Revenue represents the total invoice value (which includes postage & packaging), excluding value added tax, of goods sold. The total invoice value equates to the fair value of consideration receivable. Revenue is recognised for the sale of goods on despatch to the customer. Provision is made for the impact of anticipated returns. Agency fees are earned on sold airtime, this revenue is recognised at the point that the sold airtime is broadcast.

Accounting for business combinations

From 29 December 2008 the Group has applied IFRS 3 Business Combinations (2008) and IAS 27 Consolidated and Separate Financial Statements (2008) for all business combinations. Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. The change in accounting policy is applied prospectively and had no material impact on earnings per share.

The Group has applied the acquisition method for the business combination disclosed in note 7.

Goodwill arising on consolidation represents the excess of consideration over the Group's interest in the fair value of identified assets, liabilities and contingent liabilities recognised. Consideration also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

Goodwill is recognised as an asset and is not amortised. It is reviewed for impairment annually.

Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees are expensed as incurred.

Non Underlying Items

Non underlying items are material items which arise from unusual non-recurring or non-trading events.

They are disclosed in aggregate on the face of the statement of comprehensive income where in the opinion of the Directors such disclosure is necessary in order to fairly present the results for the period.

Provisions

Provisions are recognised when present obligations will probably lead to an outflow of economic resources from the Group and they can be estimated reliably. Timing or amount of the outflow may still be uncertain. A present obligation arises from the presence of a legal or constructive commitment that has resulted from past events.

9. Taxation

Current tax is the tax currently payable based on taxable profit for the year together with any adjustments to tax payable in respect of prior years.

Deferred tax is calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits. Deferred tax liabilities are provided in full, with no discounting.

Deferred tax assets are recognised only to the extent that the underlying deductible temporary differences will be able to be offset against future taxable income. Tax losses available to be carried forward are assessed for recognition as a deferred tax asset.

Current and deferred tax assets and liabilities are calculated at tax rates ruling at the statement of financial position date that are expected to apply to their respective period of realisation, provided they are enacted or substantially enacted at the balance sheet date.

Changes in deferred tax assets and liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Income Tax

	02-Jan-11 £000	03-Jan-10 £000
Current tax expense / (credit)		
Current year	1,399	24
Adjustments for prior periods	(82)	(115)
Total current tax expense / (credit)	1,317	(91)
Deferred tax expense / (credit)		
Origination and reversal of temporary differences	659	(953)
Total deferred tax	659	(953)
Total income tax expense / (credit)	1,976	(1,044)

Reconciliation of effective tax rate

	02-Jan-11 %	£000	03-Jan-10 %	£000
Profit for the period		4,713		2,107
Total income tax expense / (credit)		1,976		(1,044)
Profit excluding income tax		6,689		1,063
Income tax using the Group's domestic tax rate	28.0%	1,873	28.0%	298
Adjustment in respect of prior periods	(1.2%)	(82)	(10.8%)	(115)
Non-deductible expenses	2.0%	139	9.3%	99
Recognition of assets to be carried forward	-	-	(89.6%)	(953)
Restatement of deferred tax at 27% tax rate	0.7%	46	-	-
Utilisation of unrecognised losses brought forward	-	-	(35.1%)	(373)
Total income tax expense / (credit)	29.5%	1,976	(98.2%)	(1,044)

The tax rate applicable to the Group was 28% from 1 April 2008 (previously 30%) resulting in a tax rate for the period of 28.0% (3 Jan 2010: 28.0%).

Deferred Tax:

(a) Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:

Group Recognised deferred tax assets and liabilities	02-Jan-11	02-Jan-11	03-Jan-10	03-Jan-10
	Deferred tax assets £000	Deferred tax liabilities £000	Deferred tax assets £000	Deferred tax liabilities £000
Non-current assets				
Other intangible assets	-	(36)	111	-
Property, plant and equipment	-	(107)	-	(138)
Tax losses carried forward	14	-	855	-
Current assets				
Inventories	196	-	45	-
Trade Debtors	21	-	-	-
Current liabilities				
Trade creditors	-	(34)	-	-
Share based payments	1,192	-	391	-
Total	1,423	(177)	1,402	(138)

There are no unrecognised deferred tax assets in either period.

Where differences are expected to reverse after 1 April 2011 they have been recorded at a tax rate of 27%. In addition, there is a further 3% anticipated rate reduction which has been announced, although this has not been accounted for since it is not yet enacted.

(b) Movement in temporary differences during the year:

Group	At 3 January 2010 £000	Recognised in profit or loss £000	Acquired on Acquisition £000	Recognised directly in equity £000	At 2 January 2011 £000
Intangible assets	111	55	(202)	-	(36)
Property, plant and equipment	(138)	31	-	-	(107)
Inventories	45	136	15	-	196
Trade Debtors	-	21	-	-	21
Trade Creditors	-	(59)	25	-	(34)
Losses	855	(841)	-	-	14
Share based payments	391	68	-	733	1,192
	1,264	(589)	(162)	733	1,246

Annual Report

The financial information set out above does not constitute the Company's statutory accounts for the years ended 3 January 2010 or 2 January 2011 but is derived from those accounts. Statutory accounts for the year ended 3 January 2010 have been delivered to the registrar of companies, and those for the year ended 2 January 2011 will be delivered in due course. The auditors have reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Annual General Meeting

The Annual General Meeting will be held on 16 June 2011 at 9.30am at Ideal Home House, Newark Road, Peterborough, PE1 5WG.

Notice of the Annual General Meeting and the Annual Financial Report for 2010 will be available on the Company's website www.idealshoppingdirect.co.uk and will be sent to shareholders shortly.