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**THIS ANNOUNCEMENT IS NOT FOR RELEASE, PUBLICATION OR DISTRIBUTION, IN WHOLE OR IN PART, IN, INTO OR FROM ANY JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF THAT JURISDICTION**

**20 April 2011**

**Cuba Bidco Limited**

**Recommended cash offer for Ideal Shopping Direct plc by Cuba Bidco Limited**

**(a company formed at the direction of Inflexion Private Equity Partners LLP acting for Inflexion 2010 General Partner Limited)**

Further to the announcement released by ISD on 12 July 2010 in which it confirmed that it intended to undertake a review of its strategic options, which could include a sale of the Company, the Independent Directors and the Bidco Directors are pleased to announce that they have reached agreement on the terms of the recommended cash offer by Bidco for the entire issued and to be issued ordinary share capital of ISD. It is intended that the Acquisition be implemented by way of a scheme of arrangement under Part 26 of the Act.

**Summary**

- The Proposal will be made on the basis of 220 pence in cash for each ISD Share.
- The Proposal values the whole of the currently issued and to be issued share capital of ISD at approximately £78.3 million in aggregate. This assumes that all ISD Options with a Subscription Price of less than the Offer Price are exercised but excludes those ISD Options to be surrendered as part of the Management Proposals, which have an additional value of approximately £5.1m at the Offer Price.
- The Proposal represents:
  - (i) a premium of 46.2 per cent. to the Closing Price of 150.5 pence per ISD Share on 9 July 2010 (being the last Business Day prior to the commencement of the Offer Period);
  - (ii) a premium of 41.4 per cent. to 155.5 pence per ISD Share (being the average volume-weighted Closing Price for the one month ended on 9 July 2010); and
  - (iii) a premium of 96.9 per cent. to 111.7 pence per ISD Share (being the average volume-weighted Closing Price for the twelve months ended on 9 July 2010).
- The Bidco Directors believe that the ongoing participation in the continued growth of ISD by the Management Team is very important, due to their knowledge of ISD and its market and their existing relationships with suppliers. Therefore, the Management Team has agreed to Management Proposals, details of which are contained at paragraph 9 of the announcement accompanying this summary.
- Bidco is a recently incorporated company, registered in England, which has been formed for the purpose of making the Acquisition. Following completion of the Acquisition, Bidco will be owned (through Cuba Topco) by funds advised or advised and managed by Inflexion and the Management Team (which comprises Mike Hancox and Ian Jebson, both of whom are ISD Directors) and David Hamid the proposed Cuba Topco Chairman.

- The Independent Directors, who have been so advised by Rothschild, consider the terms of the Proposal to be fair and reasonable and they intend to recommend unanimously that all eligible Scheme Shareholders vote in favour of the Resolutions to give effect to the Proposal as they have irrevocably undertaken to vote (or procure the vote) in favour of the Resolutions in respect of their own beneficial holding of 12,437,793 ISD Shares, representing approximately 36.24 per cent. of the existing issued share capital of ISD. In providing advice to the Independent Directors, Rothschild has taken into account their commercial assessments.
- Ian Jebson and Joanne Hancox (the wife of Mike Hancox) have given Bidco irrevocable undertakings to vote in favour of the Special Resolution in respect of 633,000 ISD Shares, representing approximately 1.84 per cent. of the existing issued share capital of ISD.
- Bidco has also received irrevocable undertakings and non-binding letters of intent from other ISD Shareholders to vote in favour of the Resolutions in respect of 10,637,078 ISD Shares, representing approximately 30.99 per cent. of the existing issued share capital of ISD.
- Accordingly, in total, Bidco has received irrevocable undertakings and non-binding letters of intent to vote in favour of:
  - (i) the Court Meeting Resolution and the Ordinary Resolution in respect of 23,074,871 ISD Shares, representing approximately 67.23 per cent. of the existing issued share capital of ISD; and
  - (ii) the Special Resolution in respect of 23,707,871 ISD Shares, representing approximately 69.07 per cent. of the existing issued share capital of ISD.

Commenting on the Proposal, Paul Wright, an Independent Director, said:

"We are delighted to make this announcement today. This Proposal represents an opportunity for ISD Shareholders to realise their investment in ISD at a significant premium to the share price immediately before the commencement of the current Offer Period. The Proposal comes at a time when the macro environment and consumer spending outlook in the UK continues to remain uncertain, but in spite of this, the Proposal fully reflects the fair value of ISD. "

Commenting on the Proposal, John Hartz, Director of Bidco, said:

"We are pleased to be investing in the future of the ISD Group as it positions itself in the rapidly evolving multi-channel retailing market. We look forward to working with ISD's accomplished management team and providing the necessary support for ISD to grow during the next phase of its development."

The Proposal will be implemented by way of a scheme of arrangement between ISD and Scheme Shareholders under Part 26 of the Act and in order to approve the terms of the Proposal, eligible ISD Shareholders will need to vote in favour of the Resolutions to be proposed at the Court Meeting and the General Meeting to be convened and held in May 2011. It is anticipated that a Scheme Document containing the notice of the Meetings will be sent to ISD Shareholders on or around 6 May 2011 following the Court application to convene the Court Meeting. It is anticipated that the Scheme will become effective in June 2011.

DC Advisory Partners is acting as financial adviser to Bidco and Rothschild is acting as financial adviser to ISD.

This summary should be read in conjunction with the accompanying full text of the following announcement which sets out further details of the Proposal and which forms an integral part of this announcement. The Proposal will be subject to the Conditions set out in the Appendix A. Appendix B contains details of the bases and sources of certain information used in this summary and the

following announcement. Appendix C contains details of irrevocable commitments and letters of intent obtained by Bidco. Appendix D contains definitions of certain expressions used in this summary and the following announcement.

In accordance with Rule 19.11 of the Takeover Code, a copy of this announcement will be published on the following website: [www.idealshoppingdirect.co.uk/investor-information/regulatory-news.asp](http://www.idealshoppingdirect.co.uk/investor-information/regulatory-news.asp)

For the avoidance of doubt, the content of the website referred to above is not incorporated into and does not form part of this announcement.

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DC Advisory Partners, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Bidco and no one else in connection with the Proposal and will not be responsible to anyone other than Bidco for providing the protections afforded to clients of DC Advisory Partners nor for providing advice in relation to the Proposal, the contents of this announcement, or any transaction or arrangement referenced in this announcement.

Rothschild, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for ISD and no one else in connection with the Proposal and will not be responsible to anyone other than ISD for providing the protections afforded to customers of Rothschild nor for providing advice in relation to the Proposal, the contents of this announcement, or any transaction or arrangement referenced in this announcement.

This announcement is not intended to and does not constitute or form any part of, an offer to sell or an invitation to purchase or the solicitation of an offer to subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any

purchase, sale or exchange of securities or such solicitation in any jurisdiction in which such offer, solicitation or sale or exchange would be unlawful prior to registration or qualification under the laws of such jurisdiction.

This announcement does not constitute a prospectus or a prospectus equivalent document.

The Proposal will be made solely through the Scheme Document which will contain the full terms and conditions of the Scheme, including details of how to vote in favour of the Resolutions. ISD will prepare the Scheme Document to be distributed to ISD Shareholders. ISD and Bidco urge ISD Shareholders to read the Scheme Document when it becomes available because it will contain important information relating to the Proposal. Any response to the Proposal should be made only on the basis of the information contained in the Scheme Document.

This announcement has been prepared for the purpose of complying with English law and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside England.

**The distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this announcement comes should inform themselves about, and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.**

Unless otherwise determined by Bidco or required by the Takeover Code and permitted by applicable law and regulation, the Proposal is not being, and will not be made, directly or indirectly, in or into or by the use of the mails of, or by any other means (including, without limitation, electronic mail, facsimile transmission, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facility of a national securities exchange of any Restricted Jurisdiction and will not be capable of acceptance by any such use, means or facility or from within any such Restricted Jurisdiction. Accordingly, unless otherwise determined by Bidco, copies of this announcement and any other documentation relating to the Proposal (including, without limitation, the Scheme Document and the Forms of Proxy) are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send any such documents in or into or from any such Restricted Jurisdiction. Any person (including, without limitation, custodians, nominees and trustees) who would, or otherwise intends to, or who may have a contractual or legal obligation to, forward this announcement and/or the Scheme Document and/or the Forms of Proxy (if applicable) and/or any other related document to any jurisdiction outside the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of any relevant jurisdiction. Neither the SEC nor any US state securities commission has approved or disapproved the Proposal or passed upon the adequacy or completeness of this announcement or any other documentation relating to the Proposal (including, without limitation, the Scheme Document and the Forms of Proxy). Any representation to the contrary is a criminal offence.

#### **FORWARD LOOKING STATEMENTS**

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of ISD and/or Bidco and certain plans and objectives of the board of directors of ISD, and Bidco with respect thereto. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. These statements are based on assumptions and assessments made by the boards of directors of ISD and Bidco in the light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe appropriate. They have not been reviewed by the auditors of ISD or

Bidco. By their nature, forward-looking statements involve risk and uncertainty, and the factors described in the context of such forward-looking statements in this announcement could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements.

All subsequent oral or written forward-looking statements attributable to ISD or Bidco or any of their respective members, directors, officers or employees or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included in this announcement are based on information available to ISD and Bidco on the date of this announcement and are made only as of the date of this announcement. Undue reliance should not be placed on such forward-looking statements.

Subject to compliance with the Takeover Code, neither ISD nor Bidco intend, or undertake any obligation, to update any information contained in this announcement.

### **DEALING DISCLOSURE REQUIREMENTS**

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any paper 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 paper 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 paper 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 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the 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 paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper 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 paper offeror, 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 pm (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 paper 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](http://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. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44

(0)20 7638 0129.

**PUBLICATION ON WEBSITE**

A copy of this announcement will be made available on ISD's website at [www.idealshoppingdirect.co.uk/investor-information/regulatory-news.asp](http://www.idealshoppingdirect.co.uk/investor-information/regulatory-news.asp) by no later than 12 noon London time on 21 April 2011.

For the avoidance of doubt, the content of the website referred to above is not incorporated into and does not form part of this announcement.

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**RECOMMENDED CASH OFFER**

**for**

**IDEAL SHOPPING DIRECT PLC**

**by**

**CUBA BIDCO LIMITED**

**(a company formed at the direction of Inflexion Private Equity Partners LLP acting for Inflexion 2010 General Partner Limited)**

## **1 Introduction**

Further to the announcement released by ISD on 12 July 2010 in which it confirmed that it intended to undertake a review of its strategic options, which could include a sale of the Company, the Independent Directors and the Bidco Directors are pleased to announce that they have reached agreement on the terms of the recommended cash offer by Bidco for the entire issued and to be issued ordinary share capital of ISD.

Bidco is a recently incorporated company, registered in England, which has been formed for the purpose of making the Acquisition. Following completion of the Acquisition, Bidco will be owned (through Cuba Topco) by funds advised or advised and managed by Inflexion and the Management Team (which comprises Mike Hancox and Ian Jebson, both of whom are ISD Directors) and David Hamid the proposed Cuba Topco Chairman.

This announcement sets out the key terms of the Proposal, which is to be effected by way of a Court sanctioned scheme of arrangement under Part 26 of the Act, and explains the background to the Proposal and the reasons why the Independent Directors intend to recommend unanimously that all eligible ISD Shareholders vote in favour of the Resolutions.

In order to approve the terms of the Proposal, ISD Shareholders will need to vote in favour of the Resolutions to be proposed at the Meetings (the Court Meeting and the General Meeting) to be held in May 2011. It is anticipated that the Scheme Document containing a notice of the Meetings will be sent to ISD Shareholders on or around 6 May 2011 following a hearing of the Court application to convene the Court Meeting.

## **2 The Proposal**

It is intended that the Acquisition will be effected by way of a Court approved scheme of arrangement under Part 26 of the Act.

Under the terms of the Scheme, which will be subject to the Conditions, if the Scheme becomes effective those Scheme Shareholders who are on the register of members of ISD at the Scheme

Record Time will receive:

**for each ISD Scheme Share 220 pence in cash**

The Proposal represents:

- (i) a premium of 46.2 per cent. to the Closing Price of 150.5 pence per ISD Share on 9 July 2010 (being the last Business Day prior to the commencement of the Offer Period);
- (ii) a premium of 41.4 per cent. to 155.5 pence per ISD Share (being the average volume-weighted Closing Price for the one month ended on 9 July 2010); and
- (iii) a premium of 96.9 per cent. to 111.7 pence per ISD Share (being the average volume-weighted Closing Price for the twelve months ended on 9 July 2010).

The Proposal values the entire issued and to be issued share capital of ISD at approximately £78.3m. This assumes that all ISD Options with a Subscription Price of less than the Offer Price are exercised but excludes those ISD Options to be surrendered as part of the Management Proposals, which have an additional value of approximately £5.1m at the Offer Price.

### **3 Recommendation**

In view of their proposed involvement with Bidco, the members of the Management Team have not participated in the consideration of the Scheme or the Proposal or the formulation of advice to ISD Shareholders in the Company in respect of the same. Accordingly, the recommendation of the Scheme is to be made by Paul Wright, Graham Cole and Valerie Kaye in their capacity as the Independent Directors.

The Independent Directors, who have been so advised by Rothschild, consider the terms of the Proposal to be fair and reasonable. In providing advice to the Independent Directors, Rothschild has taken account of their commercial assessments.

Accordingly, the Independent Directors intend to recommend unanimously that all eligible ISD Shareholders vote in favour of the Resolutions to give effect to the Scheme and the Management Proposals, as they have irrevocably undertaken to vote (or procure the vote) in favour of the Resolutions in respect of their own beneficial holding of 12,437,793 ISD Shares (representing approximately 36.24 per cent. of the issued share capital of ISD).

### **4 Irrevocable undertakings and non-binding letters of intent to vote in favour of the Resolutions**

#### **(A) Independent Directors**

The Independent Directors have irrevocably undertaken to vote (or procure that the registered holder votes) in favour of the Resolutions in respect of their own beneficial holdings of, in aggregate, 12,437,793 ISD Shares (representing approximately 36.24 per cent. of the existing issued share capital of ISD).

The undertakings provided by the Independent Directors will continue to be binding even in the event of a higher offer for ISD being announced and cannot be withdrawn other than in the event of the Scheme lapsing or being withdrawn or if the Scheme has not become effective by 1 August 2011.

The irrevocable undertakings provided by the Independent Directors will remain binding in the event of a competing offer being made in relation to ISD, but will cease to have any effect if:

- (i) the Scheme Document is not sent to ISD Shareholders within 28 days of this announcement;

- (ii) the Scheme lapses or is withdrawn in accordance with its terms and at or before the time of such lapse or withdrawal, Bidco has not publicly confirmed that it intends to implement the Acquisition by way of a Takeover Offer; or
  - (iii) the Scheme has not become effective by 6.00 p.m. on 1 August 2011 (or such later date as agreed between Bidco and ISD, with the approval of the Court and/or Panel if required).
- (B) Other ISD Shareholders

The following ISD Shareholders have entered into irrevocable undertakings with Bidco to vote, or procure the vote, in favour of the Special Resolution (being the only Resolution they are permitted to vote on) in respect of their entire beneficial holdings of ISD Shares:

Name	Total No. of ISD Shares	Percentage of issued share capital
Joanne Hancox	570,500	1.66
Ian Jebson	62,500	0.18

The irrevocable undertakings referred to above will remain binding in the event of a competing offer being made in relation to ISD, but will cease to have any effect if the Scheme Document is not sent to ISD Shareholders within 28 days of this announcement.

Mr Jebson's undertaking will also cease to have any effect if:

- (i) the Scheme lapses or is withdrawn in accordance with its terms and at or before the time of such lapse or withdrawal, Bidco has not publicly confirmed that it intends to implement the Acquisition by way of a Takeover Offer; or
- (ii) the Scheme has not become effective by 6.00 p.m. on 1 August 2011 (or such later date as agreed between Bidco and ISD, with the approval of the Court and/or Panel if required).

The following ISD Shareholders (other than those referred to above) have entered into irrevocable undertakings with Bidco to vote, or procure the vote, in favour of the Resolutions in respect of the following ISD Shares:

Name	Total No. of ISD Shares	Percentage of issued share capital
Vidacos Nominees	2,337,857	6.81
Artemis Investment Management LLP (" <b>Artemis</b> ")	2,287,632	6.66
Majedie Asset Management (" <b>Majedie</b> ")	2,072,951	6.04
Forum Venture Capital (" <b>Forum Venture</b> ")	1,465,000	4.27
Ennismore Fund Management (" <b>Ennismore</b> ")	751,000	2.19
Peter McDermott	620,638	1.81

Name	Total No. of ISD Shares	Percentage of issued share capital
Hargreave Hale Fund Managers (" <b>Hargreave Hale</b> ")	622,000	1.81

The irrevocable undertaking provided by Vidacos Nominees, on behalf of the beneficial owner, Prem Nath Anand, and given by Peter McDermott shall remain binding in the event of a competing offer being made in relation to ISD. Both undertakings will cease to have any effect if the Scheme Document is not sent to ISD Shareholders within 28 days of this announcement.

The irrevocable undertakings provided by Artemis, Majedie, Forum Venture and Hargreave Hale, will remain binding in the event of a competing offer being made in relation to ISD unless the value of the competing offer represents an improvement of 10 per cent. or more of the value of the consideration offered under the Proposal. The Ennismore irrevocable undertaking will lapse if a competing cash offer is made which represents an improvement in the consideration offered under the Proposal. The irrevocable undertakings will also lapse:

- (i) in the case of the undertakings from Majedie and Ennismore, if the signatory loses discretionary control over any of the ISD Shares over which they have provided the undertaking;
- (ii) in the case of Artemis and Hargreave Hale, if:
  - (a) the Scheme Document is not sent to ISD Shareholders within 28 days of this announcement;
  - (b) the Scheme lapses or is withdrawn in accordance with its terms and at or before the time of such lapse or withdrawal, Bidco has not publicly confirmed that it intends to implement the Acquisition by way of a Takeover Offer; or
  - (c) the Scheme has not become effective by 6.00 p.m. on 1 August 2011 (or such later date as agreed between Bidco and ISD, with the approval of the Court and/or Panel if required); and
- (iii) in the case of Forum Venture, if the Scheme Document is not sent to ISD Shareholders within 28 days of this announcement.

Aerion Fund Management Limited has provided a non-binding letter of intent to vote (or procure the vote), in favour of the Resolutions in respect of 480,000 ISD Shares representing approximately 1.40 per cent. of the existing issued share capital of ISD.

Accordingly, in total, Bidco has received irrevocable undertakings and non-binding letters of intent to vote in favour of:

- (i) the Court Meeting Resolution and the Ordinary Resolution in respect of 23,074,871 ISD Shares, representing approximately 67.23 per cent. of the existing issued share capital of ISD; and
- (ii) the Special Resolution in respect of 23,707,871 ISD Shares, representing approximately 69.07 per cent. of the existing issued share capital of ISD.

Further details of the irrevocable undertakings are set out in Part I of Appendix C.

## **5 Background to and reasons for recommending the Proposal**

The Company recorded a loss of £13.2 million in 2008 against a backdrop of difficult trading conditions and poor decisions taken by the previous senior management team. A comprehensive review of the business, a change in the senior management team and the implementation of a series of operational improvements successfully returned the Company to profitability in 2009. The price of a ISD Share has subsequently recovered since its 2 year historical low on the 23 March 2009, when the Closing Price was 21.5p.

On 12 July 2010, the Company announced that it intended to undertake a strategic review which could include a sale of the Company. As a part of this strategic review, a summary information document and a public information pack were provided to a limited number of parties that expressed an interest in acquiring ISD. Following receipt of initial offers from certain of these parties, the Board selected a number of interested parties to proceed in carrying out further preparatory work to enable them to put forward a firm proposal to make an offer for the Company. Following a period of due diligence, Inflexion 2010 General Partner Ltd (the general partner of the IFX 2010 Funds) and Bidco reconfirmed that Bidco was in a position to submit a non binding offer, subject to funding and further due diligence. The completion of that due diligence and receipt of funding confirmations has culminated in the Proposal.

In order to grow the business during its next phase of development and given the investment requirement and the medium term time horizon to pursue this strategy, Bidco believes that the next stage of ISD's development would best be achieved under private ownership.

While the Independent Directors believe that the Company is well placed to deliver further growth, the current economic outlook remains uncertain. It is against this background that the Independent Directors have considered the Proposal and have determined to recommend that eligible ISD Shareholders vote in favour of the Resolutions required to give effect to the Proposal.

In particular, in considering whether to recommend the Proposal and whether eligible ISD Shareholders should vote in favour of the Resolutions, the Independent Directors have taken into consideration the following:

- the current economic outlook is uncertain, with tightening fiscal policies resulting in lower levels of consumer confidence and forecast spend;
- feedback received from the consultation with the majority of the Company's shareholders (by value), which has resulted in irrevocable commitments to vote in favour of the Resolutions required to give effect to the Scheme (further details of which are set out in paragraph 4 above);
- the fact that Bidco has confirmed that it intends to grow the Company's business and attaches great importance to the skills and experience of the existing management and employees; and
- the fact that the Proposal provides ISD Shareholders with the opportunity to realise the whole of their investment in cash at a value which they might not otherwise obtain in the short to medium term.

## **6 Information on ISD**

ISD is an independent TV home shopping business and one of the UK's leading home shopping retailers, selling products across four television channels and two transactional websites. The business has six key product categories which comprise Home, Leisure, Craft, Fashion, Health & Beauty and Jewellery. Its main channel, Ideal World, is broadcast on the Freeview platform as well as on Sky, Virgin Media and Freesat, and its transactional websites carry a live web stream of the broadcasts. The Company is currently quoted on the AIM market of the London Stock Exchange, with a current market capitalisation of £65 million.

For the financial year ended 2 January 2011, the Company reported profit before taxation of £6.7 million (2009: £1.1million) on turnover of £117.3 million (2009: £103.3 million). Total equity as at 2 January 2011 was £22.1 million (3 January 2010: £11.6million).

## **7 Current Trading and Prospects of ISD**

On 14 April 2011, ISD announced its preliminary results for the 52 week period ended 2 January 2011 (the "**Results**").

Commenting on current trading and outlook, Paul Wright, ISD's Chairman, stated:

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

“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.”

## **8 Information on Inflexion and the Bidco Group**

Inflexion is an independent private equity firm, which manages and advises funds investing in small-mid market growth businesses. It has considerable experience in helping grow and professionalise businesses. Its investment executives have more than 100 years combined experience in private equity investments. In addition, Inflexion has particular strength in and knowledge of the retail sector.

Inflexion, which is regulated by the Financial Services Authority, manages and advises various private equity funds on a discretionary basis (subject to certain prescribed restrictions). Inflexion and Inflexion group entities have raised over £700m since inception. These include the Inflexion 2010 Buyout Fund Limited Partnership, the Inflexion 2006 Buyout Fund Limited Partnership and the Inflexion Co-Investment Limited Partnership. Further details will be contained in the Scheme Document.

Bidco is a newly incorporated company established to make the Acquisition. It is a wholly owned subsidiary of Cuba Topco which is controlled by the Inflexion 2010 Buyout Fund Limited Partnership.

The members of the Bidco Group have not traded since their incorporation and have not entered into any material obligations other than in connection with the Proposal and its financing, further details of which will be contained in the Scheme Document.

## **9 Arrangements with Management Team**

The Bidco Directors believe that the ongoing participation in the continued growth of ISD by the Management Team is very important, due to their knowledge of the Company and its market and their existing relationships with suppliers. Therefore the Management Proposals have been agreed between the Bidco Group and the Management Team and are described in summary below and will be described in more detail in the Scheme Document.

In summary, the principal features of the Management Proposals are as follows:

- the surrender by the Management Team of ISD Options over 2,309,952 ISD Shares, with

effect from the Scheme becoming effective. Such surrendered ISD Options have a value of approximately £5.1m at the Offer Price;

- the investment by the Management Team for nominal consideration in B Ordinary Shares in Cuba Topco Limited which on issue will represent 23 per cent. of its presently envisaged fully diluted equity share capital, although certain of these shares will turn into deferred shares of no economic value if new B Ordinary Shares in Cuba Topco Limited are issued to other Bidco Group employees in due course;
- the Cuba Topco Limited B Ordinary Shares will also carry a right, on a sale or listing of Cuba Topco Limited and if a minimum investment return has been achieved by the Inflexion Funds on their investments in the Bidco Group before the sale or listing, to participate in an increased percentage of the surplus value (above that required to achieve the minimum return) attributable to the initial equity share capital invested in Cuba Topco Limited;
- a Management Team member will, if he is then still employed by the Bidco Group, be entitled on a sale or listing of Cuba Topco Limited to receive an exit fee from Cuba Topco Limited linked to his then proportionate equity share of the enterprise value of the Bidco Group on that exit: the aggregate exit fee payable to Inflexion group entities and the Management Team members entitled to receive it (which for these purposes will also include the proposed Cuba Topco Chairman, David Hamid) will be 1.5% of that enterprise value;
- a Management Team member will only be allowed to dispose of his Cuba Topco Limited shares before its sale or listing in very limited circumstances and may be required to transfer them if he ceases to be employed by the Bidco Group; and
- the Management Team will enter new service agreements, with increased rates of remuneration from their present service agreements with ISD, as will be set out in the Scheme Document.

Rule 16 of the Takeover Code provides that, except with the consent of the Panel, an offeror or persons acting in concert with it may not make any arrangements with shareholders, and may not deal or enter into arrangements to deal in shares, of an offeree company, or enter into arrangements which involve acceptance of an offer, either during an offer or when one is reasonably in contemplation, if there are favourable conditions attached which are not being extended to all shareholders.

In relation to the Management Proposals, the Panel has agreed, subject to the Ordinary Resolution being passed on a poll by the Independent ISD Shareholders at the General Meeting, to allow the Management Proposals to be made on the terms and subject to the Conditions, notwithstanding the fact that the opportunity to participate in such arrangements is not being extended to all ISD Shareholders.

The Independent Directors intend to recommend Independent ISD Shareholders to vote in favour of the Ordinary Resolution. The Independent Directors have given irrevocable undertakings to vote in favour of the Ordinary Resolution in respect of their entire beneficial and connected holdings totaling, in aggregate, 12,437,793 ISD Shares, representing approximately 36.24 per cent. of the issued share capital of ISD. Other Independent ISD Shareholders have given irrevocable undertakings, or letters of intent, to vote in favour of the Ordinary Resolution in respect of their respective beneficial and connected holdings totaling, in aggregate, 10,637,078 ISD Shares, representing approximately 30.99 per cent. of the issued share capital of ISD.

Accordingly, in total, irrevocable undertakings to vote in favour of the Ordinary Resolution have been received from Independent ISD Shareholders in respect of, in aggregate, 23,074,871 ISD Shares, representing approximately 67.23 per cent. of the issued share capital of ISD.

**Rothschild considers the Management Proposals to be fair and reasonable as far as all other ISD Shareholders are concerned.**

Further details of the irrevocable undertakings referred to in this paragraph are contained at Part I of Appendix C of this announcement.

**10 Directors and Employees**

The Bidco Directors have given assurances to the Independent Directors that, following the Scheme becoming effective, the existing employment rights, including pension rights, of all management and employees of ISD will be safeguarded in accordance with contractual and statutory requirements. The Bidco Directors have confirmed to the Independent Directors that Bidco's plans for the ISD Group do not involve any immediate change to the continued employment or the terms and conditions of employment of the ISD Group employees nor are there currently any plans to change the principal locations of ISD's business or re-deploy its fixed assets.

The Management Team will remain in place to operate the Company once the Scheme becomes effective on the terms set out in their current service contracts, subject to certain agreed amendments as referred to in paragraph 9 above and to be set out in more detail in the Scheme Document.

The Independent Directors have each undertaken to resign from the ISD Board upon the Scheme becoming effective and agreed to waive entitlements against ISD, other than in respect of outstanding salary, expense and notice entitlements, in such circumstances.

**11 Implementation Agreement and Non-Solicitation and Inducement Fee Agreement**

On 20 April 2011, ISD and Bidco entered into the Implementation Agreement which sets out the arrangements between them in relation to the implementation of the Scheme. Each party to the Implementation Agreement has agreed to implement the Scheme and to co-operate with the other on the terms set out in the Implementation Agreement. In addition, ISD has given certain undertakings concerning the conduct of its business during that period. Further details of the Implementation Agreement will be set out in the Scheme Document.

On 20 April 2011, ISD, Inflexion and Bidco entered into the Non-Solicitation and Inducement Fee Agreement, details of which are set out below.

*Inducement fee arrangement:*

The Non-Solicitation and Inducement Fee Agreement provides that in certain circumstances, ISD will pay to Bidco an inducement fee of one per cent. of the value of the fully diluted share capital of ISD calculated by reference to the Offer Price but ignoring any options which are under water at the Offer Price, or, if less, the maximum amount capable of being paid under Rule 21.2 of the Code, plus any recoverable VAT thereon. The inducement fee will be payable if:

- (a) following the release of this announcement:
  - (1) the Independent Directors (for whatever reason) do not formally give or withdraw or adversely alter or qualify their recommendation of the Proposal or (following a request by Bidco or DC Advisory Partners for such a public repetition or reconfirmation) fail promptly to repeat or reconfirm their recommendation within three Business Days of such request; and/or
  - (2) any Frustrating Action is taken,  
and the Proposal is not formally made in the Scheme Document or is made but the Scheme does not become effective; or
- (b) following the release of this announcement but before the Proposal is formally made in the Scheme Document or (if it is made) before the Scheme lapses, is withdrawn or fails to

become effective, a Competing Offer is announced and (either as originally made or as amended or revised) either (a) becomes or is declared unconditional in all respects or (b) whether at the time it is made or subsequently, is publicly recommended by the board of ISD or, independent director(s) of ISD.

*Non-solicitation arrangement:*

The Non-Solicitation and Inducement Fee Agreement provides that, during the non-solicitation period (being the period starting on the date of the agreement and ending on the earlier of (i) the date the parties to the agreement agree that the discussions regarding the Proposal have terminated; (ii) the Scheme becomes effective or lapses or is withdrawn; and (iii) the date on which the inducement fee becomes payable):

- (i) none of the ISD Entities:
  - (a) may directly or indirectly, solicit, suggest, encourage, enter into, invite, induce, initiate or otherwise seek to procure any proposals or offers from any third party relating to or in respect of any Prohibited Transaction; or
  - (b) will continue, directly or indirectly, any discussions or enter into any new discussions with any third party in connection with a Prohibited Transaction;
- (ii) ISD is obliged:
  - (a) to notify Bidco promptly of any approach from a third party relating to a Prohibited Transaction;
  - (b) in respect of such approach, only to provide confidential information relating to the ISD Group to the extent that the third party is entitled to it pursuant to Rule 20.2 of the Code and only where ISD has first agreed binding obligations of confidentiality with such third parties that are not materially less favourable to ISD than those undertaken to ISD by Bidco; and
  - (c) to provide Bidco with any information that ISD provides to any other third party which has not already been provided to Bidco, unless such information could reasonably be said to be specific to the other potential offeror; and
- (iii) no ISD Entity will disclose details of the Proposal or the interest of Bidco in connection with them or any information about Bidco, other than that which is previously publicly announced (or mutually agreed), and no ISD Entities can use any such information other than to evaluate the progress of the Proposal.

Further details of the Non-Solicitation and Inducement Fee Agreement will be contained in the Scheme Document.

## **12 Financing of the Proposal**

If the Scheme becomes effective and assuming all ISD Options with a Subscription Price of less than the Offer Price are exercised (excluding those ISD Options to be surrendered as part of the Management Proposals), the consideration payable by Bidco to Scheme Shareholders and other ISD Shareholders will be, in aggregate, approximately £78.3m. The cash consideration will be funded from loan facilities and subscription monies available to Bidco. Further details of these financing arrangements will be contained in the Scheme Document.

DC Advisory Partners, financial adviser to Bidco, has confirmed that it is satisfied that sufficient resources are available to Bidco to satisfy in full the cash consideration payable to Scheme Shareholders and other ISD Shareholders under the terms of the Proposal.

### **13 ISD Option Schemes**

The Scheme will extend to any ISD Shares unconditionally allotted or issued and fully paid after the date hereof and prior to the Scheme Record Time to satisfy the exercise of Extant ISD Options, but the Scheme will not extend to any ISD Shares allotted or issued pursuant to the exercise of Extant ISD Options at any time on or after the Scheme Record Time. Instead, any ISD Shares issued after the Scheme Record Time to satisfy the exercise of Extant ISD Options will, subject to the Scheme becoming effective, be immediately transferred to Bidco (or its nominee) on the terms to be set out in the proposed amendments to the ISD Articles which will be considered at the General Meeting, further details of which are contained in paragraph 17 of this announcement.

Participants in the ISD Option Schemes will be written to separately and appropriate proposals will be made to such participants in due course in relation to the ISD Option Schemes. Further details will also be contained in the Scheme Document.

Ian Jebson and Mike Hancox have undertaken to exercise ISD Options over, in aggregate, 690,048 ISD Shares prior to and conditional upon the sanction by the Court of the Scheme. Further details are set out in Part II of Appendix C of this announcement and will be contained in the Scheme Document.

### **14 Deferred Shares**

The Company has confirmed to Bidco that, upon the Scheme becoming effective, it will use its rights under Article 3(b)(v) of the ISD Articles to effect the transfer of the Deferred Shares to Bidco for no consideration.

### **15 Confirmation regarding Opening Position Disclosure**

Bidco confirms that it will on the date of this announcement make an Opening Position Disclosure, which discloses the details required to be disclosed by it under Rule 8.1(a) of the Takeover Code.

In the interests of confidentiality, Bidco has not made enquiry of all persons with whom it may be deemed by the Panel to be acting in concert. Such enquiry will be made following this announcement and any additional interests in relevant securities of ISD will be disclosed in a subsequent Opening Position Disclosure.

### **16 Further details of the Proposal**

The Scheme Document, setting out full details of the Proposal and the Scheme together with the notices of the Court Meeting and the General Meeting and the related Forms of Proxy, will be despatched on or about 6 May 2011 following the hearing of the application in Court to convene the Court Meeting.

### **17 Structure of the Scheme**

#### **(A) The Shareholder Meetings**

The implementation of the Scheme will require the approval of the Scheme by the Independent Scheme Shareholders at the Court Meeting and the passing by: (i) the ISD Shareholders of the Special Resolution; and (ii) the Independent ISD Shareholders of the Ordinary Resolution, to be proposed at the General Meeting to be held immediately after the Court Meeting. Bidco, members of the Management Team and their concert parties will not be entitled to vote at the Court Meeting, given their interests in the Proposal, but have irrevocably undertaken to be bound by the terms of the Scheme.

#### **(B) Court Meeting**

The Court Meeting will be held at the direction of the Court to enable the Independent Scheme Shareholders to consider and, if thought fit, approve the Scheme. At the Court Meeting, voting will be by poll and each Independent Scheme Shareholder present in person or by proxy will be entitled to one vote for each Scheme Share held by him. The approval required at the Court Meeting is that those voting to approve the Scheme must represent:

- (i) a majority in number of; and
- (ii) at least seventy-five per cent. in value of the Scheme Shares held by, those Independent Scheme Shareholders present and voting in person or by proxy.

(C) General Meeting

The General Meeting will be held on the same date as the Court Meeting to enable:

- (i) all ISD Shareholders to consider and, if thought fit, approve the Special Resolution to approve the Scheme and to authorise: (A) the cancellation of the Scheme Shares held by Scheme Shareholders; (B) a reduction of ISD's share capital equal to the nominal value of the Scheme Shares which are to be cancelled pursuant to the Scheme and the subsequent issue of new ISD Shares to Bidco in accordance with the Scheme; and (C) various related matters; and
- (ii) all Independent ISD Shareholders to consider and, if thought fit, approve the Ordinary Resolution relating to the Management Proposals as described in paragraph 9 of this announcement.

The Special Resolution will require votes in favour of not less than seventy-five per cent. of the votes cast by ISD Shareholders present and voting in person or by proxy at the General Meeting in order to be passed.

The Special Resolution, if passed, will also authorise certain amendments to the ISD Articles required in connection with the Scheme. The proposed amendments will provide, amongst other things, that: (i) any ISD Shares issued between the date of the General Meeting and the Scheme Record Time will be subject to the Scheme; and (ii) any ISD Shares issued to any person (other than Bidco or its nominee(s)) on or after the Scheme Record Time will, conditional on the Scheme becoming effective, be immediately transferred to Bidco, conditional on and in exchange for the same consideration per ISD Share as was due to a holder of Scheme Shares under the Scheme. This will avoid any person (other than Bidco or its nominee(s)) being left with ISD Shares after dealings in such shares have ceased trading on AIM. The proposed changes to the ISD Articles are contained in the notice of the General Meeting set out in to be set out in the Scheme Document.

The Ordinary Resolution will require votes in favour of not less than fifty per cent. of the votes cast by Independent ISD Shareholders present and voting in person or by proxy at the General Meeting in order to be passed. In order to comply with the requirements of the Panel and Rule 16 of the Takeover Code, the Ordinary Resolution will be taken on a poll. The Ordinary Resolution, if passed, will approve the Management Proposals in order to enable the Management Team to participate in the share capital of the Bidco Group.

**Rothschild considers the terms of the Management Proposals to be fair and reasonable as far as all other ISD Shareholders are concerned.**

If the Scheme becomes effective it will be binding on all holders of Scheme Shares, including any holders who did not vote to approve the Scheme, or who voted against the Scheme.

**In order that the Court can be satisfied that the votes cast constitute a fair representation of the**

**views of Independent Scheme Shareholders, it is important that as many votes as possible are cast in person and by proxy at the Court Meeting.**

(D) Conditions

The Scheme Document will be posted as soon as practicable and, in any event (save with the consent of the Panel), within 28 days of the date of this announcement. The Scheme, which will be subject to the Conditions, will be conditional upon, inter alia:

- (a) the Scheme becoming effective by not later than 6.00 p.m. on 19 July 2011 or such later date as ISD and Bidco may agree and (if required) the Panel and the Court may allow;
- (b) the approval of the Scheme by a majority in number of Scheme Shareholders representing not less than 75 per cent. in value of the holders of Scheme Shares, present and voting, either in person or by proxy, at the Court Meeting (or any adjournment of that meeting);
- (c) the Special Resolution required to approve and implement the Scheme and other related matters being duly passed by the requisite majority of ISD Shareholders at the General Meeting (or any adjournment of that meeting);
- (d) the Ordinary Resolution required to approve and implement the Management Proposals being duly passed by the requisite majority of Independent ISD Shareholders at the General Meeting (or any adjournment of that meeting);
- (e) the sanction (with or without modification, on terms reasonably acceptable to ISD and Bidco) of the Scheme and the confirmation of the Capital Reduction by the Court and a copy of the Court Order and the Statement of Capital being delivered to, and in relation to the Reduction of Capital, registered by, the Registrar of Companies; and
- (f) the other Conditions (set out in Appendix A of this announcement) which are not otherwise summarised in paragraphs (a) to (e) above being satisfied or, where relevant, waived by Bidco.

The Scheme will become effective upon the delivery of a copy of the Court Order and the Statement of Capital to the Registrar of Companies and, in relation to the Reduction of Capital, the registration of such Court Order and Statement of Capital by him.

## **18 Cancellation of listing and re-registration**

A detailed timetable of the principal events setting out, among other things, the last day of trading in ISD Shares on AIM will be set out in the Scheme Document. The last day of dealings in ISD Shares is expected to be the Business Day immediately prior to the Scheme Effective Date and no transfer of ISD Shares will be registered after 6.00 p.m. on that date. On the Scheme Effective Date, ISD share certificates shall cease to be valid and ISD Shareholders should, if so requested by ISD, send their ISD share certificates to ISD. Entitlements to ISD Shares held within the CREST system will be cancelled on the Scheme Effective Date.

In addition to the cancellation of the admission to trading on AIM of ISD Shares, ISD will be re-registered as a private company as part of the Scheme.

## **19 Overseas Shareholders**

The distribution of this announcement to, and the availability of the Proposal to, persons who are not resident in the United Kingdom may be affected by the laws of their relevant jurisdiction. Such persons should inform themselves of and observe any applicable legal or regulatory requirements of their jurisdiction. Further details in relation to Overseas Shareholders will be contained in the Scheme

Document. ISD Shareholders who are in any doubt regarding such matters should consult an appropriate independent professional adviser in the relevant jurisdiction without delay.

## **20 General**

Save as disclosed below, there are no agreements or arrangements to which Bidco is a party which relate to the circumstances in which it may or may not invoke or seek to invoke a condition to the Proposal. However, the terms of the senior debt and mezzanine debt facilities and equity investment documents under which the consideration payable under the Scheme will be financed, particulars of which facilities and documents will be provided in the Scheme Document, provide that, unless required by the Panel or the Court or under the Takeover Code, no waiver, revision, variation or amendment of any term of the Scheme may be made without the consent of the relevant finance provider if it would in its opinion be material to its interests under its financing documentation. For these purposes (and without limitation) the conditions to the Proposal are deemed to be material.

The Scheme document will be posted (other than to persons resident in a Restricted Jurisdiction) on or around 6 May 2011 following the Court application to convene the Court Meeting.

Your attention is drawn to the further information contained in the Appendices which form part of this announcement.

The summaries of further terms in relation to the Scheme set out in Appendix A to this announcement form part of, and should be read in conjunction with, this announcement.

Appendix B to this announcement provides details of the bases of calculations and sources of certain information included in this announcement.

Appendix C to this announcement contains details of the irrevocable undertakings received in relation to the Proposal.

Appendix D to this announcement contains definitions of certain terms used in this announcement.

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DC Advisory Partners, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for Bidco and no one else in connection with the Proposal and will not be responsible to anyone other than Bidco for providing the protections afforded to clients of DC Advisory Partners nor for providing advice in relation to the Proposal, the contents of this announcement, or any transaction or arrangement referenced in this announcement.

Rothschild, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting exclusively for ISD and no one else in connection with the Proposal and will not be responsible to anyone other than ISD for providing the protections afforded to customers of Rothschild nor for providing advice in relation to the Proposal, the contents of this announcement, or any transaction or arrangement referenced in this announcement.

This announcement is not intended to and does not constitute or form any part of, an offer to sell or an invitation to purchase or the solicitation of an offer to subscribe for any securities or the solicitation of any vote or approval in any jurisdiction pursuant to the Proposal or otherwise, nor shall there be any purchase, sale or exchange of securities or such solicitation in any jurisdiction in which such offer, solicitation or sale or exchange would be unlawful prior to registration or qualification under the laws of such jurisdiction.

This announcement does not constitute a prospectus or a prospectus equivalent document.

The Proposal will be made solely through the Scheme Document which will contain the full terms and conditions of the Scheme, including details of how to vote in favour of the Resolutions. ISD will prepare the Scheme Document to be distributed to ISD Shareholders. ISD and Bidco urge ISD Shareholders to read the Scheme Document when it becomes available because it will contain important information relating to the Proposal. Any response to the Proposal should be made only on the basis of the information contained in the Scheme Document.

This announcement has been prepared for the purpose of complying with English law and the Takeover Code and the information disclosed may not be the same as that which would have been disclosed if this announcement had been prepared in accordance with the laws of jurisdictions outside England.

**The distribution of this announcement in jurisdictions other than the United Kingdom may be restricted by the laws of those jurisdictions and therefore persons into whose possession this announcement comes should inform themselves about, and observe any such restrictions. Failure to comply with any such restrictions may constitute a violation of the securities laws of any such jurisdiction.**

Unless otherwise determined by Bidco or required by the Takeover Code and permitted by applicable law and regulation, the Proposal is not being, and will not be made, directly or indirectly, in or into or by the use of the mails of, or by any other means (including, without limitation, electronic mail, facsimile transmission, telex, telephone, internet or other forms of electronic communication) of interstate or foreign commerce of, or any facility of a national securities exchange of any Restricted Jurisdiction and will not be capable of acceptance by any such use, means or facility or from within any such Restricted Jurisdiction. Accordingly, unless otherwise determined by Bidco, copies of this announcement and any other documentation relating to the Proposal (including, without limitation, the Scheme Document and the Forms of Proxy) are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any Restricted Jurisdiction and

persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send any such documents in or into or from any such Restricted Jurisdiction. Any person (including, without limitation, custodians, nominees and trustees) who would, or otherwise intends to, or who may have a contractual or legal obligation to, forward this announcement and/or the Scheme Document and/or the Forms of Proxy (if applicable) and/or any other related document to any jurisdiction outside the United Kingdom should inform themselves of, and observe, any applicable legal or regulatory requirements of any relevant jurisdiction. Neither the Securities Exchange Commission nor any US state securities commission has approved or disapproved the Proposal or passed upon the adequacy or completeness of this announcement or any other documentation relating to the Proposal (including, without limitation, the Scheme Document and the Forms of Proxy). Any representation to the contrary is a criminal offence.

### **FORWARD LOOKING STATEMENTS**

This announcement contains certain forward-looking statements with respect to the financial condition, results of operations and business of ISD and/or Bidco and certain plans and objectives of the board of directors of ISD, and Bidco with respect thereto. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as anticipate, target, expect, estimate, intend, plan, goal, believe, will, may, should, would, could or other words of similar meaning. These statements are based on assumptions and assessments made by the boards of directors of ISD and Bidco in the light of their experience and their perception of historical trends, current conditions, expected future developments and other factors they believe appropriate. They have not been reviewed by the auditors of ISD or Bidco. By their nature, forward-looking statements involve risk and uncertainty, and the factors described in the context of such forward-looking statements in this announcement could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements.

All subsequent oral or written forward-looking statements attributable to ISD or Bidco or any of their respective members, directors, officers or employees or any persons acting on their behalf are expressly qualified in their entirety by the cautionary statement above. All forward-looking statements included in this announcement are based on information available to ISD and Bidco on the date of this announcement and are made only as of the date of this announcement. Undue reliance should not be placed on such forward-looking statements.

Subject to compliance with the Takeover Code, neither ISD nor Bidco intend, or undertake any obligation, to update any information contained in this announcement.

### **DEALING DISCLOSURE REQUIREMENTS**

Under Rule 8.3(a) of the Code, any person who is interested in 1% or more of any class of relevant securities of an offeree company or of any paper 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 paper 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 paper 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 pm (London time) on the 10th business day following the commencement of the offer period and, if appropriate, by no later than 3.30 pm (London time) on the 10th business day following the announcement in which any paper offeror is first identified. Relevant persons who deal in the relevant securities of the offeree company or of a paper offeror prior to the deadline for making an Opening Position Disclosure must instead make a Dealing Disclosure.

Under Rule 8.3(b) of the 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 paper offeror must make a Dealing Disclosure if the person deals in any relevant securities of the offeree company or of any paper 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 paper offeror, 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 pm (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 paper 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](http://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. If you are in any doubt as to whether you are required to make an Opening Position Disclosure or a Dealing Disclosure, you should contact the Panel's Market Surveillance Unit on +44 (0)20 7638 0129.

#### **PUBLICATION ON WEBSITE**

A copy of this announcement will be made available on ISD's website at [www.idealshoppingdirect.co.uk/investor-information/regulatory-news.asp](http://www.idealshoppingdirect.co.uk/investor-information/regulatory-news.asp) by no later than 12 noon London time on 20 April 2011.

For the avoidance of doubt, the content of the website referred to above is not incorporated into and does not form part of this announcement.

## Appendix A

### Conditions and Certain Further Terms of the Proposal

1. The Acquisition will, if it is implemented by way of the Scheme, be conditional upon the Scheme becoming unconditional and becoming effective by not later than 6.00 p.m. on 19 July 2011 or such later date (if any) as ISD and Bidco may, with the consent of the Panel, agree and (if required) the Court may allow.
2. The Scheme is conditional upon:
  - (a) the approval of the Scheme by a majority in number of the holders of Independent Scheme Shares present and voting at the Court Meeting, either in person or by proxy, or at any adjournment of that meeting representing not less than seventy five per cent. in the value of the Independent Scheme Shares held by such holders who are so present and voting;
  - (b) the Special Resolution and the Ordinary Resolution being duly passed by the requisite majority at the General Meeting (or at any adjournment of that meeting); and
  - (c) the sanction with or without modification (but subject to any such modification being on terms acceptable to ISD and Bidco) of the Scheme and the confirmation of the Reduction of Capital by the Court and the delivery of an office copy of the Court Order and the Statement of Capital to the Registrar of Companies and, in relation to the Reduction of Capital, the registration of such Court Order and Statement of Capital by him.
3. ISD and Bidco have agreed that, subject as stated in condition 4 below, the Scheme is conditional upon the following matters and, accordingly, the necessary actions to make the Scheme effective will only be taken upon the following Conditions (as amended if appropriate) having been satisfied (where capable of being satisfied) or waived, prior to the Scheme being sanctioned by the Court in accordance with Condition 2 above:
  - (a) no government or governmental, quasi-governmental, supranational, statutory or regulatory body or association, institution or agency (including any trade agency) or any court or other body (including any professional or environmental body) or person in any relevant jurisdiction (each a “**Relevant Authority**”) having taken, instituted, implemented, announced, threatened or decided to take any action, proceeding, suit, investigation, enquiry or reference or enacted, made or announced a decision to make any statute, regulation, decision or order or having taken any other steps which in any such case would or would be reasonably expected to:
    - (i) make the Scheme or its implementation or the acquisition or proposed acquisition of any ISD Shares by Bidco or any member of the Bidco Group or control of ISD void, unenforceable or illegal under the laws of any relevant jurisdiction or directly or indirectly prohibit or otherwise restrict, prevent or frustrate or otherwise delay or interfere with the implementation of, or impose additional conditions or obligations with respect to, or otherwise challenge or interfere with the Scheme or the acquisition of any ISD Shares or the control of ISD;
    - (ii) require, prevent or materially delay the divestiture (or alter the terms of any proposed divestiture) by any member of the Wider Bidco Group or by any member of the Wider ISD Group of all or any part of their respective businesses, assets or properties or of any ISD Shares or other securities in ISD or impose any material limitation on their ability to conduct all or any

part of their respective businesses and to own or control any of their respective material assets or properties which, in any such case, is material in the context of the Wider ISD Group taken as a whole or the Wider Bidco Group taken as a whole or to Bidco in the context of the Acquisition as the case may be;

- (iii) impose any limitation on, or result in any material delay in, the ability of any member of the Wider Bidco Group to acquire or hold or to exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise voting or management control over, any member of the Wider ISD Group or on the ability of any member of the Wider ISD Group to hold or exercise effectively, directly or indirectly, all or any rights of ownership of shares or other securities (or the equivalent) in, or to exercise management control over, any other member of the Wider ISD Group which, in any such case, is material in the context of the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition;
- (iv) require any member of the Wider Bidco Group or of the Wider ISD Group to acquire or offer to acquire any shares or other securities (or the equivalent) in any member of the Wider ISD Group or any asset owned by any third party (other than in the implementation of the Scheme) which, in any such case, is material in the context of the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition;
- (v) impose any limitation on the ability of any member of the Wider ISD Group to conduct or integrate or co-ordinate its business, or any part of it, with the businesses or any part of the businesses of any other member of the Wider ISD Group which, in any such case, is material in the context of the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition; or
- (vi) affect adversely the business profits or prospects of any member of the Wider Bidco Group or any member of the Wider ISD Group to an extent which is material in the context of the Wider Bidco Group taken as a whole or the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition,

and all applicable waiting and other time periods during which any such Relevant Authority could institute, implement or threaten any such action, proceeding, suit, investigation, enquiry or reference or otherwise intervene under the laws of any jurisdiction in respect of the Acquisition having expired, lapsed or been terminated;

(b)

- (i) all necessary notifications, filings or applications (excluding competition or antitrust notifications, filings or applications) having been made in connection with the Scheme;
- (ii) excluding competition or antitrust obligations or periods, all necessary statutory or regulatory obligations in any jurisdiction in respect of the Proposal having been complied with and all applicable waiting and other time periods (including any extensions thereof) under any applicable legislation or regulation of any relevant jurisdiction having expired, lapsed or been terminated in each case in respect of the Scheme;
- (iii) all authorisations, orders, grants, recognitions, confirmations, licences, exemptions, consents, clearances, permissions and approvals (together “**Authorisations**”) reasonably necessary or appropriate for the implementation of the Scheme or the proposed acquisition of any Shares in,

or control of, ISD having been obtained on terms and in a form reasonably satisfactory to Bidco (where failure to obtain would have a material adverse effect on the Wider Bidco Group or the Wider ISD Group as the case may be or is material to Bidco in the context of the Acquisition, or the ability of Bidco to implement the Scheme) from appropriate Relevant Authorities or from any persons or bodies with whom any member of the Wider Bidco Group or the Wider ISD Group has entered into contractual arrangements; and

- (iv) such Authorisations together with all material Authorisations necessary for any member of the Wider ISD Group to carry on its business remaining in full force and effect at the time the Scheme becomes effective and no intimation of any intention to revoke, suspend, restrict or modify or not to renew or appeal the grant of any of the same having been made at the time at which the Scheme becomes effective in each case where such business is material in the context of the Wider ISD Group or the Wider Bidco Group as the case may be and the absence of such Authorisations would have a material adverse effect on the Wider ISD Group or would be material to Bidco in the context of the Acquisition;
- (c) except as Disclosed, there being no provision of any material agreement (other than the Implementation Agreement), arrangement, licence, permit or other instrument to which any member of the Wider ISD Group is a party or by or to which any such member or any of its assets is or may be bound, entitled or subject which, as a result of the making or implementation of the Scheme, would or might reasonably be expected to result in, to an extent which is material and adverse in the context of the Wider ISD Group taken as a whole or is material to Bidco in the context of the Acquisition:
- (i) any monies borrowed by or any other indebtedness (actual or contingent) of or grant available to any such member of the Wider ISD Group becoming repayable or capable of being declared repayable immediately or earlier than the stated repayment date or the ability of such member to borrow monies or incur any indebtedness being withdrawn or inhibited or becoming capable of being withdrawn or inhibited or otherwise adversely affected;
  - (ii) the creation or enforcement of any mortgage, charge or other security interest over the whole or any part of the business, property or assets of any such member of the Wider ISD Group or any such security interest (whenever arising or having arisen) becoming enforceable;
  - (iii) any material assets or interest of, or any material asset the use of which is enjoyed by, any such member of the Wider ISD Group being or falling to be disposed of or charged or any right arising under which any such asset or interest could be required to be disposed of or charged or could cease to be available to any member of the Wider ISD Group;
  - (iv) any arrangement, agreement, licence, permit, franchise or other instrument, or any right, interest, liability or obligation of any member of the Wider ISD Group under any such arrangement, agreement, licence, permit, franchise or other instrument being terminated or adversely modified or affected or any onerous obligation or liability arising or adverse action being taken or arising under any such arrangement, agreement, licence, permit, franchise or other instrument;
  - (v) the interest or business of any such member of the Wider ISD Group in or with any other person, firm or company (or any agreements or arrangements relating to such interest or business) being terminated, modified or adversely

affected;

- (vi) any such member of the Wider ISD Group ceasing to be able to carry on business under any name under which it presently does so;
- (vii) any liability of any member of the Wider ISD Group to make any severance, termination, bonus or other payment to any of the directors or the officers of the Wider ISD Group; or
- (viii) the creation of liabilities of or by any member of the Wider ISD Group,

and no event having occurred which, under any provision of any agreement (other than the Implementation Agreement), arrangement, licence, permit or other instrument to which any member of the Wider ISD Group is a party or by or to which any such member or any of its assets may be bound, entitled or be subject, could reasonably be expected to result in any of the events or circumstances as are referred to in subparagraphs (i) to (viii) of this condition (c);

- (d) except as Disclosed or save as expressly contemplated by the Implementation Agreement or for the purposes of implementing, in accordance with the terms of the Implementation Agreement, the Scheme or the Capital Reduction or the proposals to be made to the ISD Optionholders in connection with the Scheme, no member of the Wider ISD Group having since the Relevant Date:

- (i) issued or agreed to issue or authorised or proposed the issue of additional shares of any class, or securities convertible into or exchangeable for, or rights, warrants or options to subscribe for or acquire any such shares or convertible securities (save as between ISD and wholly owned subsidiaries of ISD);
- (ii) recommended, declared, paid or made any bonus, dividend or other distribution, whether payable in cash or otherwise, other than a distribution by any wholly-owned subsidiary of ISD to ISD or another wholly-owned subsidiary of ISD;
- (iii) save as between ISD and wholly-owned subsidiaries of ISD and other than in the ordinary course of business, implemented or authorised any merger or demerger or acquired or disposed of or transferred, mortgaged or charged, encumbered or created any other security interest over, any asset or any right, title or interest in any asset (including without limitation, Shares and trade investments) or authorised or announced its intention to propose the same;
- (iv) implemented or authorised any reconstruction, amalgamation, scheme or other transaction or arrangement which in the case of any such other transaction or arrangement is, in any case, material in the context of the Wider ISD Group taken as a whole;
- (v) save as between ISD and wholly-owned subsidiaries of ISD, purchased redeemed or repaid any of its own shares or other securities or reduced or, save in respect of the matters referred to in sub-paragraph (i) above, made or authorised any other change in its share capital;
- (vi) save for intra-ISD Group transactions, made or authorised any change in its loan capital or issued or authorised the issue of any debentures or incurred or increased any indebtedness or liability (actual or contingent) where such liability or indebtedness is material in the context of the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition;
- (vii) entered into, varied or terminated, or authorised the entry into, variation or termination of, any material contract, transaction, commitment or arrangement (whether in respect of capital expenditure or otherwise), which

is of a long term, onerous or unusual nature or magnitude or which involves an obligation of a nature or magnitude which is, in any such case, material in the context of the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition;

- (viii) entered into or varied the terms of or made any offer (which remains open for acceptance) to enter into or vary the terms of any service contract or other agreement with (1) any director or (2) any executive of ISD whose basic salary exceeds £50,000 per annum;
- (ix) save as between ISD and wholly-owned subsidiaries of ISD, implemented or authorised the entry into of any contract, commitment or arrangement which would be materially restrictive on the business of the Wider ISD Group;
- (x) been unable, or admitted in writing that it is unable, to pay its debts or having stopped or suspended (or threatened to stop or suspend) payment of its debts generally or ceased or threatened to cease carrying on all or a substantial part of its business;
- (xi) taken any corporate action or had any steps taken or legal proceedings started or threatened against it or petition presented or order made for its winding-up (voluntary or otherwise), dissolution or reorganisation (or for any analogous proceedings or steps in any jurisdiction) or for the appointment of a receiver, manager, administrator, administrative receiver, trustee, provisional liquidator, liquidator or similar officer (or for the appointment of any analogous person in any jurisdiction) of all or any of its assets and revenues;
- (xii) save as between ISD and wholly-owned subsidiaries of ISD, waived, compromised or settled any claim which is material in the context of the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition;
- (xiii) entered into or varied the terms of any service agreement or arrangement with any director or senior executive of ISD or any other undertaking which forms a part of the Wider ISD Group;
- (xiv) made or agreed or consented to (other than in connection with the Scheme) any alteration to its memorandum or articles of association or other incorporation documents which is material in the context of the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition;
- (xv) made or agreed or consented to any significant change to the terms of the trust deeds constituting the pension schemes established for its directors and/or employees and/or their dependants or to the benefits which accrue, or to the pensions which are payable thereunder, or to the basis on which qualification for or accrual or entitlement to such benefits or pensions are calculated or determined, or to the basis upon which the liabilities (including pensions) of such pension schemes are funded or made, or agreed or consented to any change to the trustees involving the appointment of a trust corporation which would be material in the context of the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition;
- (xvi) entered into an agreement which could result in the restriction of the scope of the business of the ISD Group or could have a material adverse effect on the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition;
- (xvii) entered into any contract, commitment or arrangement (other than in the ordinary course of business) or passed any resolution or made any offer (which remains open for acceptance and which is capable of being converted

into an agreement unilaterally by the recipient) with respect to, or proposed or announced any intention to effect or propose, any of the transactions, matters or events referred to in this condition; or

- (xix) proposed, agreed to provide or modified the terms of any share option scheme, incentive scheme or other material benefit relating to the employment or termination of employment of any person employed by the Wider ISD Group;
- (e) except as Disclosed, since the Relevant Date:
- (i) no adverse change or deterioration having occurred in the business, assets, liabilities, financial or trading position, profits, assets or prospects of any member of the Wider ISD Group which is material in the context of the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition;
  - (ii) no criminal investigations, litigation, arbitration proceedings, prosecution or other legal proceedings having been threatened, announced, instituted or remaining outstanding by or against or in respect of any member of the Wider ISD Group or to which any member of the Wider ISD Group is or may become a party (whether as plaintiff or defendant or otherwise) and no enquiry or investigation by or complaint or reference to any Relevant Authority or other investigative body against or in respect of any member of the Wider ISD Group having been threatened, announced, implemented or instituted, or remaining outstanding by, against or in respect of any member of the Wider ISD Group which, in any such case, would or would reasonably be expected to materially adversely affect the Wider ISD Group taken as a whole or be material to Bidco in the context of the Acquisition;
  - (iii) no contingent or other liability in respect of any member of the Wider ISD Group having arisen which would or might reasonably be expected to adversely affect any member of the Wider ISD Group and which in any such case is material in the context of the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition; and
  - (iv) no steps having been taken and no omissions having been made which are likely to result in the withdrawal, cancellation, termination or modification of any licence held by any member of the Wider ISD Group, which is necessary for the proper carrying on of its business and the withdrawal, cancellation, termination or modification of which is material in the context of the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition; and
- (f) save as Disclosed, Bidco not having discovered:
- (i) that any financial, business or other information concerning any member of the Wider ISD Group which has been disclosed, whether publicly or otherwise, prior to 5.00 p.m. on 19 April 2011 by, or on behalf of, any member of the Wider ISD Group is misleading, contains a misrepresentation of fact or omits to state a fact necessary to make the information contained therein not misleading or that any contingent liability disclosed in such information would or might affect directly or indirectly the business, profits or prospects of the Wider ISD Group, taken as a whole, in each case to an extent which is material in the context of the Wider ISD Group taken as a whole or material to Bidco in the context of the Acquisition and which was not corrected by a subsequent announcement to a Regulatory Information Service by or on behalf of any member of the ISD Group prior to 5.00 p.m. on 19 April 2011; or

- (ii) that any member of the Wider ISD Group is subject to any liability, contingent or otherwise which is material in the context of the Wider ISD Group taken as a whole or to Bidco in the context of the Acquisition; or
  - (iii) there is or is reasonably likely to be any obligation or liability (whether actual or contingent) to make good, repair, reinstate or clean up any property now or previously owned, occupied, operated or made use of or controlled by any past or present member of the Wider ISD Group under any environmental legislation, regulation, notice, circular or order of any Relevant Third Party in any jurisdiction, in each case to an extent which is material in the context of the Wider ISD Group taken as a whole; or
  - (iv) Bidco not having discovered that ISD has breached, in any way which is material in the context of the Scheme and its implementation, its obligations under the Implementation Agreement.
4. Subject to the requirements of the Panel, Bidco reserves the right to waive all or any of conditions 3(a) to (f) inclusive, in whole or in part. Bidco shall be under no obligation to waive or treat as fulfilled any of conditions 3(a) to (f) inclusive by a date earlier than the date specified above for the satisfaction thereof notwithstanding that the other conditions of the Scheme may at such earlier date have been waived or fulfilled and that there are at such earlier date no circumstances indicating that any of such conditions may not be capable of fulfilment.
  5. If Bidco is required by the Takeover Panel to make an offer for any ISD Shares under Rule 9 of the Takeover Code, Bidco may make such alterations to the above conditions as are necessary to comply with that Rule.
  6. The Proposal will lapse and the Scheme or Takeover Offer will not proceed if the European Commission initiates proceedings under Article 6(1)I of the Regulation or the Proposal is referred to the Competition Commission before the date of the Court Meeting.
  7. This Announcement and any rights or liabilities arising hereunder, together with the Scheme, will be governed by English law and will be subject to the jurisdiction of the English courts. The rules and regulations of the Financial Services Authority and the rules contained in the Takeover Code, so far as they are appropriate, will apply to the Acquisition. The Scheme is subject, inter alia, to such further terms as may be required to comply with the AIM Rules and the provisions of the Takeover Code.
  8. Under Rule 13.4 of the Takeover Code, Bidco may only invoke any of conditions 3(a) to (f) (inclusive) so as to cause the Scheme not to proceed, to lapse or to be withdrawn if the circumstances which give rise to the right to invoke the condition are of material significance to Bidco in the context of the Acquisition. The conditions contained in paragraphs 1 and 2 of this Appendix A are not subject to this provision of the Takeover Code.
  9. For the purpose of these conditions:
 

“**Disclosed**” means as Fairly Disclosed in:

    - (a) any of the papers or information contained in the Online Data Room as at 5.30 p.m. on 15 April 2011;
    - (b) any public announcement by ISD to a Regulatory Information Service on or before 5.00p.m. on 19 April 2011;

- (c) the report and accounts of ISD for the 53 week period ended on 3 January 2010; or
- (d) the interim results of ISD for the six months ended 4 July 2010;

**“Fairly Disclosed”** means fairly disclosed with sufficient detail to allow Bidco to make a reasonably informed assessment of the nature and scope of the matters, facts or circumstances disclosed and the extent of their consequences;

**“Relevant Date”** means 3 January 2010;

**“Online Data Room”** means the online data room made available to Bidco and its professional advisers;

**“significant interest”** means a direct or indirect interest in 20 per cent. or more of the equity share capital of the undertaking in question;

**“Wider Bidco Group”** means Bidco and its subsidiary undertakings, associated undertakings and any other undertakings in which Bidco and such undertakings (aggregating their interests) have a majority interest;

**“Wider ISD Group”** means ISD and its subsidiary undertakings, associated undertakings and any other undertakings in which ISD and such undertakings (aggregating their interests) have a majority interest; and

for these purposes **subsidiary undertaking, associated undertaking** and **undertaking** have the meanings given by the Act and **substantial interest** means a direct or indirect interest in 30 per cent. or more of the equity capital (as defined in the Act) of an undertaking.

## **Appendix B**

### **Sources and Bases of Information**

In this announcement, unless otherwise stated or the context otherwise requires, the following bases and sources have been used:

- (a) historical share prices are sourced from Factset and represent closing prices for ISD Shares on the relevant date;
- (b) the value of the whole of the existing issued share capital of ISD is based upon the entire issued share capital at the date of this announcement, namely 34,324,391 ISD Shares;
- (c) unless otherwise stated, the financial information concerning ISD has been extracted from the annual reports and audited accounts of ISD for the relevant period;
- (d) references to a percentage of ISD Shares are based on the number of ISD Shares in issue as set out at paragraph (b);
- (e) the premium calculations to the price per ISD Share have been calculated by reference to the Closing Price of 150.5 pence per ISD Share the latest practicable date prior to the commencement of the Offer Period; and
- (f) the fully diluted share capital of ISD is calculated on the basis of:
  - the number of issued ISD Shares, as set out in paragraph (b) above; and
  - 1,263,524 ISD Shares required to satisfy outstanding ISD Options granted with a Subscription Price of less than the Offer Price (but excluding those ISD Options to be waived under the Management Proposals) on 19 April 2011, the latest practicable date prior to publication of this announcement, which are expected to become exercisable as a consequence of the Proposal.

## Appendix C

### Part I - Details of Voting Irrevocable Undertakings

#### 1 Independent Directors

The following Independent Directors have entered into irrevocable undertakings with Bidco to vote (or procure the vote) in favour of the Resolutions in respect of their entire beneficial holdings of ISD Shares:

<b>Name</b>	<b>Total No. of ISD Shares</b>	<b>Percentage of issued share capital</b>
Graham Cole	13,000	0.04
Valerie Kaye	5,297,323	15.43
Paul Wright	7,127,470	20.77

The irrevocable undertakings referred to above will remain binding in the event of a competing offer being made in relation to ISD, but will cease to have any effect if:

- (i) the Scheme Document is not sent to ISD Shareholders within 28 days of this announcement;
- (ii) the Scheme lapses or is withdrawn in accordance with its terms and at or before the time of such lapse or withdrawal, Bidco has not publicly confirmed that it intends to implement the Acquisition by way of a Takeover Offer; or
- (iii) the Scheme has not become effective by 6.00 p.m. on 1 August 2011 (or such later date as agreed between Bidco and ISD, with the approval of the Court and/or Panel if required).

#### 2 Other ISD Shareholders

The following ISD Shareholders have entered into irrevocable undertakings with Bidco to vote, or procure the vote, in favour of the Special Resolution (being the only Resolution they are permitted to vote on) in respect of their entire beneficial holdings of ISD Shares:

<b>Name</b>	<b>Total No. of ISD Shares</b>	<b>Percentage of issued share capital</b>
Joanne Hancox	570,500	1.66
Ian Jebson	62,500	0.18

The irrevocable undertakings referred to above will remain binding in the event of a competing offer being made in relation to ISD, but will cease to have any effect if the Scheme Document is not sent to ISD Shareholders within 28 days of this announcement.

Mr Jebson's undertaking will also cease to have any effect if:

- (i) the Scheme lapses or is withdrawn in accordance with its terms and at or before the time of such lapse or withdrawal, Bidco has not publicly confirmed that it intends to implement the Acquisition by way of a Takeover Offer; or
- (ii) the Scheme has not become effective by 6.00 p.m. on 1 August 2011 (or such later date as agreed between Bidco and ISD, with the approval of the Court and/or Panel if required).

The following ISD Shareholders (other than those referred to above) have entered into irrevocable undertakings with Bidco to vote, or procure the vote, in favour of the Resolutions in respect of the following ISD Shares:

Name	Total No. of ISD Shares	Percentage of issued share capital
Vidacos Nominees	2,337,857	6.81
Artemis Investment Management LLP (" <b>Artemis</b> ")	2,287,632	6.66
Majedie Asset Management (" <b>Majedie</b> ")	2,072,951	6.04
Forum Venture Capital (" <b>Forum Venture</b> ")	1,465,000	4.27
Ennismore Fund Management (" <b>Ennismore</b> ")	751,000	2.19
Peter McDermott	620,638	1.81
Hargreave Hale Fund Managers (" <b>Hargreave Hale</b> ")	622,000	1.81

The irrevocable undertaking provided by Vidacos Nominees, on behalf of the beneficial owner, Prem Nath Anand, and given by Peter McDermott shall remain binding in the event of a competing offer being made in relation to ISD. Both undertakings will cease to have any effect if the Scheme Document is not sent to ISD Shareholders within 28 days of this announcement.

The irrevocable undertakings provided by Artemis, Majedie, Forum Venture and Hargreave Hale, will remain binding in the event of a competing offer being made in relation to ISD unless the value of the competing offer represents an improvement of 10 per cent. or more of the value of the consideration offered under the Proposal. The Ennismore irrevocable undertaking will lapse if a competing cash offer is made which represents an improvement in the consideration offered under the Proposal. The irrevocable undertakings will also lapse:

- (i) in the case of the undertakings from Majedie and Ennismore, if the signatory loses discretionary control over any of the ISD Shares over which they have provided the undertaking;
- (ii) in the case of Artemis and Hargreave Hale, if:
  - (a) the Scheme Document is not sent to ISD Shareholders within 28 days of this announcement;
  - (b) the Scheme lapses or is withdrawn in accordance with its terms and at or before the time of such lapse or withdrawal, Bidco has not publicly confirmed that it intends to implement the Acquisition by way of a Takeover Offer; or
  - (c) the Scheme has not become effective by 6.00 p.m. on 1 August 2011 (or such later

date as agreed between Bidco and ISD, with the approval of the Court and/or Panel if required); and

- (iii) in the case of Forum Venture, if the Scheme Document is not sent to ISD Shareholders within 28 days of this announcement.

Aerion Fund Management Limited has provided a non-binding letter of intent to vote (or procure the vote), in favour of the Resolutions in respect of 480,000 ISD Shares representing approximately 1.40 per cent. of the existing issued share capital of ISD.

Accordingly, in total, Bidco has received irrevocable undertakings and non-binding letters of intent to vote in favour of:

- (i) the Court Meeting Resolution and the Ordinary Resolution in respect of 23,074,871 ISD Shares, representing approximately 67.23 per cent. of the existing issued share capital of ISD; and
- (ii) the Special Resolution in respect of 23,707,871 ISD Shares, representing approximately 69.07 per cent. of the existing issued share capital of ISD.

## **Part II – Details of Exercise Irrevocable Undertakings**

The following ISD Optionholders have given irrevocable undertakings to exercise their ISD Options after the Court Hearing and prior to the Scheme Effective Date and to surrender the number of ISD Options set out below:

<b>Name</b>	<b>No. of ISD Options to be exercised</b>	<b>No. of ISD Options to be surrendered</b>
Mike Hancox	447,945	2,052,055
Ian Jebson	242,103	257,897

The irrevocable undertakings referred to above will cease to have any effect if:

- (i) the Scheme Document is not sent to ISD Shareholders within 28 days of this announcement;
- (ii) the Scheme lapses or is withdrawn in accordance with its terms and at or before the time of such lapse or withdrawal, Bidco has not publicly confirmed that it intends to implement the Acquisition by way of a Takeover Offer; or
- (iii) the Scheme has not become effective by 6.00 p.m. on 1 August 2011 (or such later date as agreed between Bidco and ISD, with the approval of the Court and/or Panel if required).

## Appendix D

### Definitions

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

<b>“£”</b>	pounds sterling, the lawful currency of the UK
<b>“Acquisition”</b>	the proposed acquisition of ISD by Bidco, and for the avoidance of doubt includes an acquisition of the ISD Shares implemented by way of the Scheme, or by way of a Takeover Offer
<b>“Act”</b>	the Companies Act 2006, as amended from time to time
<b>“AIM”</b>	the AIM market operated by the London Stock Exchange
<b>“AIM Rules”</b>	the AIM Rules for Companies published by the London Stock Exchange
<b>“Bidco”</b>	Cuba Bidco Limited, a private company registered in England and Wales under number 7530269
<b>“Bidco Directors” or “Bidco Board” or “Board of Bidco”</b>	the current directors of Bidco, being John Hartz and Tim Smallbone
<b>“Bidco Group”</b>	Bidco, Cuba Midco and Cuba Topco
<b>“Business Day”</b>	a day, other than a Saturday or Sunday or public holiday or bank holiday, on which clearing banks are generally open for normal business in the City of London
<b>“Closing Price”</b>	the closing middle market quotation of an ISD Share as derived from the AIM Appendix to the Daily Official List on any particular day
<b>“Competing Offer”</b>	means a proposal under which a person or entity, other than Bidco or any person acting in concert with Bidco, may (conditionally or otherwise and whether or not together with other parties, directly or indirectly) make or agree to make an offer for ISD or acquire or agree to acquire all or substantially all of the assets of ISD or the ISD Group or interests in securities (as defined in the Takeover Code) which would result in the acquisition of control (as defined in the Takeover Code) of ISD or otherwise carry out a transaction which is a

	Prohibited Transaction or would otherwise frustrate the Proposal
<b>“Conditions”</b>	the conditions to the implementation of the Scheme and the Proposal set out in Appendix A to this announcement and to be contained in the Scheme Document and <b>“Condition”</b> means any one of them
<b>“Court”</b>	the High Court of Justice in England and Wales
<b>“Court Hearing”</b>	means the hearing of the Court to sanction the Scheme and confirm the Reduction of Capital
<b>“Court Meeting”</b>	the meeting or meetings of Independent Scheme Shareholders (and any adjournment or postponement thereof) to be convened by an order of the Court pursuant to Part 26 of the Act for the purpose of considering and, if thought fit, approving the Scheme (with or without modification) and any adjournment thereof, of which notice is to be set out in the Scheme Document
<b>“Court Meeting Resolution”</b>	the resolution to be proposed at the Court Meeting (or any adjournment thereof)
<b>“Court Order”</b>	the order of the Court sanctioning the Scheme under Part 26 of the Act and confirming, under sections 641 to 648 of the Act, the Reduction of Capital
<b>“CREST”</b>	the relevant system (as defined in the Regulations) in respect of which Euroclear UK & Ireland Limited is the Operator (as defined in the Regulations)
<b>“Cuba Midco”</b>	Cuba Midco Limited, a private company registered in England and Wales under number 7568868
<b>“Cuba Topco”</b>	Cuba Topco Limited, a private company registered in England and Wales under number 7530306
<b>“Daily Official List”</b>	the daily official list of the London Stock Exchange
<b>“DC Advisory Partners”</b>	DC Advisory Partners Limited, financial adviser to Bidco in connection with the Proposal
<b>“Deferred Shares”</b>	the deferred shares of 1 pence each in the capital of ISD

**“Extant ISD Options”**

the ISD Options other than those which (as part of the Management Proposals) members of the Management Team have agreed not to exercise in the context of the Proposal

**“Forms of Proxy”**

the respective forms of proxy for use in connection with the Court Meeting and the General Meeting or either of them as the context requires

**“Frustrating Action”**

means:

- (a) any action (whether or not taken with the consent of the shareholders of the Company) for which shareholders' consent is required under Rule 21.1(a) to (b) (inclusive) of the Takeover Code and to which Bidco has not expressly consented in writing (after disclosure to it of all material facts and circumstances); and/or
- (b) any termination or material restriction on any permission granted by any member of the ISD Group to any member of the Management Team to spend time and/or use and/or disclose information belonging to the ISD Group in progressing the Proposal; and/or
- (c) any ISD Entity being party to any offer or agreement to make any inducement or break fee (or entering into any other arrangement of a similar nature) with anyone other than Bidco in relation to a Prohibited Transaction; and/or
- (d) any action by a ISD Entity which is carried out wholly or mainly for the purposes of preventing or delaying (other than to an immaterial extent) the implementation of the Proposal; and/or
- (e) any ISD Entity that is an individual (not being an individual acting solely in his capacity as a director), alone or in concert with anyone else, directly or indirectly announcing, or taking action which under the Takeover Code or otherwise could or would require the announcement (whether during or after the end of the Non-Solicitation Period) of a Prohibited Transaction and/or taking any step which could or would give rise to an obligation under the Takeover Code on his part or on the part of anyone acting in concert with

	him to make (whether during or after the end of the Non-Solicitation Period) any offer for all or any part of the share capital of the Company
<b>“General Meeting”</b>	the general meeting of ISD (and any adjournment thereof) convened by the notice to be contained in the Scheme Document
<b>“holder”</b>	a registered holder and includes any person entitled by transmission
<b>“Implementation Agreement”</b>	the implementation agreement made between Bidco and ISD dated 20 April 2011 relating to, amongst other things, the implementation of the Scheme
<b>“Independent Directors”</b>	Graham Cole, Paul Wright and Valerie Kaye
<b>“Independent ISD Shareholders”</b>	ISD Shareholders, other than Bidco, the Management Team and their concert parties who hold ISD Shares
<b>“Independent Scheme Shareholders”</b>	the holders of Independent Scheme Shares
<b>"Independent Scheme Shares"</b>	the Scheme Shares other than any Scheme Shares registered in the name of, or beneficially owned by, any member of the Management Team or any of their spouses, children or parents
<b>“Inflexion”</b>	Inflexion Private Equity Partners LLP
<b>“Inflexion Funds”</b>	Inflexion 2010 Buyout Fund Limited Partnership, Inflexion 2010 Buyout Fund (No.2) Limited Partnership (the <b>“IFX 2010 Funds”</b> ), Inflexion 2006 Buyout Fund Limited Partnership and Inflexion Co-Investment Limited Partnership
<b>“ISD” or “Company”</b>	Ideal Shopping Direct plc, a public limited company registered in England and Wales under number 01534758
<b>“ISD Articles”</b>	the articles of association of the Company as at the date of publication of this announcement
<b>“ISD Directors” or “ISD Board” or “Board of ISD”</b>	the directors of ISD , being Paul Wright, Michael Hancox, Ian Jebson, Valerie Kaye and Graham Cole and <b>“ISD Director”</b> means any one of them
<b>“ISD Entities”</b>	ISD, each other member of the ISD Group, and any person who was, as at 19 April 2011, or

becomes, a director, officer, adviser, representative and/or agent of a member of the ISD Group, or anyone acting on behalf of such a person and “**ISD Entities**” means any one of them

“ <b>ISD Group</b> ”	ISD and its subsidiary undertakings
“ <b>ISD Options</b> ”	options over ISD Shares granted pursuant to a ISD Option Scheme and “ <b>ISD Option</b> ” means any one of them
“ <b>ISD Optionholder</b> ”	a participant in any of the ISD Option Schemes
“ <b>ISD Option Schemes</b> ”	the Approved Share Option Scheme 2000, the Unapproved Share Option Scheme 2000, the Savings-Related Share Option Plan and the Unapproved Share Option Scheme 2010 and “ <b>ISD Option Scheme</b> ” means any one of them
“ <b>ISD Scheme Shares</b> ” or “ <b>Scheme Shares</b> ”	<p>all ISD Shares:</p> <ul style="list-style-type: none"><li>(a) in issue at the date of the Scheme document; or</li><li>(b) (if any) issued after the date of the Scheme Document and before the Voting Record Time; or</li><li>(c) (if any) issued at or after the Voting Record Time and before the Scheme Record Time either on terms that the original or any subsequent holders thereof shall be bound by the Scheme, or in respect of which the holders thereof have agreed in writing to be bound by the Scheme,</li></ul> <p>and remaining in issue at the Scheme Record Time but excluding ISD Shares registered in the name of any member of Bidco Group at the Scheme Record Time</p>
“ <b>ISD Scheme Shareholders</b> ” or “ <b>Scheme Shareholders</b> ”	holders of the ISD Scheme Shares
“ <b>ISD Shareholders</b> ” or “ <b>Shareholders</b> ”	registered holders of ISD Shares
“ <b>ISD Shares</b> ”	the ordinary shares of 3 pence each in the capital of ISD and “ <b>ISD Share</b> ” means any one of them

<b>“London Stock Exchange”</b>	London Stock Exchange plc, a public limited company incorporated in England and Wales under number 2075721
<b>“Management Proposals”</b>	the proposals under which members of the Management Team are to agree not to exercise certain of their ISD Options and also invest in Cuba Topco under the Proposal, as explained in more detail in paragraph 9 of this announcement and to be more particularly described in the Scheme Document
<b>“Management Team”</b>	Mike Hancox and Ian Jebson
<b>“Meetings”</b>	the Court Meeting (and any adjournment thereof) and/or the General Meeting (and any adjournment thereof) and <b>“Meeting”</b> means the Court Meeting and/or the General Meeting as the context requires
<b>“Non-Solicitation and Inducement Fee Agreement”</b>	the agreement made between ISD, Inflexion and Bidco on 20 April 2011 pursuant to which ISD has undertaken not to solicit competing offers and has agreed to pay an inducement fee, further details of which are contained in paragraph 11 of this announcement
<b>“Offer Period”</b>	the period commencing on 12 July 2010 and ending on the Scheme Effective Date or, should Bidco elect to implement the Proposal by way of a Takeover Offer, the date on which the offer becomes or is declared unconditional in all respects
<b>“Offer Price”</b>	220 pence per ISD Share
<b>“Ordinary Resolution”</b>	the ordinary resolution to be proposed at the General Meeting (or any adjournment thereof) in accordance with the requirements of the Takeover Code to approve the arrangements between Bidco Group and the Management Team
<b>“Overseas Shareholders”</b>	Scheme Shareholders who are resident in, or citizens of, a jurisdiction outside the UK
<b>“Panel” or “Takeover Panel”</b>	the Panel on Takeovers and Mergers
<b>“Participating ISD Directors”</b>	the ISD Directors who are participating in the Management Proposals (being Mike Hancox and Ian Jebson)
<b>“Prohibited Transaction”</b>	means all or any of the following, except to the extent that Bidco (or DC on its behalf) has expressly consented to them in writing (after

full disclosure to it of all material facts and circumstances):

- (a) an acquisition, offer, scheme of arrangement, recapitalisation or other transaction and any potential such transaction and/or any revisions thereof, whether or not subject to any pre-conditions which, if it becomes unconditional, would result in the acquisition of an interest or interests in securities (as defined in the Takeover Code) of ISD by persons other than Bidco or persons who are acting in concert with Bidco, such as to give control (as defined in the Takeover Code) of ISD to that party or in the acquisition of all or substantially all of the assets of ISD or any other transaction or series of the same which would be inconsistent with the implementation of the Offer or the exercise of Bidco's rights under Part 28 of the Companies Act 2006;
- (b) the disposal or potential disposal (by sale, lease or otherwise) of all or any material part of the business and/or assets of the ISD Group or a merger with another entity of all or any material part of the ISD Group;
- (c) the raising or potential raising of material new third party funding by all or any member(s) of the ISD Group, for refinancing purposes or otherwise;
- (d) the issue or potential issue by any member of the ISD Group of any new shares or securities other than on bona fide exercise of options or commitments outstanding at the date of this letter or to a wholly owning holding company or to Bidco; or
- (e) the entry or potential entry by any member of the ISD Group into any agreement or commitment (conditionally or otherwise) to carry out or procure or support or cover in whole or part any third party costs or make payment of any break or inducement fee referable to any of (a) to (d) inclusive above or any non occurrence of them or any of them.

**“Proposal”**

the proposal for the acquisition of the entire issued and to be issued share capital of ISD by

	Bidco to be implemented by way of the Scheme, to be subject to the Conditions including, where the context requires, any subsequent revision, variation, extension or renewal thereof together with the other matters to be considered at the Meetings
<b>“Reduction of Capital”</b>	the reduction of the Company’s share capital under Sections 641 to 648 of the Act provided for by the Scheme
<b>“Registrar of Companies”</b>	the Registrar of Companies in England and Wales
<b>“Regulatory Information Service”</b>	any information service authorised from time to time by the UK Listing Authority for the purpose of dissemination of regulatory announcements
<b>“Relevant Date”</b>	3 January 2010 (being the date of ISD’s most recent audited accounts)
<b>“Resolutions”</b>	together, the Court Meeting Resolution, the Ordinary Resolution and the Special Resolution
<b>“Restricted Jurisdiction”</b>	any jurisdiction in relation to which the extension or acceptance of the Proposal would violate the law of that jurisdiction or which Bidco decides, in its sole discretion, would be likely to involve disproportionate complexity, cost or risk, subject to the requirements of Rule 30.3 of the Takeover Code (including, but not limited to, the United States, Australia, Canada, South Africa and Japan)
<b>“Rothschild”</b>	N M Rothschild & Sons Limited, financial and Rule 3 adviser to ISD in connection with the Proposal
<b>“Scheme” or “Scheme of Arrangement”</b>	the proposed scheme of arrangement under Part 26 of the Act between ISD and Scheme Shareholders to be set out in the Scheme Document, with or subject to any modification thereof or addition thereto or condition agreed by ISD and Bidco and, if required, which the Court may think fit to approve or impose
<b>“Scheme Document”</b>	the document containing the details of the Scheme, setting out the terms and conditions of the Proposal and the Meetings, which will be sent to ISD Shareholders (other than certain Overseas Shareholders) on or around 6 May 2011

<b>“Scheme Effective Date”</b>	the date on which the Scheme becomes effective in accordance with its terms
<b>“Scheme Record Time”</b>	6.00 p.m. on the Business Day before the Court Hearing
<b>“Special Resolution”</b>	the special resolution to be proposed at the General Meeting (or any adjournment thereof)
<b>“Statement of Capital”</b>	a statement of capital of ISD prepared in accordance with section 649(2) of the Act
<b>“Subscription Price”</b>	in relation to a ISD Option, means the price per share payable by the holder of the ISD Option to subscribe for or otherwise acquire a ISD Share on its exercise
<b>“Takeover Code” and “Code”</b>	the City Code on Takeovers and Mergers
<b>“Takeover Offer”</b>	if Bidco elects to effect the Acquisition by way of a takeover offer, the offer to be made by or on behalf of Bidco to acquire all of the ISD Shares (other than ISD Shares registered in the name of any member of Bidco) and where the context so requires, any subsequent revision, variation, extension or renewal thereof
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland and its dependant territories
<b>“United States” or “US”</b>	the United States of America (including the states of the United States and the District of Columbia), its possessions and territories and all other areas subject to its jurisdiction
<b>“Voting Record Time”</b>	6.00 p.m. on 29 May or, if the Court Meeting is adjourned, 6.00 p.m. on the day which is two days before the day of such adjourned meeting