

**Ideal Shopping Direct Plc
Annual Report and Accounts 2010**

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Financial Highlights

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

Operational Highlights

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

Strategic Review

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

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

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

Chairman's Statement

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

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

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

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

Strategy

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

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

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

Outlook

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

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

Dividend

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

Paul Wright
Chairman
14 April 2011

Chief Executive's Review

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

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

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

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

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

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

Future Prospects

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

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

Mike Hancox
Chief Executive
14 April 2011

Finance Director's Review

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

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

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

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

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

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

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

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

Purchase of Lead the Good Life Ltd

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

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

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

The integration of the business continues according to plan.

Animal Bargains

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

Cash flow and debt

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

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

Future liquidity and going concern

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

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

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

Inventory

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

Banking arrangements

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

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

The Group has no loans or borrowings.

Dividend

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

Ian Jebson
Finance Director
14 April 2011

Risks and Uncertainties

Risk	Measures in place to manage risk
<p>Market</p> <p>We operate in a highly competitive retail market.</p> <p>With fluctuating consumer spending there is pressure on sales volumes and margin.</p> <p>There is increased risk of bad debt and fraud</p>	<p>TV shopping and online sales continue to be attractive routes to market with growth prospects.</p> <p>Part of our strategy is to continue to develop our strong market positions in niche product areas such as craft and gardening. We have recently brought our expertise to bear on the Pets market.</p> <p>We focus on offering a range of new, great value products and are continually improving our customer service.</p> <p>We do not hold significant “in stock” items, have few long term purchase commitments, so can adapt our offer quickly.</p> <p>Our business is scalable.</p> <p>We have low levels of customer bad debt and this is closely monitored. We use a third party to screen for credit card fraud.</p>
<p>Access to consumers</p> <p>Access to digital television is primarily via Freeview, Sky Digital, Virgin Media and Freesat, there is limited availability on the Freeview and Sky platforms.</p> <p>The pace of technological change in TV and internet retailing is rapid.</p>	<p>We have long term agreements with all of our platform providers and maintain good relationships with them. We have recently strengthened our position on Freeview for our TV market dominant Craft business.</p> <p>Our Ideal World Freeview channel alone gives us access to over 23 million homes in the UK. Digital Switch Over will give us access to more houses and therefore primary and secondary TV sets.</p> <p>Increased marketing activity is helping us drive consumers to our TV channels and websites. We have upgraded our websites and improved navigation and customer web service.</p> <p>Through our purchase of Lead The Good Life we have enhanced our online route to market, in line with our strategy.</p> <p>We monitor technological developments closely; in particular the growth of IPTV.</p>

<p>Products and suppliers</p> <p>The quality of our product and service offer is paramount.</p> <p>We source some products direct from the Far East (at enhanced margins) which means we bear the stock and product liability risk.</p>	<p>We trade with a large number of suppliers, some on long term agreements. All suppliers are required to sign our conditions of purchase.</p> <p>In 2010 we have continued to trial airtime partnerships with a number of branded retailers to broaden our offer without stock risk.</p> <p>We are closely managing our supply chain to minimise our stock risk and exposure.</p> <p>We employ compliance and quality assurance officers in the UK and China to ensure that products meet their specification and are safe and correctly labelled.</p>
<p>Employees</p> <p>We rely on our employees to execute our strategy.</p>	<p>Employees are recruited and regularly appraised against a formal job and person specification.</p> <p>Formal policies cover all material aspects of employment and we are committed to high standards of health and safety at work, effective communication with employees and employee development.</p>
<p>Legislation and regulation</p> <p>Our Ofcom licence requires us to comply with the Advertising Standards Authority's (ASA's) Television Advertising Standards Code and other relevant legislation.</p> <p>Our activities are regulated by distance selling, consumer, data protection and environmental legislation.</p>	<p>Our policy is to meet or exceed all applicable legal and regulatory requirements.</p> <p>There is a good level of awareness of the ASA code throughout the business.</p> <p>Managers have specific responsibility for keeping up to date with legislation, advising senior management of required actions and putting in place appropriate procedures.</p>
<p>Financial</p> <p>Availability of funding.</p> <p>The principal treasury risks to the Group arise from exchange rate and interest rate fluctuations.</p>	<p>The business has a very strong cash profile and is positively rated by credit businesses.</p> <p>The Group's policy is to hedge substantially all the risks of currency fluctuations with respect to committed transactions in foreign currency. The Group may also take forward</p>

<p>Some of the purchases of goods for resale are denominated in foreign currencies.</p>	<p>positions in foreign currency to the extent of forecast requirements over a rolling 12 month period, subject to the approval of the CEO.</p>
<p>Business continuity</p> <p>We are dependent on information technology for all aspects of our business operations.</p>	<p>We have business continuity arrangements in place which seek to protect us from single points of failure in our operations, for example by having standby transmission arrangements in the event of a broadcast communications failure. We continue to look to strengthen the business continuity planning in force.</p>
<p>Outsourcing</p> <p>We outsource our product delivery and contact centre operations.</p>	<p>We have contractual arrangements with our outsource partners which contain service levels. The KPIs in our contact centre agreement have been further strengthened in 2010 and we have changed our product delivery partner to improve service and traceability.</p>

Corporate responsibility review

We have policies and procedures in place to manage our corporate responsibilities to third parties. A description of our policy and recent activity is set out below:

Customers

Our policy is to

- Provide quality, safe products at a fair price.
- Market our products accurately and fairly, in accordance with the law and the codes of practice issued by the Advertising Standards Authority (ASA).
- Deal with customer queries promptly and in accordance with our published terms and conditions, which should be fair and easily available
- Safeguard our customers' personal information.

In 2010 we have continued with our focus of enhancing the customer experience. At the start of the year we employed one of the consultancy leaders in customer service excellence to support our contact centre partner. The focus has been to drive one call resolution for our customers and to become one of the "best in class" customer service retailers. The process for managing customer letters was also improved. We have worked on enhancing the tracking of all orders to enable us to identify delays so that we can proactively update customers and resolve issues. Improvements in all areas of customer service will continue to be implemented in 2011.

Employees and health & safety

We have approximately 580 employees, based primarily at our premises in Peterborough, across a range of disciplines including television operations, product sourcing and development and warehouse operations. We aim to provide a working environment in which employees are valued and encouraged to fulfil their potential. We are a dynamic, growing business and provide our employees with good opportunity to grow and develop with us.

We require all employees to treat each other with respect, and discrimination, bullying and other forms of harassment are not tolerated. We recruit and promote our employees on the basis of their ability to meet the requirements of their role, without regard to sex, sexual orientation, ethnic origin, religion and belief, disability or age.

We consult with our employees through the Employee Forum, which meets monthly.

The Group has a small number of employees working in China.

We are responsible for the health and safety of our employees and visitors to our premises, and employ a full time health and safety co-ordinator who is very active in the business, with the full support of senior management. In 2010:

- There were 3 reportable accidents in the year. Additional training has been introduced to attempt to reduce the number of accidents.
- We extended the programme of IOSH based training to middle as well as senior management.

Suppliers and supply chain

Our policy is to be open and honest in our dealings with our suppliers and other business partners, and to honour our contractual obligations; and we expect others to do so.

We maintain a good relationship with our service providers, and have contracts with them which set our mutual rights and obligations.

We do business with hundreds of product suppliers; we ask them to sign our conditions of purchase, which are available on our website. These conditions include a commitment to ensure that products are sourced only from businesses which comply with minimum employee welfare standards, such as freedom of association, working conditions, safety, working hours and pay. We do not presently audit these for third party suppliers. However, when products are sourced by us direct from the Far East we ask the supplier to complete a questionnaire, and employee welfare standards are one of the quality measures that we check on factory inspections.

Environment

The main areas in which our business operations affect the environment are:

- Use of energy, packaging and disposal of waste at our site in Peterborough.
- Use of transport to source and deliver our products.
- Recycling and re-use of electrical products that we sell.

Our policy is to comply with all relevant legislation and, in addition, to seek to reduce our environmental impact in the areas identified above. We use DHL Envirosolutions to ensure compliance in respect of the packaging waste regulations and Valpak in respect of compliance with Waste Electrical and Electronic Equipment (WEEE) legislation.

We followed up on the 2009 energy survey carried out by the Carbon Trust by instigating an energy efficient lighting programme.

Community

We employ around 580 people in Peterborough, and respect the needs and views of our local community. We promote open dialogue with the local community on all issues and encourage our employees to support local community initiatives. We are members of the Cambridgeshire Chambers of Commerce, and also maintain a dialogue with Opportunity Peterborough to support local development.

In 2010, 39 young persons carried out work experience programmes with the Company. The Company received the Education Business in Partnership Investors in Education Award for 2010 for the second consecutive year.

Director' Biographies

Paul Wright– Non-executive Chairman

Paul was appointed to the Board as Non-executive Chairman on 3 February 2009.

Paul is a co-founder of the Company. Prior to its formation he gained valuable experience in the fast-moving consumer goods industry, having begun his career running the Hong Kong office of Reed International, selling printing and graphic arts equipment to the local market. In 1980, he founded Wrightway Marketing with Val Kaye, initially as a marketing consultancy, which went on to develop into a successful mail order business.

In 2000, after seeing the potential of TV shopping, Wrightway Marketing changed its name to Ideal Shopping Direct, was listed on the AIM market and then launched the Ideal World channel.

Paul was Chief Executive Officer until 2005 (having also acted as Chairman from 2001 until 2004). He held the post of Executive Deputy Chairman until March 2006 when he became Non-executive Director. He resigned from this role in May 2007 and was reappointed as Non-executive Chairman in February 2009.

Paul is Chairman of the Remuneration Committee and the Nominations Committee and a member of the Audit Committee.

Valerie Kaye – Non-executive Director

Val was appointed to the Board as a Non-executive Director on 3 February 2009.

Val is a co-founder of the Company. Prior to its formation she held senior sales promotional roles at Bowater Scott and Dorland Advertising.

She actively managed the Company with Paul Wright as an executive director until May 2005, when she became a non-executive Director. She resigned from this role in June 2007 and was reappointed as a Non-executive Director in February 2009.

Val is a member of the Remuneration Committee, the Nominations Committee and the Audit Committee.

Mike Hancox – Chief Executive Officer

Mike joined the Board as Chief Executive Office on 3 November 2008. Prior to joining the Company, Mike was Chief Executive of Otto UK, the world's largest home shopping retailer, where he was responsible for operations in the UK, Ireland and Spain. He held this position from December 2005 until 31 August 2008 and during this time led a significant turnaround in the profitability of the business. Prior to this, he was Chief Operating Officer of Littlewoods Shop Direct Group following the merger of the Littlewoods and Shop Direct businesses. He has also held other senior positions including Chief Executive of Shop Direct and Finance Director at ARG Equation, a division of GUS plc.

Mike is a non executive director of Manchester Airport Group plc and Character World Limited and a Fellow of Chartered Institute of Management Accountants.

Mike is a member of the Nominations Committee.

Ian Jebson FCA– Finance Director

Ian was appointed to the Board as Finance Director on 1 March 2009. Ian qualified with KPMG, and has worked across a number of sectors including retail and consumer products both in the corporate and private equity environment. He joined the Company from Charles Tyrwhitt, the mail order, retail and internet business, where he was Finance Director from 2006. Prior to Charles Tyrwhitt, Ian was Group Finance Director at Littlewoods Shop Direct Group, and previously held a number of senior management positions including Group Finance Director of UKS Group Limited and Chief Operating Officer of Vax Group.

Graham Cole

Non-executive Director

Graham joined the Board on 1 July 2009. A qualified accountant (FCA), Graham brings to the role many years of experience of corporate governance and management. He specialises in advising growth companies and has been involved in over 60 public flotations in the UK and Europe.

As a director of Beeson Gregory (now Evolution), a European investment bank from 1995 he was involved with capital raising and growth strategies for a wide variety of domestic and European companies, and has continued to advise public and private companies. Graham was also a co-founder and member of the executive committee of CISCO (City Group for Smaller Companies), now QCA (Quoted Companies Alliance).

Graham is a member of the Nominations Committee and Remuneration Committee and is Chairman of the Audit Committee.

Directors' report

The Directors present their report together with the audited financial statements for the year ended 2 January 2011. The information which fulfils the requirement of the Companies Act 2006 to produce a Business Review is set out in this report and also in the Chief Executive's Review and the Finance Director's Review on pages 5 and 6 respectively, these sections being incorporated into this report by reference.

The purpose of the Business Review is to provide to shareholders a review of the Group's business over the period, and to describe the principal risks and uncertainties facing the Group.

Principal activity

The principal activity of the Group is that of distance selling to consumers through television home shopping channels and the internet.

Results and dividends

The results are discussed in the Finance Director's Review on page 6. The Directors do not propose a final dividend in respect of the year ended 2 January 2011 (2009: nil). An interim dividend of 1.5p per share (2009: nil) was paid on 29th October 2010.

Directors

Details of the Directors in office at the year end are set out on page 13. There were no changes to the Board during the year.

At the 2011 Annual General Meeting, Paul Wright and Ian Jebson will retire by rotation in accordance with the Company's Articles of Association and offer themselves for re-election by shareholders.

Directors serving at the year end and their interests in the ordinary shares of the Company were:

	At 2 January 2011 3p ordinary shares	At 3 January 2010 3p ordinary shares
G Cole	13,000	-
M Hancox	570,500	570,500
I Jebson	62,500	62,500
V Kaye	5,297,323	3,449,853
P Wright	7,127,470	5,280,000

In addition, Paul Wright and Val Kaye hold respectively 300,000 and 150,000 deferred shares of 1 pence each.

During the year, as a result of the Company's acquisition of Lead The Good Life Limited, Paul Wright and Val Kaye acquired additional ordinary shares as follows:

	Ordinary shares allotted 18 January 2010	Ordinary shares allotted 20 September 2010 *
V Kaye	1,588,785	258,685
P Wright	1,588,785	258,685

*Pursuant to the acquisition agreement, the Company agreed to pay the selling shareholders of Lead the Good Life Limited additional consideration of 2.056075 earn out consideration shares for every £1 of relevant profit in excess of £799,999 up to and including £1,800,000. Following the finalisation of the accounts of Lead the Good Life Limited, earn out consideration was payable in respect of £314,537 of relevant profit. The ordinary shares were issued at a price of 107p per share (as set out in the acquisition agreement dated 22 December 2009).

Details of share options held by Directors at the year end are given in the Remuneration Report.

Share capital and substantial shareholders

The share capital of the Company has increased during the year due to the issue of shares following the purchase of Lead the Good Life Limited by the Company and the exercise of share options.

Although the Company obtained shareholder authority at the 2010 Annual General Meeting to purchase its own shares, it did not make any purchases during the period.

At 2nd January 2011 the following had notified the company of a disclosable interest in 3% or more of the nominal value of the Company's ordinary shares:

	3p ordinary shares	%
P C Wright	7,127,470	20.77
V Kaye	5,297,323	15.43
Prem Nath Anand	2,337,857	6.81
Artemis Fund Management	2,240,132	6.53
Majedie Asset Management	2,072,951	6.04
Forum Venture Capital	1,465,000	4.27
Investec Asset Management	1,200,000	3.50
Gartmore Investment Management	1,177,181	3.43
Aviva Investors Global	1,065,130	3.10

Up to date details are available on the Company's website, www.idealshoppingdirect.co.uk

Employee involvement

The Group recognises its responsibilities towards keeping employees informed of matters affecting them as employees and the economic factors affecting the performance of the Group. This is conducted primarily through the Employee Forum which meets regularly. Further details relating to our employees are set out on page 11.

Disabled employees

It is Group policy that training, career development and promotion opportunities should be available to all employees and this is reflected in our Equal Opportunities Policy.

The Group recognises its obligations towards disabled people and endeavours to provide employment where possible having regard to the physical demands of the Group's operations and the abilities of the disabled person. In the event of employees becoming disabled, every effort is made to retrain them in order that their employment with the Group may continue.

Payment policy and average payment period

Whilst it does not follow any published code or standard, the Group's and Company's policy concerning the payment of suppliers is to agree terms of payment at the start of business with each supplier or to ensure the supplier is made aware of the standard payment terms. The number of days' purchases outstanding for payment at 2 January 2011 was 56.9 days (2009: 58.3 days).

Treasury and risk management

The Group's treasury and financial risk management objectives are detailed in the Finance Director's Review. The Group's exposure to interest rate risk, liquidity risk and currency risk are detailed in note 28 to the Financial Statements.

Going Concern

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

The Directors have made appropriate enquiries and have reasonable expectations at the time of approving the financial statements that the Group has adequate resources to continue in operational existence for the foreseeable future.

The Directors consider that the accounts should be prepared on the going concern basis for the following reasons:

Full detailed statement of comprehensive income, statement of financial position and statement of cash flow forecasts have been prepared for the period to the end of 2013.

These forecasts show that the Company can operate as a going concern without the need for bank financing facilities.

Further information regarding the Group's business activities together with the factors likely to affect its future development, performance and position is set out in the Business review on pages 4 to 10. The financial position of the Company, its cash flows and liquidity position are discussed in the Financial Director's review on pages 6 to 10. In addition notes 1 and 28 to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of financial customers and hedging activities and its exposure to credit risk and liquidity risk.

Directors' indemnities

A qualifying third party indemnity ("QTPI") as permitted by section 234 of the Companies Act 2006, has been granted by the Company to each of the Directors of the Company. In the QTPI the Company indemnifies each director against liability to third parties (excluding criminal and regulatory penalties) and agrees to pay costs as they are incurred, so long as they are reimbursed if the Director is convicted or, in an action brought by the Company, judgement is given against the Director.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he or she ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

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

Company law requires the Directors to prepare Group and Parent Company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the Group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the Parent Company financial statements on the same basis.

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

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

Disclaimer

This Directors' Report and Business Review and the Accounts contain certain forward-looking statements with respect to the financial condition, results, operations and businesses of Ideal Shopping Direct Plc. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this Directors' Report and Business Review or in these Accounts should be construed as a profit forecast.

Annual General Meeting

The Annual General Meeting will be held on 1st July 2011 at 9.30am at Ideal Home House, Newark Road, Peterborough PE1 5WG. Notice is sent to shareholders separately with this report.

Special business at the Annual General Meeting will be:

- Requesting authority to distribute shares to the value of one third of the issued ordinary share capital of the Company. At 14 April 2011 the unissued ordinary share capital covered by this authority constitutes 11,441,463 ordinary shares, 33.3% of the issued ordinary share capital. This authority will lapse at the 2012 Annual General Meeting. The Directors have no present intention to exercise this authority except to issue shares pursuant to the Company's employee share schemes.
- Requesting authority to distribute ordinary shares to the value of £51,487 (1,716,220 ordinary shares), which constitutes 5% of the Company's issued share capital at 14 April 2011, without offering them to existing shareholders. This authority will lapse at the 2012 Annual General Meeting.
- Authorising the Directors to buy up to 3,432,439 (approximately 10%) of its issued ordinary shares in the Company at 14 April 2011). The Directors will only exercise this authority if it enhances earnings per share and is in the interests of shareholders generally. Shares purchased may be cancelled or held in treasury. If held in treasury and used to satisfy share options, the NAPF's guidelines would be complied with.
- Authorising the Company to convene a meeting other than an annual general meeting on at least 14 days' notice. The Shareholders' Rights Directive requires that all general meetings must be held on at least 21 days' notice unless shareholders agree to a shorter period. Under the Companies Act and the Company's Articles of Association, the Company can call general meetings other than an annual general meeting on 14 days' notice. This resolution will allow us to do so and will be effective until the next Annual General Meeting when it is intended that a similar resolution be proposed.

The Notice of Annual General Meeting is set out on pages 65.

Auditors

KPMG Audit Plc offer themselves for reappointment as auditors in accordance with section 489 of the Companies Act 2006.

BY ORDER OF THE BOARD

Ian Jebson
Company Secretary
14th April 2011

Corporate Governance

The Board is committed to high standards of corporate governance. The Company seeks to comply so far as possible with the voluntary Corporate Governance Guidelines issued by the Quoted Companies Alliance (QCA), and the Corporate Governance Guidelines and Voting Policy issued by the National Association of Pension Funds (NAPF) in 2007. The Board is also aware of the Combined Code on Corporate Governance to which fully listed companies must “comply or explain” and seeks to apply it where appropriate.

The Board does not comply with the QCA and NAPF guidelines in one respect, in that it only has one independent Non-executive Director (Graham Cole), and not a minimum of two as required by the guidelines. Its other two Non-Executive Directors, Paul Wright and Valerie Kaye, do not qualify as “independent” by virtue of the fact that as co-founders of the Company they have been Executive Directors in the past; and they also have substantial shareholdings in the Company, together controlling more than a third of its voting rights.

Since 22 September 2009, Graham Cole has been the Independent Chairman of the Audit Committee and is also a member of the Remuneration and Nominations Committees. Further details are set out below.

In all other respects the Board has complied with the QCA and NAPF guidelines and considers that the Board is operating effectively, with all members actively contributing to debate and decision-making.

The Board

The Board has overall responsibility for controlling the Group, making decisions relating to the Group’s strategic direction and measuring progress towards strategic goals.

The Board has eleven scheduled meetings per annum, including one strategy meeting which is usually held off site. There was full attendance at all Board and Committee meetings during 2010.

There is a schedule of matters reserved to the Board for decision or approval, the full list is available from the Company Secretary. Examples of these include Group strategy and budget, Group capital structure, approval of financial results and report and accounts, significant capital or contractual commitments, maintaining internal control and risk management, and approval of Group wide policies.

At each meeting, the Chief Executive and the Finance Director issue formal reports. The Board also receives a monthly report containing information on health and safety, shareholder register, regulatory compliance and corporate governance developments. Other matters are discussed by the Board as required, supported by a presentation or briefing paper where a decision is to be made by the Board.

Minutes of all Board and Committee meetings are taken and circulated for approval. Any unresolved concerns raised by a Director are recorded in the minutes.

The Non-executive Directors have regular dialogue outside Board meetings.

Directors

The Board comprises a Non-executive Chairman, Paul Wright, two additional Non-executive Directors, Val Kaye and Graham Cole, and two executive Directors, Mike Hancox who is the Chief Executive Officer and Ian Jebson who is the Finance Director and Company Secretary. The Board considers that Graham Cole is independent. Biographical details are set out on page 13.

In general terms, the Chairman is responsible for running the Board and the Chief Executive Officer is responsible for running the Company’s business.

Directors are required by the Company’s Articles of Association to retire from the Board by rotation and offer themselves for re-election at least every three years.

Board Committees

The **Audit Committee** is chaired by Graham Cole, the other members are Paul Wright and Val Kaye. The Chief Executive, Mike Hancox and Ian Jebson, the Finance Director sometimes attend meetings by invitation, along with a representative from the Company's auditor.

The Committee is scheduled to meet at least twice a year, to coincide with key dates in the Company's financial reporting and audit cycle, during 2010 it met in March and September.

The principal responsibilities of the Committee are:

- Monitor the integrity of the Group's financial statements and public announcements relating to financial performance
- Oversee the external audit process, including the appointment of the auditors, their objectiveness and independence and the scope and effectiveness of the audit
- Monitor the effectiveness of internal controls.

The **Remuneration Committee** is chaired by Paul Wright, the other members are Val Kaye and Graham Cole. Mike Hancox sometimes attends meetings by invitation.

The Committee's responsibilities include:

- Recommending to the Board the specific pay and benefits packages for the executive Directors and the Chairman, including bonus, pensions and any compensation payments
- Approval of bonus for executive Directors and senior management
- Approval of awards made to Directors and management under share incentive schemes.

During the year the Committee met four times. No Director votes on his or her remuneration and advice is sought from the Company's Nominated Adviser as to the appropriate remuneration for the Chairman and the Non-executive Directors.

The **Nominations Committee** is chaired by Paul Wright and the other members are Val Kaye, Graham Cole and Mike Hancox. The Committee's responsibilities include:

- Reviewing the composition and balance of the Board (including succession planning)
- Making recommendations on appointments to the Board.

The Committee met once during the year.

Advice and insurance

All Directors have access to the advice and services of the Company Secretary. In addition Directors may seek legal advice at the Company's cost if they consider it necessary in connection with their duties.

The Company purchases Directors' and Officers' Liability insurance cover for its Directors. Details of the qualifying third party indemnity given to Directors by the Company are set out in the Directors' Report.

Shareholder relations

As required by Rule 26 of the AIM Rules for Companies, we have a corporate website which contains up to date information relevant to shareholders and potential shareholders. Please see www.idealshoppingdirect.co.uk

Shareholders are invited to contact the Chief Executive Officer or Finance Director with any questions or concerns, on 01733 316203. We also have a dedicated contact email address for questions, ir@idealshoppingdirect.co.uk, this goes direct to the Finance Director and members of his team.

There is a formal investor relations programme based around results presentations and trading statements. In addition analyst / shareholder visits are arranged. The Chairman and executive Directors feed back the results of meetings with shareholders to the Board.

All Directors will be available at the Annual General Meeting to meet with shareholders and answer their questions.

Risk management and internal control

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable, and not absolute, assurance against material loss and misstatement. The Group does not employ a separate internal audit function due to the relatively small size of the Group. Also the Directors and key management personnel are close to the business and are directly involved in the operation and monitoring of the systems of internal controls. Over the last two years the Group's auditors have reported consistent improvement in the control environment. This area will be kept under review as part of the Board's assessment of the Group's systems of internal control.

The key elements of the Group's system of internal control are as follows:

- The Board has adopted a risk-based approach to establishing the system of internal control. This risk management approach is used to focus available resources on the Group's most significant areas of risk and to determine key control objectives.
- The Group has in place an organisational structure with clearly defined lines of responsibility, delegation of authority and reporting requirements.
- The executive Directors are closely involved in the management of the business at a detailed level. This is supported by reviews of daily, weekly and monthly analyses of the performance of the business and key performance indicators associated with the trading risks facing the Group.
- Detailed annual budgets are prepared, reviewed in detail and agreed by the Board, and actual performance is reported against these budgets on a regular basis. Major commercial, technological and financial risks are assessed as part of this process.
- The Group has established controls and procedures over the security of the data held on its computer systems and also has in place disaster recovery plans for certain key areas of the business.
- Controls were reviewed and further strengthened by the Board during 2010, with particular emphasis on the quality of management information, control of cash and stock, and reinforcement of delegated authorities.

Auditor independence

It is the responsibility of the Audit Committee to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process, taking into consideration relevant UK professional and regulatory requirements; and to develop and implement policy on the engagement of the external auditor to supply non-audit services, taking into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm.

The Audit Committee reviews the nature and extent of non-audit services supplied by the external auditors to the Group, seeking to balance objectivity and value for money. In determining policy, the Audit Committee has taken into account relevant ethical guidance regarding the provision of non-audit services by the external audit firm, and does not agree to the auditor providing a service if, having regard to the ethical guidance, the result is that:

- the external auditor audits its own firm's work;
- the external auditor makes management decisions for the Company;
- a mutuality of interest is created; or
- the external auditor is put in the role of advocate for the Company.

Remuneration Report

Procedures for developing policy and fixing remuneration

Remuneration policy for Directors is set by the Remuneration Committee of the Board.

Policy on Executive Directors' remuneration

The Group's policy is to attract, motivate and retain high calibre individuals and to reward them for enhancing shareholder value. Remuneration for executive Directors is made up of the following elements:

- A fixed annual salary set by reference to the market, and reviewed annually subject to satisfactory performance.
- Other benefits such as car allowance and medical insurance
- A contribution of 10% - 20% of basic salary to the Company pension scheme or a personal pension scheme held by the relevant executive Director
- Where considered appropriate, the participation in an annual cash bonus scheme based on the achievement of Group profit
- Where considered appropriate, the provision of share options.

Share option schemes

The Board believes that the grant of share options to employees motivates them and aligns their interests with shareholders.

There are currently two option schemes in place. The 2000 Share Option Scheme is a discretionary scheme with both an Inland Revenue approved and an unapproved section. In 2010 this Scheme was renewed with no material changes to the Scheme rules. Options are granted to executive Directors and senior employees under the approved and unapproved sections of the scheme, at the discretion of the Remuneration Committee. Options may also be granted to individuals providing services to the Company under the unapproved section of the scheme.

Options are granted a price which is no lower than the mid market price of the Company's shares on the day preceding the day of grant. The options vest between one and three years after grant, normally subject to the fulfilment of a performance condition set by the Committee, and remain open for exercise for up to 10 years from date of grant. There is no provision for retesting of performance criteria.

The second scheme is the 2005 Save as You Earn Scheme. This is an Inland Revenue approved scheme, whereby all employees are invited to apply for options at a discount of up to 20% to market value at date of grant, and enter into a simultaneous savings contract. The options are exercisable after three or five years and remain open for exercise for 6 months from maturity. There are no performance criteria other than continued employment and Inland Revenue savings limits (£250 per month across all schemes) apply. Invitations are issued at the discretion of the Remuneration Committee. No options were granted under this scheme in 2010.

Executive Director' service contracts and remuneration

Mike Hancox and Ian Jebson each have a full time service contract with the Company. In addition to their salaries, each of them are entitled to a number of other benefits including private medical cover, motor vehicle allowance and pension contributions as outlined above. The notice required to be given by the Company to terminate these service contracts is twelve months.

Executive Directors may also be entitled to an annual cash bonus, granted in the discretion of the Remuneration Committee. This bonus would be subject to Group performance meeting agreed profit targets, and would pay Mike Hancox up to 150% of basic salary and Ian Jebson up to 100% of basic salary.

Remuneration of the executive Directors in 2010 is set out in the audited section below.

Details of share options granted to executive Directors are set out in the table below.

Non-executive Directors' appointments and remuneration

The Non-executive Directors all have letters of appointment. The term of each appointment is set out below:

	Term	Expiry	Notice period (may be given at any time)
Paul Wright	3 years	2 February 2012	6 months
Val Kaye	3 years	2 February 2012	6 months
Graham Cole	3 years	30 June 2012	3 months

The remuneration for the Chairman and Non-executive Directors is determined by the Board on the recommendation of the Remuneration Committee, based on the level of fees paid to Non-executive Directors of similar companies. The advice of the Company's Nominated Adviser was sought and taken into account when setting fees. No Director votes on his own remuneration.

None of the Non-executive Directors has share options.

DIRECTORS' REMUNERATION

Details of the remuneration paid to Directors in 2010 are set out in the table below:

				2010	2009		
	Salary	Benefits	Bonus	Total (Excl pension)	Total (Excl pension)	2010 Pensions	2009 Pensions
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
P Auja	-	-	-	-	162	-	6
G Cole	37	-	-	37	13	-	-
T Donovan	-	-	-	-	21	-	-
S Ellis	-	-	-	-	3	-	2
M Hancox	250	15	375	640	640	25	25
I Jebson	160	12	160	332	303	16	13
V Kaye	40	-	-	40	36	-	-
D Williams	-	-	-	-	50	-	-
P Wright	60	-	60	120	115	-	-
	547	27	595	1,169	1,343	41	46

The Directors did not exercise any share options during 2010.

The cost to the Company of Directors' options under IFRS2 in 2010 were: M Hancox £104,755, I Jebson £71,192. (2009: M Hancox £150,813, I Jebson £76,274)

The cash bonus of £595,000 set out in the table above payable to Mike Hancox, Ian Jebson and Paul Wright was accrued, not paid at the end of the financial period. The bonus was earned following achievement of a target related to Group profit that was set by the Remuneration Committee in 2010.

Share options

Options granted to Directors remaining exercisable at 2 January 2011:

2000 Share Option Scheme

	Option price per share	Date exercisable	Number of Options
Mike Hancox	£0.34	March 2010 to March 2012	833,333
Mike Hancox	£0.34	March 2011 to March 2013	833,333
Mike Hancox	£0.34	March 2012 to March 2014	833,333
Ian Jebson	£0.34	March 2010 to March 2012	166,666
Ian Jebson	£0.34	March 2011 to March 2013	166,667
Ian Jebson	£0.34	March 2012 to March 2014	166,667

The mid market price of the 3p ordinary shares on 2 January 2011 was 198.5p. The mid market price ranged from 127.5p to 198.5p during the year.

Independent Auditors' Report to the members of Ideal Shopping Direct Plc

We have audited the financial statements of Ideal Shopping Direct Plc for the year ended 2 January 2011 set out on pages 28 to 63. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page [], the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's web-site at www.frc.org.uk/apb/scope/private.cfm

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 2 January 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

S J Purkess (Senior Statutory Auditor) for and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
One Snowhill,
Snowhill Queensway
Birmingham
B4 6GH

14th April 2011

Consolidated statement of comprehensive income

For the 52 week period ended 2 January 2011

	Note	52 Weeks Ended 02-Jan-11			53 Weeks Ended 03-Jan-10		
		Underlying* £000	Non Underlying* £000	Total £000	Underlying* £000	Non Underlying* £000	Total £000
Continuing operations							
Sales revenue		117,296		117,296	103,336	-	103,336
Cost of sales		(65,957)		(65,957)	(60,831)	-	(60,831)
Gross profit		51,339	-	51,339	42,505	-	42,505
Distribution costs		(4,261)		(4,261)	(4,247)	-	(4,247)
Administrative expenses		(39,841)	(475)	(40,316)	(36,740)	(198)	(36,938)
Other expenses		(253)		(253)	(287)	-	(287)
Operating profit	3	6,984	(475)	6,509	1,231	(198)	1,033
Finance costs	6	(32)		(32)	(46)	-	(46)
Finance income	6	60	152	212	76	-	76
Profit from continuing operations before taxation		7,012	(323)	6,689	1,261	(198)	1,063
Taxation	7			(1,976)			1,044
Net profit for the period				4,713			2,107
Earnings per share	8						
From continuing operations							
Basic				14.0 p			7.1 p
Diluted				13.0 p			7.1 p

* Non underlying items consist of costs associated with the strategic review, amortisation of intangible assets following the acquisition of LTGL, restructuring, costs associated with the acquisition of LTGL, movement in the fair value of contingent consideration in respect of LTGL and the receipt of Kaupthing bank deposits previously written off. Details of non underlying items are disclosed in Note 3.

Consolidated statement of financial position

As at 2 January 2011

	Note	02-Jan-11 £000	03-Jan-10 £000
Assets			
Non-current assets			
Property, plant and equipment	10	7,799	8,113
Intangible assets	11	3,616	3,011
Goodwill	12	5,419	-
Deferred tax assets	14	1,423	1,402
Total non-current assets		18,257	12,526
Current assets			
Inventories	15	5,402	2,419
Other investments, including derivatives	16	33	-
Current tax assets		-	3
Trade and other receivables	17	9,470	6,033
Cash and cash equivalents	18	14,731	13,379
Total current assets		29,636	21,834
Total assets		47,893	34,360
Equity			
Share capital	19	1,034	895
Share premium		334	327
Reserves	20	7,071	1,780
Retained earnings		13,611	8,549
Total equity		22,050	11,551
Liabilities			
Non-current liabilities			
Deferred tax liabilities	14	177	138
Total non-current liabilities		177	138
Current liabilities			
Trade and other payables	24	23,614	21,978
Provisions	23	640	669
Current tax liabilities		1,412	24
Total current liabilities		25,666	22,671
Total liabilities		25,843	22,809
Total equity and liabilities		47,893	34,360

The financial statements were approved by the Board of Directors on

Mike Hancox
Chief Executive

Ian Jebson
Finance Director

Company statement of financial position

As at 2 January 2011

	Note	02-Jan-11 £000	03-Jan-10 £000
Assets			
Non-current assets			
Property, plant and equipment	10	7,761	8,081
Intangible assets	11	2,576	3,011
Investments	13	6,210	-
Deferred tax assets	14	1,386	1,385
Total non-current assets		17,933	12,477
Current assets			
Inventories	15	4,299	1,632
Other investments, including derivatives	16	33	-
Current tax assets		-	3
Trade and other receivables	17	9,970	6,465
Cash and cash equivalents	18	13,250	13,378
Total current assets		27,552	21,478
Total assets		45,485	33,955
Equity			
Share capital	19	1,034	895
Share premium		334	327
Reserves	20	7,071	1,780
Retained earnings		12,541	9,124
Total equity		20,980	12,126
Liabilities			
Non-current liabilities			
Deferred tax liabilities	14	92	137
Total non-current liabilities		92	137
Current liabilities			
Trade and other payables	24	22,941	21,002
Provisions	23	640	669
Current tax liabilities		833	21
Total current liabilities		24,414	21,692
Total liabilities		24,506	21,829
Total equity and liabilities		45,486	33,955

The financial statements were approved by the Board of Directors on

Mike Hancox
Chief Executive

Ian Jebson
Finance Director

Consolidated statement of cash flows

For the 52 week period ended 2 January 2011

	52 Weeks Ended 02-Jan-11	53 Weeks Ended 03-Jan-10
	Note	
	£000	£000
Continuing operations		
Cash flows from operating activities		
Profit for the period	4,713	2,107
Depreciation	717	748
Amortisation of intangible assets	1,035	930
Net finance income	(180)	(30)
Equity settled share-based payment transactions	253	287
(Profit)/Loss on disposal	8	-
Income tax (credit)/expense	1,976	(1,044)
Gain from fair value of forward exchange contracts	(33)	-
Operating cash flows before changes in working capital and provisions	8,489	2,998
Change in inventories	(2,823)	1,453
Change in trade and other receivables	(3,135)	(1,496)
Change in trade and other payables	422	3,829
Change in provisions	(29)	(134)
Cash generated from operations	2,924	6,650
Interest paid	-	(45)
Net foreign exchange rate loss	(32)	(1)
Income tax (paid)/received	(186)	1,297
Net cash flows from operating activities	2,706	7,901
Cash flows from investing activities		
Interest received	60	76
Proceeds from sale of property, plant and equipment	2	13
Acquisition of property, plant and equipment	(416)	(291)
Acquisition of intangible assets	(467)	(648)
Acquisition of subsidiary, net of cash acquired	(25)	-
Net cash flows from investing activities	(846)	(850)
Cash flows from financing activities		
Proceeds from issue of share capital	7	13
Repayment of bank loans	-	(1,863)
Dividends paid	(515)	(221)
Net cash flows from financing activities	(508)	(2,071)
Net increase in cash and cash equivalents	1,353	4,980
Cash and cash equivalents at 3 January 2010	13,379	8,399
Cash and cash equivalents at 2 January 2011	14,731	13,379

Company statement of cash flows

For the 52 week period ended 2 January 2011

	52 Weeks Ended 02-Jan-11	53 Weeks Ended 03-Jan-10
	Note	£000
Continuing operations		
Cash flows from operating activities		
Profit for the period	3,068	1,879
Depreciation	703	696
Amortisation of intangible assets	858	930
Net finance income	(178)	(33)
Equity settled share-based payment transactions	253	287
(Profit)/Loss on disposal	12	-
Income tax (credit)/expense	1,515	(916)
Gain from fair value of forward exchange contracts	(33)	-
Operating cash flows before changes in working capital and provisions	6,198	2,843
Change in inventories	(2,667)	2,028
Change in trade and other receivables	(3,506)	(1,507)
Change in trade and other payables	1,939	3,384
Change in provisions	(29)	(105)
Cash generated from operations	1,935	6,643
Interest paid	-	(44)
Net foreign exchange rate loss	(32)	-
Income tax (paid)/received	(13)	1,297
Net cash flows from operating activities	1,890	7,896
Cash flows from investing activities		
Interest received	58	76
Proceeds from sale of property, plant and equipment	-	13
Acquisition of property, plant and equipment	(395)	(285)
Acquisition of intangible assets	(423)	(648)
Acquisition of subsidiary	(750)	-
Net cash flows from investing activities	(1,510)	(844)
Cash flows from financing activities		
Proceeds from issue of share capital	7	13
Repayment of bank loans	-	(1,863)
Dividends paid	(515)	(221)
Net cash flows from financing activities	(508)	(2,071)
Net increase in cash and cash equivalents	(128)	4,981
Cash and cash equivalents at 3 January 2010	13,378	8,397
Cash and cash equivalents at 2 January 2011	13,250	13,378

Consolidated statement of changes in equity

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

Company statement of changes in equity

	Share capital £000	Share premium £000	Merger reserve £000	Revaluation reserves £000	IFRS2 reserves £000	Retained earnings £000	Total £000
Company							
Balance at 28 December 2008	895	314	-	1,319	347	6,766	9,641
Profit for the period	-	-	-	-	-	1,879	1,879
Total comprehensive income for the period	-	-	-	-	-	1,879	1,879
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of shares	-	13	-	-	-	-	13
Share based payment transactions (net of tax)	-	-	-	-	114	479	593
Total transactions with owners	-	13	-	-	114	479	606
Balance at 3 January 2010	895	327	-	1,319	461	9,124	12,126
Profit for the period	-	-	-	-	-	3,068	3,068
Total comprehensive income for the period	-	-	-	-	-	3,068	3,068
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of shares	139	7	5,169	-	-	-	5,315
Dividends to equity holders	-	-	-	-	-	(515)	(515)
Share based payment transactions (net of tax)	-	-	-	-	122	864	986
Total transactions with owners	139	7	5,169	-	122	349	5,786
Balance at 2 January 2011	1,034	334	5,169	1,319	583	12,541	20,980

Notes to the consolidated financial statements

1. Accounting policies

(a) Reporting entity

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

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

(b) Basis of preparation

Statement of compliance

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

The accounting policies adopted in the preparation of these financial statements are consistent with previous years, with the exception of the application of IFRS3 Business Combinations (2008) and IAS27 Consolidated and Separate Financial Statements (2008).

The consolidated financial statements were authorised for issuance on 24 January 2011.

Going concern

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

The directors have reasonable expectations that the Company has adequate resources to continue in operational existence for the future.

Full and detailed statement of comprehensive income, statement of financial position and cash flows forecasts have been prepared for the period to the end of 2013. These forecasts show that the Company can operate as a going concern without the need for bank financing facilities.

Thus they continue to adopt the going concern basis in preparing the annual financial statements.

Further information regarding the Groups business activities, together with the factors likely to affect its future development, performance and position is set out in the Business Review on pages 4 to 10. The financial position of the Company, its cash flows and liquidity position are discussed in the Finance Directors review on pages 6 to 10. In addition notes xx to xx to the financial statements include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of financial customers and hedging activities and its exposure to credit risk and liquidity risk.

(c) Basis of measurement

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

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

(d) Functional and presentation currency

These consolidated financial statements are presented in Great British Pounds (GBP), which is the Company's functional currency. All financial information presented in GBP has been rounded to the nearest thousand.

(e) Use of estimates and judgements

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

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

Management has applied a robust, formal and auditable process in the assessment of intangible assets. In valuing an intangible asset, judgement is required in identifying the cash generating unit, the intangible asset, its remaining useful life and its implied rate of return.

Judgements made by the directors in the application of accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed below.

Valuation of property, plant and equipment

Items of property plant and equipment that qualify for recognition as an asset are initially measured at cost. Cost includes any expenditure that is directly attributable to the acquisition of the asset. After initial recognition classes of assets valued under the cost model are carried at cost less any accumulated depreciation and any accumulated impairment losses. Classes of assets valued under the revaluation model are carried at a revalued amount being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent impairment losses.

Trade receivables

An appropriate allowance for estimated irrecoverable trade receivables is derived where there is an identified event which, based on previous experience is evidence of a potential reduction in the recoverability of future cash flows. This estimation is based on assumed collection rates which, although based on the Group's historical experience of customer repayment patterns, remains inherently uncertain.

Inventory

Provision is made for those items of inventory where the net realisable value is estimated to be lower than cost. Net realisable value is based on both historical experience and assumptions regarding future selling values, and is consequently a source of estimation uncertainty.

Deferred tax

Deferred tax assets and liabilities require management judgement, in determining the amounts to be recognised. In particular, judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 23 (provisions) and 27 (contingencies)

1. Accounting policies (continued)

(f) Basis of Consolidation

(i) Accounting for business combinations

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

The Group has applied the acquisition method for the business combination disclosed in note 26.

Goodwill arising on consolidation represents the excess of consideration over the groups interest in the fair value of identified assets, liabilities and contingent liabilities recognised.

Consideration also includes the fair value of any contingent consideration and share-based payment awards of the acquiree that are replaced mandatorily in the business combination.

Goodwill is recognised as an asset and is not amortised. It is reviewed for impairment annually as detailed in note 12.

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

(ii) Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. Judgement is applied in determining the acquisition date and determining whether control is transferred from one party to another.

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

(iii) Transactions eliminated on consolidation

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

(g) Revenue recognition

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

(h) Non underlying items

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

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

(i) Segmental reporting

The Group determines and presents its operating segments based on the information that internally is provided to the CEO, who is the Group's chief operating decision maker.

Due to acquisitions in the period the segments reported to the CEO have changed and therefore comparative segment information has been re-presented.

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly items not possible to objectively allocate, including corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill

Under section 408 of the Companies Act 2006, the Company is exempt from the requirement to present it's own Statement of Consolidated Income. The profit after taxation attributable to the Company, dealt with in it's own accounts, for the year ended 2 January 2011 is £3,219,000 (3 January 2010: £1,879,000).

(j) Impairment of non-financial assets

Property, plant and equipment and intangible assets are reviewed for indications of impairment when events or changes in circumstances indicate that the carrying amount may not be recovered. If there are indications then a test is performed to assess its recoverable value. An impaired asset is written down to the higher of its value in use or its fair value less costs to sell.

(k) Other intangible assets

Intangible assets are measured initially at cost and are amortised on a straight-line basis over their estimated useful lives. Carrying amounts are reduced by provisions for impairment where necessary.

Amortisation is provided on a straight-line basis, at the following rates, in order to write off the cost, less estimated residual value, of each asset, over its expected useful economic life.

Software (other than bespoke)	20%
Software (bespoke)	16.7% - 50%
Licences of channel rights	5% - 9%
Brand	10%

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring into use the specific software.

1. Accounting policies (continued)

(k) Other intangible assets (continued)

Directly attributable costs relating to software development include employee costs and an appropriate portion of the relevant overheads. The costs of internally generated software developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired licences. However, until completion of the development project, the assets are subject to impairment testing only.

In respect of directly attributable costs on software development projects, the costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- Completion of the project is technically feasible so that it will be available for use.
- The Group intends to complete the intangible asset and use it.
- The Group has the ability to use the asset.
- The intangible asset will generate probable future economic benefits. This requires that the asset will be used in generating such benefits.
- There are adequate technical, financial and other resources to complete the development and to use the intangible asset.
- The expenditure attributable to the intangible asset during its development can be measured reliably.

Amortisation of the asset commences when it is fully implemented or operational, and is shown within, "Administrative expenses"

Costs associated with maintaining computer software programs in use are recognised as an expense when incurred.

(l) Property, plant and equipment

Property, plant and equipment comprise freehold land and buildings, fixtures, fittings and equipment and are stated at historical cost less accumulated depreciation, except for the land and buildings which have been revalued. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is provided on a straight-line basis, at the following rates, in order to write off the cost or valuation less estimated residual value of each asset, other than freehold land, over its expected useful economic life.

Buildings	2%
Motor vehicles	25%
Plant and equipment	10% - 33%

The Company's policy is to obtain an independent revaluation of land and buildings every 5 years but the Board review market and asset conditions yearly. If the Board consider that circumstances have varied substantially during the period a revaluation will take place. The last valuation was carried out on 7 January 2009 by A J Barker BSc FRICs and M A Hughes BSc (Hons)

Depreciation methods, residual values and useful lives are re-assessed annually and, if necessary, changes are accounted for prospectively.

The gain or loss arising on disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the statement of comprehensive income.

(m) Investments

In the Company's financial statements, investments in subsidiary undertakings are stated at cost less amounts written off.

(n) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and the costs incurred in bringing inventories to their present location and condition. Net realisable value means estimated selling price less all costs incurred in marketing, selling and distribution.

(o) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible into known amounts of cash which are subject to an insignificant risk of change in value.

(p) Provisions

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

(q) Leases

Operating leases

Leases where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Rentals are charged to the income statement on a straight-line basis over the life of the lease.

Broadcasting service contracts are not classified as operating leases, but are disclosed separately in Note 22 according to their size and significance to the business.

(r) Taxation

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

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

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

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

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

1. Significant accounting policies (continued)

(s) Financial instruments

(i) Financial assets

Financial assets are divided into trade and other receivables and cash and cash equivalents. All financial assets are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are recognised at fair value plus transaction costs. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest rate method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the statement of comprehensive income.

Impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The designation of financial assets is re-evaluated at every reporting date at which a choice of classification or accounting treatment is available.

(ii) Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. All financial liabilities are recorded initially at fair value, net of any direct issue costs.

At each reporting date all financial liabilities are recorded at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the statement of comprehensive income. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the statement of comprehensive income on an accruals basis using the effective interest rate method and are added to the carrying amount of the instrument to the extent that they are not settled in the period in which they arise.

A financial liability is derecognised only when the obligation is extinguished, that is, when the obligation is discharged or cancelled or expires.

(t) Foreign currencies

Transactions in foreign currencies are translated into sterling at the Group's monthly exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated into sterling at the rate of exchange ruling at the statement of financial position date. All exchange differences are subject to the above and are included within the statement of comprehensive income for the year.

(u) Equity and dividend payments

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Other reserves" represents equity-settled share-based employee remuneration until such share options are exercised and gains and losses due to the revaluation of certain financial assets and property, plant and equipment.
- "Retained earnings" represents retained profits after tax and dividends.

Dividends are recognised through equity on the earlier of their approval by the company shareholders or their payment.

(v) Earnings per share

The group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares and share options granted to employees.

(w) Employee and retirement benefits

The Group operates a defined contribution pension scheme. Contributions payable are charged to the statement of comprehensive income in the period to which they relate. These contributions are invested separately from the Group's assets.

(x) Share based compensation arrangements

The Company operates an equity-settled share based compensation plan.

In accordance with the transitional provisions, IFRS 2 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006.

Equity-settled share-based payments are measured at fair value at the date of grant. The fair value is expensed on a straight-line basis over the vesting period, based on estimates of the number of options which are expected to vest.

Fair value is determined by reference to Binomial probability models.

The expected life used in the model is adjusted, based on management's estimate for the effects of attrition rates and behavioural conditions.

At each statement of financial position date, the Company revises its estimate of the number of options that are expected to become exercisable with the impact of any revision being recognised in the statement of comprehensive income, and a corresponding adjustment to equity over the remaining vesting period. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised. Further details are provided in note 21.

(y) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are not yet effective for periods beginning after 1 January 2010, and have not been applied in preparing these consolidated financial statements. The Directors do not expect any of these interpretations adopted by the EU to have any significant impact.

Notes to the consolidated financial statements

2. Segmental reporting

Following the acquisition of Lead The Good Life Limited, on 18 January 2010, the reportable segments were reviewed with the result that the Group has four reportable segments, as described below, which are the Group's strategic business divisions. The strategic business divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business divisions the Group's CEO (The Chief Operating decision maker) reviews internal management reports on at least a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

- Home and leisure
- Craft
- Personal care
- Other (mainly sales of broadcast airtime to third parties).

The accounting policies of the reportable segments are the same as described in note 1.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the management reports that are reviewed by the Group's CEO. Segment gross profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these markets. Inter-segment pricing is determined on an arm's length basis.

Information about reportable segments

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

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

	2 Jan 2011 £000	3 Jan 2010 £000
Revenues		
Total revenue for reportable segments	131,614	113,325
Non segment specific	-	-
Elimination of inter-segment revenue	(14,318)	(9,989)
Consolidated revenue	117,296	103,336
Profit or loss		
Total gross profit for reportable segments	51,339	42,505
Non segment specific costs	(44,547)	(41,663)
Elimination of inter-segment profit held in stock	(103)	221
Consolidated profit before income tax	6,689	1,063
Assets		
Total assets of reportable segments	9,607	3,185
Non segment specific	40,687	32,243
Inter-segment assets	(2,401)	(1,068)
Consolidated total assets	47,893	34,360
Liabilities		
Total liabilities of reportable segments	(3,463)	(1,195)
Non segment specific	(24,320)	(22,645)
Inter-segment liabilities	1,940	1,031
Consolidated total liabilities	(25,843)	(22,809)

2. Segmental reporting (continued)

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

Other material items period to 2 January 2011

	Reportable segment totals £000	Non segment specific £000	Consolidated totals £000
Finance Income	1	211	212
Finance Costs	-	(32)	(32)
Capital expenditure	(64)	(819)	(883)
Depreciation and amortisation	191	1,561	1,752

Other material items period to 3 January 2010

	Reportable segment totals £000	Non segment specific £000	Consolidated totals £000
Finance Income	-	76	76
Finance Costs	-	(46)	(46)
Capital expenditure	(6)	(933)	(939)
Depreciation and amortisation	53	1,626	1,679

Geographical segments

The segments are managed on a worldwide basis but operate a sales office in the UK and a sourcing office in China.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographic location of the assets.

Geographical information

52 week period ended 2 January 2011

	Revenues	Non-current assets
United Kingdom	115,432	18,257
Other countries	1,864	-
	117,296	18,257

Geographical information

53 week period ended 3 January 2010

	Revenues	Non-current assets
United Kingdom	102,046	12,526
Other countries	1,290	-
	103,336	12,526

Notes to the consolidated financial statements

3. Group operating profit and non underlying items

The following items have been presented as non underlying

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

The following items have been charged to the statement of comprehensive income as operating expenses during the year:

	02-Jan-11 £000	03-Jan-10 £000
Depreciation of property, plant and equipment		
Owned	717	748
Amortisation of other intangible assets	1,035	930
Impairment loss on trade receivables	(454)	(133)
Operating lease rentals payable		
Hire of plant and machinery	182	74
Property rentals	36	73
Broadcasting service contracts	13,911	14,110
Auditors' remuneration payable to KPMG Audit Plc:		
Audit of these financial statements	98	59
Amounts receivable by the auditors and their associates in respect of:		
Audit of financial statements of subsidiaries pursuant to legislation	50	8
All services relating to taxation	21	18
Services relating to corporate finance transactions entered into or proposed to be entered into by or on behalf of the Company or its	115	-
All other services	24	28
	308	113

Amounts paid to the company's auditors and their associates in respect of services to the company, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis.

4. Employees

The average number of people employed by the Group in the following areas was:

	02-Jan-11 Number	03-Jan-10 Number
Management	21	13
Operations	564	512
	585	525

Costs incurred in respect of these employees were:

	02-Jan-11 £000	03-Jan-10 £000
Wages and salaries	14,210	12,582
Social security costs	1,443	1,118
Contributions to defined contribution plans	169	161
Compensation for loss of office for directors (included within exceptional restructuring costs)	-	242
Share-based payments	253	287
	16,075	14,390

5. Directors

Total emoluments of directors (including pension contributions) amounted to £1,210,000 (2009: £1,389,000)

Information relating to directors' emoluments, share options and pension entitlements are set out in the Remuneration Report on pages 24 to 26.

Notes to the consolidated financial statements

6. Finance income and finance costs

	02-Jan-11	03-Jan-10
	£000	£000
Recognised in profit or loss		
Interest income on bank deposits	60	76
Adjustment to fair value of contingent consideration (see note 26)	152	-
Finance income	212	76
Interest expense in respect of financial liabilities measured at amortised cost	-	(45)
Net foreign exchange loss	(32)	(1)
Finance costs	(32)	(46)
Net finance costs recognised in profit or loss	180	30

The above finance income and finance costs include the following interest income and expense in respect of assets/(liabilities) not at fair value through profit or loss:

Total interest income on financial assets	60	76
Total interest expense on financial liabilities	-	(45)

Notes to the consolidated financial statements

7. Income tax

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

Reconciliation of effective tax rate

	02-Jan-11		03-Jan-10	
	%	£000	%	£000
Profit for the period		4,713		2,107
Total income tax credit		1,976		(1,044)
Profit excluding income tax		6,689		1,063
Income tax using the Group's domestic tax rate	28.0%	1,873	28.0%	298
Adjustment in respect of prior periods	(1.2%)	(82)	(10.8%)	(115)
Non-deductible expenses	2.0%	139	9.3%	99
Recognition of assets to be carried forward	0.0%	-	(89.6%)	(953)
Restatement of deferred tax at 27% tax rate	0.7%	46	0.0%	-
Utilisation of unrecognised losses brought forward	0.0%	-	(35.1%)	(373)
Total income tax credit	29.5%	1,976	(98.2%)	(1,044)

The tax rate applicable to the Group was 28% (3 Jan 2010: 28.0%).

Please refer to note 14 for information on the Group's deferred tax assets and liabilities.

Notes to the consolidated financial statements

8. Earnings per share

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

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

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

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

The Directors do not propose a final dividend for the year ended 2 January 2011 (3 January 2010: £Nil). An interim dividend of 1.5p per share was paid during the year (3 January 2010: £Nil) resulting in a total dividend for the year of 1.5p (3 January 2010: £Nil).

9. Dividends

The following dividends were declared and paid by the Company:

	02-Jan-11	03-Jan-10
	£000	£000
1.5p per qualifying ordinary share (3 Jan 2010 £Nil)	515	-

Notes to the consolidated financial statements

10. Property, plant and equipment

The Group's and Company's land and property was revalued on 7 January 2009 by independent valuers. Fair values were calculated based on current market transactions at arm's length which were then adjusted for specific conditions relating to the land and based on market value.

The valuation was carried out by A J Barker BSc FRICS and M A Hughes BSc (Hons). The carrying amount that would have been recognised under the cost model for Freehold Land and Buildings would have been £5,300,000 (3 January 2010: £5,413,000) for the Group and Company.

The directors consider the current valuation to be materially accurate as at 2 January 2011.

Group	Freehold Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost or valuation			
At 28 December 2008	6,850	7,192	14,042
Additions	-	291	291
Disposals	-	(18)	(18)
At 3 January 2010	6,850	7,465	14,315
Additions	-	416	416
Disposals	-	(24)	(24)
At 2 January 2011	6,850	7,857	14,707
Depreciation and impairment losses			
At 28 December 2008	-	5,468	5,468
Depreciation charge for the year	117	631	748
Disposals	-	(14)	(14)
At 3 January 2010	117	6,085	6,202
Depreciation charge for the year	114	603	717
Disposals	-	(11)	(11)
At 2 January 2011	231	6,677	6,908
Net book value			
At 3 January 2010	6,733	1,380	8,113
At 2 January 2011	6,619	1,180	7,799

Freehold land of £1,150,000 (3 Jan 2010: £1,150,000) has not been depreciated.

10. Property, plant and equipment

Company	Freehold Land and buildings £000	Plant, equipment and vehicles £000	Total £000
Cost or valuation			
At 28 December 2008	6,850	7,077	13,927
Additions	-	285	285
Disposals	-	(18)	(18)
At 3 January 2010	6,850	7,344	14,194
Additions	-	395	395
Disposals	-	(23)	(23)
At 3 January 2011	6,850	7,716	14,566
Depreciation and impairment losses			
At 28 December 2008	-	5,431	5,431
Depreciation charge for the year	117	579	696
Disposals	-	(14)	(14)
At 3 January 2010	117	5,996	6,113
Depreciation charge for the year	114	589	703
Disposals	-	(11)	(11)
At 2 January 2011	231	6,574	6,805
Net book value			
At 3 January 2010	6,733	1,348	8,081
At 2 January 2011	6,619	1,142	7,761

Freehold land of £1,150,000 (3 Jan 2010: £1,150,000) has not been depreciated.

Notes to the consolidated financial statements

11. Intangible assets

Ideal Shopping Direct Plc's intangible assets comprise acquired broadcasting channel rights and licences, website/brand value and customer lists, acquired software licences and own software developments. The carrying amounts for the reporting periods under review can be analysed as follows:

Group	Broadcasting channel rights and licences £000	Brand £000	Software £000	Total £000
Cost				
At 28 December 2008	1,741	-	2,612	4,353
Additions	-	-	648	648
Disposals	-	-	(11)	(11)
At 3 January 2010	1,741	-	3,249	4,990
Additions	-	-	467	467
Assets acquired on acquisition (see note 26)	-	722	451	1,173
At 2 January 2011	1,741	722	4,167	6,630
Amortisation and impairment losses				
At 28 December 2008	141	-	910	1,051
Amortisation for the year	94	-	836	930
Disposals	-	-	(2)	(2)
At 3 January 2010	235	-	1,744	1,979
Amortisation for the year	94	66	875	1,035
At 2 January 2011	329	66	2,619	3,014
Net book value				
At 3 January 2010	1,506	-	1,505	3,011
At 2 January 2011	1,412	656	1,548	3,616

Notes to the consolidated financial statements

11. Intangible assets

Ideal Shopping Direct Plc's intangible assets comprise acquired software licences, broadcasting channel rights and own software developments. The carrying amounts for the reporting periods under review can be analysed as follows:

Company	Broadcasting channel rights and licences £000	Software £000	Total £000
Cost			
At 28 December 2008	1,741	2,612	4,353
Additions	-	648	648
Disposals	-	(11)	(11)
At 3 January 2010	1,741	3,249	4,990
Additions	-	423	423
At 2 January 2011	1,741	3,672	5,413
Amortisation and impairment losses			
At 28 December 2008	141	910	1,051
Amortisation for the year	94	836	930
Disposals	-	(2)	(2)
At 3 January 2010	235	1,744	1,979
Amortisation for the year	94	764	858
At 2 January 2011	329	2,508	2,837
Net book value			
At 3 January 2010	1,506	1,505	3,011
At 2 January 2011	1,412	1,164	2,576

12. Goodwill

Group

Goodwill results from the acquisition of Ideal Sourcing Limited (formerly Superstore TV Limited) in 2006 and the acquisition of Lead the Good Life Limited on 18 January 2010. The net carrying amounts of the goodwill can be analysed as follows:

	£000
Cost	
At 28 December 2008 and 3 January 2010	1,523
Additions	5,419
At 2 January 2011	6,942
Impairment	
At 28 December 2008, 3 January 2010 and 2 January 2011	1,523
Net book amount	
At 3 January 2010	-
At 2 January 2011	5,419

The NBV of goodwill as at 2 January 2011 relates solely to the acquisition of Lead The Good Life Ltd. The results of Lead The Good Life Ltd are shown within the Home and Leisure segment in note 2.

NPV value in use modeling indicates that no impairment is required. Model assumptions include:

- detailed 3 year strategic plan developed by senior managers and signed off by Directors of both LTGL and Group.
- cashflows based on a detailed 3 year plan showing average net profit growth rates of circa. 28%. A growth rate of 0% has been applied from year 4 onwards.
- discount rate of 13.0% applied
- sensitivity analysis over the key drivers of sales and margins did not suggest any significant risks.

Comparatives are not provided for 2009 on the grounds that the previous goodwill balance had already been fully written down and as such no impairment testing was required.

Notes to the consolidated financial statements

13. Investments

	Shares in subsidiary undertakings £000
Cost	
At 28 December 2008 and 3 January 2010	743
Additions	6,210
At 2 January 2011	6,953
Amounts written off	
At 28 December 2008, 3 January 2010 and 2 January 2011	743
Net book amount	
At 3 January 2010	-
At 2 January 2011	6,210

An amount due from Group undertakings of £231,000 (2009: £231,000) has been reclassified as cost of investment upon initial recognition, at fair value, of the intra-group loan established at acquisition.

Where subsidiaries are acquired for shares, or a combination of shares and cash, statutory merger relief has been applied and accordingly costs include only the nominal value of shares issued.

The principal subsidiary undertakings of the Company, all of which are wholly owned, are:

Subsidiary	Parent company interest in ordinary shares and voting rights	Country of incorporation and operation	Principal activity
Create and Craft Limited (formerly iChild Limited)	100%	Great Britain	Dormant
Ideal Home Mail Order Limited	100%	Great Britain	Dormant
Ideal World Home Shopping Limited	100%	Great Britain	Dormant
Wrightway Marketing Limited	100%	Great Britain	Dormant
Lead the Good Life Limited	100%	Great Britain	Retail
Pets and Wildlife Limited (formerly known as Animal Bargains Limited)	100%	Great Britain	Retail
Ideal Sourcing Limited (formerly known as Superstore TV Limited)	100%	Great Britain	Product design, sourcing and wholesale

The above companies described as dormant did not trade during the period ended 2 January 2011 or 3 January 2010.

14. Deferred tax assets and liabilities**(a) Deferred taxes arising from temporary differences and unused tax losses can be summarised as follows:****Group****Recognised deferred tax assets and liabilities**

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

There are no unrecognised deferred tax assets in either period.

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

Company**Recognised deferred tax assets and liabilities**

	02-Jan-11		03-Jan-10	
	Deferred tax assets	Deferred tax liabilities	Deferred tax assets	Deferred tax liabilities
	£000	£000	£000	£000
Non-current assets				
Other intangible assets	141	-	111	-
Property, plant and equipment	-	(92)	-	(137)
Tax losses carried forward	-	-	855	-
Current assets				
Inventories	32	-	28	-
Trade Debtors	21	-	-	-
Current liabilities				
Share based payments	1,192	-	391	-
Total	1,386	(92)	1,385	(137)

There are no unrecognised deferred tax assets in either period.

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

Notes to the consolidated financial statements

14. Deferred tax assets and liabilities (continued)

(b) Movement in temporary differences during the year:

Group

Recognised deferred tax assets and liabilities

	At 28 December 2008 £000	Recognised in profit or loss £000	Recognised directly in equity £000	At 3 January 2010 £000
Intangible assets	108	3	-	111
Property, plant and equipment	(131)	(7)	-	(138)
Inventories	13	32	-	45
Retirement benefit obligations	6	(6)	-	-
Other liabilities	4	(4)	-	-
Losses	-	855	-	855
Share based payments	-	80	311	391
	-	953	311	1,264

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

Company

Recognised deferred tax assets and liabilities

	At 28 December 2008 £000	Recognised in profit or loss £000	Recognised directly in equity £000	At 3 January 2010 £000
Intangible assets	108	3	-	111
Property, plant and equipment	(118)	(19)	-	(137)
Inventories	-	28	-	28
Retirement benefit obligations	6	(6)	-	-
Other liabilities	4	(4)	-	-
Losses	-	855	-	855
Share based payments	-	80	311	391
	-	937	311	1,248

	At 3 January 2010 £000	Recognised in profit or loss £000	Recognised directly in equity £000	At 2 January 2011 £000
Intangible assets	111	30	-	141
Property, plant and equipment	(137)	45	-	(92)
Inventories	28	4	-	32
Trade Debtors	-	21	-	21
Trade Creditors	-	-	-	-
Losses	855	(855)	-	-
Share based payments	391	68	733	1,192
	1,248	(687)	733	1,294

Notes to the consolidated financial statements

15. Inventories

	Group		Company	
	02-Jan-11 £000	03-Jan-10 £000	02-Jan-11 £000	03-Jan-10 £000
Goods for resale	6,445	3,702	5,159	2,817
Write down on inventories	(1,043)	(1,283)	(860)	(1,185)
Inventories	5,402	2,419	4,299	1,632

In the period ending 2 January 2011, a total of £57,957,000 (£56,830,000 for the Company) inventories were included in the statement of comprehensive income as an expense (3 Jan 2010: £53,320,000 for the group and £51,091,000 for the Company). This includes an amount of £171,000 for the Group and £171,000 for the Company from the write back of inventories (3 Jan 2010: £39,000 for the Group and £33,000 for the Company resulting from the write down of inventories).

No reversal of previous write-downs was recognised as a reduction of expense in either period. None of the inventories are pledged as securities for liabilities.

In determining net selling prices of inventories, management takes into account the most reliable evidence available at the time the estimates are made. Ideal Shopping Direct Plc's core business is continually subject to rapid changes in specific consumer demands which may cause inventory obsolescence. Both aspects are considered key sources of estimation uncertainty and may cause significant adjustments to the Group's inventory assets within the next financial year.

16. Other investments

	Group		Company	
	02-Jan-11 £000	03-Jan-10 £000	02-Jan-11 £000	03-Jan-10 £000
Forward exchange contracts used for hedging	33	-	33	-
Other investments	33	-	33	-

The Group's exposure to credit and currency risks related to other investments is disclosed in note 28.

17. Trade and other receivables

	Group		Company	
	02-Jan-11 £000	03-Jan-10 £000	02-Jan-11 £000	03-Jan-10 £000
Trade receivables	7,317	4,003	7,005	3,569
Other receivables	209	170	194	147
Amounts due from Group undertakings	-	-	921	889
Prepayments and accrued income	1,944	1,860	1,850	1,860
	9,470	6,033	9,970	6,465

The carrying value of trade receivables is considered a reasonable approximation of fair value.

The Group and Company's exposure to credit risk and impairment losses related to trade and other receivables is disclosed in note 28.

18. Cash and cash equivalents and net borrowing

Cash and cash equivalents include the following components:

	Group		Company	
	02-Jan-11 £000	03-Jan-10 £000	02-Jan-11 £000	03-Jan-10 £000
Cash at bank and in hand	14,731	13,379	13,250	13,378

19. Share capital

	02-Jan-11		03-Jan-10	
	Number 000	£000	Number 000	£000
Issued and fully paid				
3p Ordinary shares	34,323	1,029	29,685	890
1p Deferred shares	455	5	455	5
Shares issued and fully paid	34,778	1,034	30,140	895

All ordinary shares are equally eligible to receive dividends and the repayment of capital and represent one vote at the shareholders' meeting of Ideal Shopping Direct Plc. There is no dividend or voting rights associated with the deferred shares.

The shares issued during the year relate to the acquisition of Lead The Good Life Limited and share options exercised. Further information on share options is included in note 21.

The authorised shares that have not yet been issued have been authorised for use in the remuneration programme and to fund future acquisitions.

Proceeds received in addition to the nominal value of the shares issued during the year have been included in the share premium, less registration and other regulatory fees and net of related tax benefits.

The company has made allotments of 20,212 (3 Jan 2010: 15,000) ordinary 3p shares during the year on the exercise of various share options.

Share premium

An amount of £6,703 (3 Jan 2010: £13,061), being the difference between the total consideration of £145,870 (3 Jan 2010: £13,511) and the total nominal value of £139,167 (3 Jan 2010: £450) for shares issued during the year has been included in the share premium account.

Merger reserve

The merger reserve represents the excess of fair value over nominal value of shares issued in consideration for the acquisition of subsidiaries where statutory merger reserve has been applied in the financial statements of the parent company.

20. Reserves**Other reserves**

Other reserves comprise equity settled share based employee remuneration until such share options are exercised (£583,014 at 2 January 2011) and gains and losses due to the revaluation of certain assets and property, plant and equipment (£1,318,832 at 2 January 2011).

21. Share based employee remuneration

As at 2 January 2011 the Group and Company maintained two types of share based payment schemes for employee remuneration, discretionary schemes and a Save As You Earn scheme. All share based employee remuneration will be settled in equity. Neither the Group nor Company has a legal or constructive obligation to repurchase or settle the options.

The right to exercise share options is subject in all cases to service conditions as specified in the detailed scheme rules, and in addition certain of the grants made under the discretionary 2000 Share Options Schemes are subject to profit or earnings per share performance conditions. The market price of the 3p ordinary shares was 198.5p at 2 January 2011 (3 January 2010: 125p). The market price ranged from 125p to 198.5p during the year.

In total £253,000 (3 Jan 2010: £287,000) of employee remuneration expense has been included in the consolidated statement of comprehensive income. No liabilities were recognised due to share-based payment transactions.

21. Share based employee remuneration (continued)

Date option granted	Date exercisable	02-Jan-11			03-Jan-10		
		Average exercise price per share p	Options Number	Weighted average remaining contractual life Months	Average exercise price per share p	Options Number	Weighted average remaining contractual life Months
Discretionary schemes							
30-May-02	30 May 2005 – 30 May 2012	-	-	-	33.5	20,000	29.1
15-May-03	15 May 2006 – 15 May 2013	47	5,000	28.6	47	5,000	40.6
02-Jul-04	2 July 2007 – 2 July 2014	85	26,000	42.2	85	26,000	54.2
07-Mar-05	7 March 2008 – 7 March 2015	-	-	-	238.5	62,250	62.3
28-Sep-05	28 September 2008 – 28 September 2015	364	20,000	57	364	20,000	69
03-May-06	3 May 2009 – 3 May 2016	368.5	8,141	64.2	368.5	8,141	76.2
11-Jul-07	11 July 2010 – 11 July 2017	199.5	21,053	79.6	199.5	21,053	91.6
11-Sep-07	11 September 2010 – 11 September 2017	-	-	-	199.5	100,000	91.6
15-Jan-09	March 2010 - March 2012	34	833,333	3	34.0	833,333	15
15-Jan-09	March 2011 - March 2013	34	833,333	15	34.0	833,333	27
15-Jan-09	March 2012 - March 2014	34	833,334	27	34.0	833,334	39
01-May-09	March 2010 - March 2012	34	166,666	3	34.0	166,666	15
01-May-09	March 2011 - March 2013	34	166,667	15	34.0	166,667	27
01-May-09	March 2012 - March 2014	34	166,667	27	34.0	166,667	39
16-Apr-09	16 April 2012 - 16 April 2014	45	50,000	28	45.0	50,000	40
05-May-09	5 May 2012 - 5 May 2014	59.1	125,000	29	59.1	235,000	41
15-Nov-09	5 October 2012 - 5 October 2014	86	100,000	34	86.0	100,000	46
29-Sep-10	17 April 2013 - 21 September 2020	64	25,000	60	-	-	-
29-Sep-10	17 April 2014 - 21 September 2020	64	75,000	72	-	-	-
29-Sep-10	17 April 2015 - 21 September 2020	64	100,000	84	-	-	-
Total discretionary schemes			3,555,194			3,647,444	
Save As You Earn scheme							
03-Jun-05	1 August 2010 – 1 February 2011	194	15,669	1	194.0	18,734	10
08-May-06	1 July 2009 – 31 December 2009	-	-	-	278.0	6,788	-
08-May-06	1 July 2011 – 31 December 2011	278	231	9	278.0	231	21
08-May-07	1 July 2010 – 31 December 2010	178	12,417	0	178.0	13,478	9
08-May-07	1 July 2012 – 31 December 2012	178	22,628	21	178.0	22,628	33
06-May-08	1 July 2011 – 31 December 2011	162	19,375	9	162.0	27,728	27
06-May-08	1 July 2013 – 31 December 2013	162	4,420	33	162.0	4,420	51
Total Save As You Earn scheme			74,740			94,007	
Total options			3,629,934			3,741,451	

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	02-Jan-11		03-Jan-10	
	Weighted average exercise price per share p	Options Number	Weighted average exercise price per share p	Options Number
Outstanding at the beginning of the year	52.5	3,741,451	187.2	624,306
Granted	164.0	200,000	37.5	3,390,000
Lapsed	155.5	(291,305)	181.0	(257,855)
Exercised	35.0	(20,212)	59.7	(15,000)
Outstanding at end of the year	50.5	3,629,934	52.5	3,741,451
Exercisable at end of year	49.2	1,095,862	202.3	166,913

The weighted average share price at date of exercise of options exercised during the year was 194.7p (3 Jan 2010: 86.5p).

The weighted average fair value of options issued during the year was 61.8p (3 Jan 2010: 37.5p).

The fair value of options granted was determined using the Binomial valuation model. Significant inputs into the model include a weighted average share price of 160.0p (3 Jan 2010: 40.5p) at the grant date, exercise prices shown above, weighted average share price volatility of 52.62% (3 Jan 2010: 55.07%), weighted average dividend yield of 0.79% (3 Jan 2010: 1.30%), an expected option life based on the historical pattern of option exercise of between 2.5 and 5.65 years (3 Jan 2010: 3.0 and 5.25 years) and a weighted average annual risk free investment rate of 1.4% (3 Jan 2010: 2.4%).

Share price volatility was calculated as the average of annualised standard deviations of daily continuously compounded returns calculated back over 3 years from date of grant.

22. Operating lease and broadcasting service contract commitments

Group and Company

The Group and Company's future minimum operating lease and broadcasting service contract payments were as follows:

	Within 1 year £000	2 to 5 years £000	More than 5 years £000	Total £000
02 January 2011				
Lease payments	159	330	-	489
Broadcasting service contract payments	13,862	44,052	26,595	84,509
03 January 2010				
Lease payments	211	435	84	730
Broadcasting service contract payments	13,480	44,319	35,786	93,585

Ideal Shopping Direct Plc has a number of operating leases in respect of property, equipment and services which expire between 2010 and 2018

None of the operating lease agreements contain renewal or purchase options or escalation clauses or any restrictions regarding dividends, further leasing or additional debt.

Operating lease payments recognised as an expense during the period amounted to £217,000 (3 Jan 2010: £148,000).

Broadcasting service contract payments recognised as an expense during the period amounted to £13,911,000 (3 Jan 2010: £14,110,000).

No sublease income is expected as all assets held under lease agreements are used exclusively by the Group.

23. Provisions

All provisions are considered current as the timing of their settlement is not at the Group or Company's discretion.

Group	Sales returns £000	Restructuring £000	Total £000
Carrying amount at beginning of year	508	161	669
Provisions made during the year	640	-	640
Provisions (utilised) during the year	(508)	(161)	(669)
Carrying amount at end of year	640	-	640

Company	Sales returns £000	Restructuring £000	Total £000
Carrying amount at beginning of year	508	161	669
Provisions made during the year	640	-	640
Provisions (utilised) during the year	(508)	(161)	(669)
Carrying amount at end of year	640	-	640

24. Trade and other payables

	Group		Company	
	02-Jan-11 £000	03-Jan-10 £000	02-Jan-11 £000	03-Jan-10 £000
Trade payables	14,068	14,146	12,083	13,269
Other tax and social security costs	1,640	1,609	1,395	1,409
Amounts due to Group undertakings	-	-	1,751	101
Accruals and deferred income	7,906	6,223	7,712	6,223
	23,614	21,978	22,941	21,002

All amounts are short term. The carrying values are considered to be a reasonable approximation of fair value.

Notes to the consolidated financial statements

25. Related party transactions

The following transactions were carried out between Ideal Shopping Direct Plc and its subsidiary undertakings:

	02-Jan-11	03-Jan-10
	£000	£000
Purchases from Ideal Sourcing Limited	10,470	9,989
Recharges to Ideal Sourcing Limited	1,125	1,709
Purchases from Pets and Wildlife Limited	59	-
Purchases from Lead the Good Life Limited	3,790	2,229
Recharges to Lead the Good Life Limited	165	-

Lead The Good Life Limited was acquired on 18 January 2010. Paul Wright and Val Kaye are directors of both Lead The Good Life Limited and Ideal Shopping Direct Plc.

The outstanding balance of £936,103 (3 Jan 2010: £788,072 receivable) due from Ideal Shopping Direct Plc to Ideal Sourcing Limited is included in the Company statement of financial position under trade receivables and payables.

The outstanding balance of £46,648 (3 Jan 2010: £10,396 payable) due to Ideal Shopping Direct Plc from Lead the Good Life Limited is included in the Company's statement of financial position under trade receivables and payables.

The outstanding balance of £59,654 (3 Jan 2010: £Nil) due to Ideal Shopping Direct Plc from Pets and Wildlife Limited is included in the Company statement of financial position under trade receivables and payables.

Transactions with key management personnel

The key management personnel of the Group comprise the Directors, Trading Director, Craft MD, Pets MD and Head of Logistics. The details of the remuneration, long term incentive plans, shareholdings, share options and pension entitlements of individual directors are included in the Directors Remuneration Report on pages 24 to 26.

Directors of the Company and their immediate relatives control 38.08% of the ordinary shares of the Company.

During the year key management personnel compensation was as follows:

	02-Jan-11	03-Jan-10
	£000	£000
Short term employee benefits	1,745	1,629
Post employment benefits	-	-
Share based payments	218	235
	1,963	1,864

Notes to the consolidated financial statements

26. Acquisition of subsidiary

Group and Company

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

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

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

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

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

Contingent consideration

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

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

Amounts recorded in the consolidated statement of cash flows are the cash consideration of £750,000 net of the cash balance acquired of £725,000.

Identifiable assets acquired and liabilities assumed	£'000
Property, plant and equipment	449
Intangible assets (see note 11)	722
Inventories	160
Trade and other receivables	303
Cash and cash equivalents	725
Deferred tax liabilities	(161)
Trade and other payables	(1,407)
Total net identifiable assets	791

Goodwill

Goodwill has been recognised as a result of the acquisition as follows:	£'000
Total consideration transferred	6,210
Less value of identifiable assets and liabilities	(791)
Goodwill	5,419

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

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

Transactions separate from the acquisition

The Group incurred acquisition-related costs of £170,000 relating to external legal fees and due diligence costs. The legal fees and due diligence costs have been included in non underlying costs as administrative expenses in the Group's consolidated statement of comprehensive income. £164,000 of the costs were incurred during the financial period ended 3 January 2010 and £6,000 during the current period.

27. Contingent assets and other contingent liabilities

There are no material contingent assets or liabilities as at 2 January 2011 or 3 January 2010 for the Group. The company guarantees, on behalf of its subsidiary, Ideal Sourcing Limited, an amount of £250,000 in respect of a supplier contract.

28. Financial instruments**(a) Fair value of financial instruments****Trade and other receivables**

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

Trade and other payables

The fair value of trade and other payables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date if the effect is material.

Cash and cash equivalents

The fair value of cash and cash equivalents is estimated as its carrying amount where the cash is repayable on demand. Where it is not repayable on demand then the fair value is estimated at the present value of future cash flows, discounted at the market rate of interest at the statement of financial position date.

Interest-bearing borrowings

Fair value, which after initial recognition is determined for disclosure purposes only, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the balance sheet date.

Derivative financial instruments

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

The Group does not currently use interest rate swaps.

The interest rates used to discount estimated cash flows, where applicable are based on a market rate and were as follows:

	02-Jan-11	03-Jan-10
	%	%
Loans and borrowings	-	-

Fair values

The fair values for each class of financial assets and financial liabilities together with their carrying amounts shown in the statement of financial position are as follows:

Group and Company

Management have reviewed the fair values of the Group's assets and liabilities and consider these to be consistent with the carrying amounts.

A summary of financial assets and liabilities is set out below:

	Group		Company	
	02-Jan-11 £000	03-Jan-10 £000	02-Jan-11 £000	03-Jan-10 £000
Cash and cash equivalents (note 18)	14,731	13,379	13,250	13,378
Other investments (note 16)	33	-	33	-
Trade receivables (note 17)	7,317	4,003	7,005	3,569
Total financial assets	22,081	17,382	20,288	16,947
Trade payables (note 24)	14,068	14,146	12,083	13,269
Total financial liabilities measured at amortised cost, being total financial liabilities	14,068	14,146	12,083	13,269
Total financial instruments	8,013	3,236	8,205	3,678

(b) Credit risk**Financial risk management**

Credit risk is the risk of financial loss to the Group and Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

Ideal Shopping Direct Plc continuously monitors defaults of customers and other counterparties, identified either individually or by group, and incorporates this information into its credit risk controls. Where available at reasonable cost, external credit ratings and/or reports on customers and other counterparties are obtained and used. Ideal Shopping Direct Plc's policy is to deal only with creditworthy counterparties.

Ideal Shopping Direct Plc's management considers that all the above financial assets for each of the reporting dates under review are of good credit quality, including those that are past due and are not impaired.

In respect of trade and other receivables, Ideal Shopping Direct Plc is not exposed to any significant credit risk or exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure. Therefore, the maximum exposure to credit risk for the Group at the balance sheet date was £22,081,000 (3 Jan 2010: £17,382,000) being the total of the carrying amount of financial assets, excluding equity investments, shown in the table above. The maximum exposure to credit risk for the Company at the balance sheet date was £20,288,000 (3 Jan 2010: £16,947,000).

Notes to the consolidated financial statements

28. Financial instruments (continued)

Credit quality of financial assets and impairment losses

The ageing of trade receivables at the balance sheet date was:

Group	Gross	Impairment	Gross	Impairment
	02-Jan-11		03-Jan-10	
	£000	£000	£000	£000
Not past due	7,487	(303)	3,892	-
Not more than 3 months	328	(195)	375	(264)
More than 3 months but not more than 6 months	60	(60)	2	(2)
More than 6 months but not more than 1 year	64	(64)	6	(6)
More than 1 year	7	(7)	25	(25)
	7,946	(629)	4,300	(297)

Company	Gross	Impairment	Gross	Impairment
	02-Jan-11		03-Jan-10	
	£000	£000	£000	£000
Not past due	7,175	(303)	3,458	-
Not more than 3 months	328	(195)	375	(264)
More than 3 months but not more than 6 months	60	(60)	2	(2)
More than 6 months but not more than 1 year	64	(64)	6	(6)
More than 1 year	7	(7)	25	(25)
	7,634	(629)	3,866	(297)

Factors considered in determining the level of receivables impairment include the age of the debt, future plans for continued trade and management views on the likelihood of repayment.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

Group	02-Jan-11	03-Jan-10
	£000	£000
Balance at start of year	297	913
Impairment loss recognised	454	133
Impairment loss reversed	(122)	(749)
Balance at end of year	629	297

Company	02-Jan-11	03-Jan-10
	£000	£000
Balance at start of year	297	396
Impairment loss recognised	454	133
Impairment loss reversed	(122)	(232)
Balance at end of year	629	297

The allowance account for trade receivables is used to record impairment losses unless the Group or Company is satisfied that no recovery of the amount owing is possible; at that point the amounts considered irrecoverable are written off against the trade receivables directly.

c) Liquidity risk analysis

Liquidity risk is the risk that the Group and Company will not be able to meet its financial obligations as they fall due.

The Group has significant cash balances and is forecast to remain cash positive and therefore the Board does not consider the liquidity risk of the Group to be significant.

As at 2 January 2011, the Group's liabilities have contractual maturities which are summarised as follows:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	£000	£000	£000	£000
2 January 2011				
Trade payables	23,614	-	-	-
	23,614	-	-	-

This compares to the maturity of the Group's financial liabilities in the previous reporting period as follows:

	Current		Non-current	
	Within 6 months	6 to 12 months	1 to 5 years	Later than 5 years
	£000	£000	£000	£000
3 January 2010				
Trade payables	21,978	-	-	-
	21,978	-	-	-

Notes to the consolidated financial statements

28. Financial instruments (continued)

As at 2 January 2011, the Company's liabilities have contractual maturities which are summarised as follows:

	Current		Non-current	
	Within 6 months £000	6 to 12 months £000	1 to 5 years £000	Later than 5 years £000
2 January 2011				
Trade payables	22,941	-	-	-
	22,941	-	-	-

This compares to the maturity of the Company's financial liabilities in the previous reporting period as follows:

	Current		Non-current	
	Within 6 months £000	6 to 12 months £000	1 to 5 years £000	Later than 5 years £000
3 January 2010				
Trade payables	21,002	-	-	-
	21,002	-	-	-

The Group and Company contractual maturities reflect the gross cash flows, which may differ to the carrying values of the liabilities at the statement of financial position date.

(d) Market risk

Financial risk management

Market risk is the risk that changes in market prices will affect the Group's income or the value of its holdings of financial instruments.

Ideal Shopping Direct Plc is exposed to market risk through its use of financial instruments and specifically to currency risk, interest rate risk and certain other price risks, which result from both its operating and investing activities.

The Group's risk management is coordinated at its headquarters, in close co-operation with the Board of Directors, and focuses on actively securing the Group's short to medium term cash flows by minimising the exposure to financial markets.

Ideal Shopping Direct Plc does not actively engage in the trading of financial assets for speculative purposes nor does it write options. The most significant financial risks to which the Group is exposed are described in

Market risk – Foreign currency risk

The Group and Company's exposure to foreign currency risk is as follows. This is based on the carrying amount for monetary financial instruments except derivatives when it is based on notional amounts.

The Group's exposure to currency rates arise from overseas purchases, which are primarily denominated in US Dollars and Euros.

To mitigate the Group's exposure to foreign currency risk, forward exchange contracts are entered into, in accordance with the Group's risk management policy. Forward exchange contracts are mainly entered into for long-term foreign currency exposures, where there is not expected to be a further amount to offset against.

Group foreign currency denominated financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

	02-Jan-11		03-Jan-10	
	£000 US\$	£000 €	£000 US\$	£000 €
Nominal amounts				
Financial assets	661	151	16	5
Financial liabilities	(715)	(209)	-	(558)
Short term exposure	(54)	(58)	16	(553)
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
Long term exposure	-	-	-	-

Company foreign currency denominated financial assets and liabilities, translated into Sterling at the closing rate, are as follows:

	02-Jan-11		03-Jan-10	
	£000 US\$	£000 €	£000 US\$	£000 €
Nominal amounts				
Financial assets	662	104	16	5
Financial liabilities	-	(199)	-	(558)
Short term exposure	662	(95)	16	(553)
Financial assets	-	-	-	-
Financial liabilities	-	-	-	-
Long term exposure	-	-	-	-

Sensitivity analysis

The following table illustrates the sensitivity of the net result for the period and equity in regards to the Group's financial assets and financial liabilities and the US Dollar – Sterling exchange rate and the Euro – Sterling exchange rate.

It assumes a +/- 5% change of the exchange rates for the period ended at 2 January 2011 and 3 January 2010. The sensitivity analysis is based on the Group's foreign currency financial instruments held at each statement of financial position date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

Notes to the consolidated financial statements

28. Financial instruments (continued)

£ strengthens by 5%

	02-Jan-11		03-Jan-10	
	£000 US\$	£000 €	£000 US\$	£000 €
Nominal amounts				
Net result for the year	5,156	4,886	2,562	2,237
Equity	22,493	22,223	12,006	11,681

£ weakens by 5%

	02-Jan-11		03-Jan-10	
	£000 US\$	£000 €	£000 US\$	£000 €
Nominal amounts				
Net result for the year	4,270	4,540	1,652	1,976
Equity	21,607	21,877	11,096	11,421

The following table illustrates the sensitivity of the net result for the year and equity in regards to the Company's financial assets and financial liabilities and the US Dollar – Sterling exchange rate and the Euro – Sterling exchange rate.

It assumes a +/- 5% change of the exchange rates for the period ended at 2 January 2011 and 3 January 2010. The sensitivity analysis is based on the Company's foreign currency financial instruments held at each statement of financial position date and also takes into account forward exchange contracts that offset effects from changes in currency exchange rates.

£ strengthens by 5%

	02-Jan-11		03-Jan-10	
	£000 US\$	£000 €	£000 US\$	£000 €
Nominal amounts				
Net result for the year	3,105	3,222	1,918	2,006
Equity	21,018	21,135	12,164	12,252

£ weakens by 5%

	02-Jan-11		03-Jan-10	
	£000 US\$	£000 €	£000 US\$	£000 €
Nominal amounts				
Net result for the year	3,029	2,912	1,841	1,753
Equity	20,942	20,825	12,008	12,000

Market risk - interest rate risk

Profile

Ideal Shopping Direct Plc's policy is to minimise interest rate cash flow risk exposures on long-term financing. Longer-term borrowings are therefore usually at fixed rates.

The Group monitors its actual cash position on a daily basis and updates forecasts of cash and currency requirements. Surplus cash balances are invested in a fixed rate deposit account.

At the statement of financial position date the interest rate profile of the Group's interest bearing financial instruments was:

	02-Jan-11 £000	03-Jan-10 £000
Fixed rate instruments		
Financial assets	6,000	9,144
	6,000	9,144
Variable rate instruments		
Financial assets	8,731	4,235
	8,731	4,235

Sensitivity analysis

The following table illustrates the sensitivity of the net result for the year and equity to a reasonably possible change in interest rates of +1% and -1% (3 Jan 2010: +/-1%), with effect from the beginning of the year. These changes are considered to be reasonably possible based on observation of current market conditions. The calculations are based on the Group and the Company's financial instruments held at each statement of financial position date. All other variables are held constant.

	02-Jan-11		03-Jan-10	
	£000 +1%	£000 -1%	£000 +1%	£000 -1%
Nominal amounts				
Net result for the year	4,767	4,685	2,173	2,077
Equity	22,105	22,022	11,617	11,521

Notes to the consolidated financial statements

28. Financial instruments (continued)

(e) Capital management

The Group and the Company's capital management objectives are:

- To ensure the Group and Company's ability to continue as a going concern; and
- To provide an adequate return to shareholders.

These objectives are met principally by pricing products and services commensurate with the level of risk.

The Group and Company monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the statement of financial position. Capital for the reporting periods under review is summarised below.

The Group and Company sets the amount of capital in proportion to its overall financing structure, i.e. equity and financial liabilities. The Group and Company manages the capital structure and makes adjustments to it in the light of changes in economic conditions and risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group and Company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, or sell assets to reduce debt.

The Group's capital-to-overall financing ratio is calculated as follows:

	02-Jan-11 £000	03-Jan-10 £000
Total equity	22,050	11,551
- Capital and cash equivalents	(14,731)	(13,379)
Capital	7,319	(1,828)
Total equity	22,050	11,551
+ Borrowings	-	-
Overall financing	22,050	11,551
Capital-to-overall financing ratio	1:3.01	1:(6.32)

The Company's capital-to-overall financing ratio is calculated as follows:

	2011 £000	2010 £000
Total equity	20,980	12,126
- Capital and cash equivalents	(13,250)	(13,378)
Capital	7,730	(1,252)
Total equity	20,980	12,126
+ Borrowings	-	-
Overall financing	20,980	12,126
Capital-to-overall financing ratio	1:2.71	1:(9.69)

Directors and Advisers

Directors: Paul Wright (Non-executive Chairman)
Val Kaye (Non-executive Director)
Mike Hancox (Chief Executive Officer)
Ian Jebson (Finance Director)
Graham Cole (Non-executive Director)

Company Secretary: Ian Jebson

Bankers: The Royal Bank of Scotland Plc
2nd Floor
152 Silbury Boulevard
Milton Keynes
MK9 1LT

Nominated Advisers and Brokers: Fairfax I.S. PLC
46 Berkeley Square
Mayfair
London
W1J 5AT

Solicitors: Wragge & Co LLP
55 Colmore Row
Birmingham
B3 2AS

Auditors: KPMG Audit Plc
One Snowhill
Snowhill Queensway
Birmingham
B4 6GH

Registrars: Capita Registrars
Northern House
Woodsome Park
Fenay Bridge
Huddersfield
HD8 0GA

Company registration number: 01534758

Registered office: Ideal Home House
Newark Road
Peterborough
PE1 5WG

www.idealshoppingdirect.co.uk

Ideal Shopping Direct Plc
Notice of 2011 Annual General Meeting

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR
IMMEDIATE ATTENTION**

If you are in any doubt as to any aspect of the proposals referred to in the document or as to the action you should take, you should seek your own advice from a stockbroker, solicitor, accountant or other professional adviser.

If you have sold or otherwise transferred all of your shares, please pass this document together with the accompanying documents to the purchaser or transferee, or to the person who arranged the sale or transfer, so that they can pass them to the person who now holds the shares.

Notice is hereby given that an Annual General Meeting of the Company will be held at Ideal Home House, Newark Road, Peterborough PE1 5WG on Friday 1st July 2011 at 9.30 am at which the following matters will be dealt with:

Ordinary business

To consider and if thought fit pass the following resolutions as ordinary resolutions:

1. That the report of the Directors and Auditors and the Accounts for the financial year ended 2 January 2011 be received and approved.
2. That Ian Jebson, who is retiring in accordance with the Articles of Association of the Company, be re-elected as an Executive Director of the Company.
3. That Paul Wright, who is retiring in accordance with the Articles of Association of the Company, be re-elected as a Non-executive Director of the Company.
4. That KPMG Audit Plc be reappointed as auditors to the Company and that the Directors be authorised to determine the auditors' remuneration.

Special business

To consider and if thought fit pass the following resolutions of which the resolution number 5 will be proposed as an ordinary resolution and the resolutions numbered 6, 7 and 8 will be proposed as special resolutions:

5. That:
 - (a) in accordance with section 551 of the Companies Act 2006, the Directors be authorised to allot ordinary shares in the Company or grant rights to subscribe for ordinary shares or to convert any securities into shares in the Company up to a maximum nominal amount of £343,244 to such persons and on such terms as the Directors may determine; and
 - (b) this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution, or, if earlier, on 30 June 2012 unless previously renewed, varied or revoked although the Directors may exercise this authority after this date in respect of an offer or agreement made while this authority was in force; and

(c) all previous unutilised authorities under section 80 of the Companies Act 1985 shall cease to have effect (save to the extent that the same are exercisable pursuant to section 80(7) of the Companies Act 1985 by reason of any offer or agreement made prior to the date of this resolution which would or might require relevant securities to be allotted on or after that date).

6. That:

(a) Subject to the passing of resolution 5 above, and in accordance with section 570 of the Companies Act 2006, the Directors be given power to allot equity securities for cash or by way of a sale of treasury shares pursuant to the previous resolution as if section 561(1) Companies Act 2006 does not apply to the allotment;

(b) the powers under paragraph (a) shall be limited to the allotment of equity securities:

(i) where securities have been offered to holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their existing holdings of ordinary shares subject to any exclusions or other arrangements that the Directors consider necessary or expedient to deal with fractional entitlements and legal or practical problems under the law of, or the requirements of any recognized regulatory body or stock exchange in any territory ; and

(ii) having a nominal amount not exceeding in aggregate £51,487;

this authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this resolution or, if earlier, on 30 June 2012 although the Directors may exercise this authority after this date in respect of an offer or agreement made while this authority was in force; and

(c) all previous unutilised authorities under section 95 of the Companies Act shall cease to have effect.

7. That, in accordance with section 701 of the Companies Act 2006, the Company be generally and unconditionally authorised to make market purchases (within the meaning of that section 701) of ordinary shares of 1p each in the capital of the Company ('ordinary shares') provided that:

(a) the maximum aggregate number of ordinary shares authorised to be purchased is the lesser of 3,432,439 being approximately 10% of the issued ordinary share capital at 14 April 2011, and 10% of the Company's issued ordinary share capital at the date of passing of this resolution;

(b) the maximum price (not including expenses) which may be paid for each ordinary share is an amount equal to 105% of the average of the middle market quotations for an ordinary share, as derived from the London Stock Exchange Daily Official List, for the five business days immediately before the day on which the purchase is made and the amount stipulated in the Buy-Back and Stabilisation Regulation 2003; and

(c) the minimum price (not including expenses) which may be paid for each ordinary share is 3p per share.

This authority shall, unless previously varied, revoked or renewed, expire at the conclusion of the next Annual General Meeting of the Company or , if earlier, on 30 June 2012, except in relation to a purchase of ordinary shares the contract for which was concluded before such time and which will or may be executed wholly or partly after such time.

8. That a general meeting of the Company other than the Annual General Meeting may be called on not less than 14 clear days' notice.

Biographies of the Directors who are standing for appointment are set out on pages 13 & 14 and further explanation in relation to the resolutions proposed as Special Business are set out in the Directors' Report on page 19.

The Directors consider that all the resolutions put to the meeting are in the best interests of the Company and its shareholders as a whole and are most likely to promote the success of the Company and its shareholders as a whole. Your Board will be voting in favour of them and unanimously recommends that you do so as well.

By Order of the Board
IAN JEBSON
COMPANY SECRETARY
Ideal Home House
Newark Road
Peterborough
PE1 5WG

14th April 2011

Notes

1. Information regarding the meeting, including the information required by section 311A of the Companies Act 2006, is available from the Investor Information section of our corporate website www.idealshoppingdirect.co.uk
2. Pursuant to section 319A of the Companies Act 2006, the Company must cause to be answered at the Annual General Meeting any question relating to the business being dealt with at the meeting which is put by a member, except in certain circumstances, including if it is undesirable in the interests of the Company or the good order of the meeting that the question be answered or if to do would involve the disclosure of confidential information.
3. A member is entitled to appoint a proxy to exercise all or any of his rights to attend, speak and vote instead of him, using the form in this report. Only the procedures set out in these notes and the note to the proxy form can be used to appoint a proxy. A proxy need not be a member of the Company. A member may appoint more than one proxy to exercise rights attached to different shares. A member may not appoint more than one proxy to exercise rights attached to any one share. If you wish your proxy to speak on your behalf at the meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
4. The 'vote withheld' option is to enable shareholders to abstain on any particular resolution. This is not a vote in law and will not be counted in the votes 'for' or 'against' any resolution.
5. To be valid, a duly completed Form of Proxy must be sent by post, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy), to Capita Registrars, PXS, the Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU so as to arrive not later than 48 hours before the time fixed for the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used. Completion and return of a Form of Proxy will not preclude a member from attending and voting in person at the meeting.
6. To change your proxy instructions please submit a new proxy appointment in accordance with the instructions above. The appointment received last before the cut-off time and date specified above will take precedence.
7. The time by which a person must be entered on the register of members of the Company in order to have the right to attend or vote at the meeting is 6pm on the day which is two days (excluding any non-working days) before the time fixed for the meeting or the adjourned meeting. Changes to entries on the register of members after that time will be disregarded in determining the rights of any person to attend or vote at the meeting.

8. To appoint a proxy or to give or amend an instruction to a previously appointed proxy via the CREST system, the CREST message must be received by the issuer's agent (ID RA10) by 48 working hours before the time fixed for the Annual General Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message. After this time any change of instructions to a proxy appointed through CREST should be communicated to the proxy by other means.

CREST Personal Members or other CREST sponsored members and those CREST Members who have appointed voting service provider(s) should contact their CREST sponsor or voting service provider(s) for assistance with appointing proxies via CREST.

For further information on CREST procedures, limitations and system timings, please refer to the CREST Manual at www.euroclear.com/CREST. We may treat as invalid a proxy appointment sent by CREST in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

9. You may not use any electronic address provided either in this notice of annual general meeting or any related documents to communicate with the Company for any purpose other than those expressly stated.

10. Copies of the Executive Directors' service agreements with the Company, the Non-Executive Directors' terms of appointment and the register of Directors' interests will be available for inspection during normal business hours on each business day at the registered office of the Company from the date of this notice until the date of the meeting and also at the place of the meeting for 15 minutes prior to and during the meeting.

IDEAL SHOPPING DIRECT PLC
Annual General Meeting
1st July 2011
FORM OF PROXY

I/We
(FULL NAME(S) IN BLOCK CAPITALS)
of

.....
(ADDRESS IN BLOCK CAPITALS)

being member(s) of the above named Company, hereby appoint the Chairman of the meeting

or failing him as my/our proxy to vote for me/us
and on my/our behalf at the Annual General Meeting of the Company to be held at Ideal Home House, Newark Road, Peterborough,
PE1 5WG , on Friday 1st July 2011 at 9.30am.

This proxy is in respect of all of the shares registered in my name unless I have indicated a smaller number of shares in the box
below:

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For the appointment of more than one proxy please refer to Explanatory Note 2.
Please tick here if this proxy is one of multiple appointments being made

Please indicate with an "X" in the space below how you wish your vote to be cast. If the form is returned without any indication as to
how the proxy shall vote on any particular matter the proxy will vote as he or she thinks fit or abstains from voting at his or her
discretion.

Signature Date 2011

	Vote	
For	Withheld	Against

Ordinary Business

1.To receive and approve the Director's Report and the audited accounts for the period
ended 2 January 2011 and the report of the Auditors

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2.To re-elect Ian Jebson as a Director

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3. To re-elect Paul Wright as a Director

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4.To appoint KPMG Audit Plc as auditors of the Company
and to authorise the Directors to fix their remuneration

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Special Business

5.To authorise the Company to issue shares in accordance with Resolution 5 in the Notice of
Annual General Meeting

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6.Subject to passing Resolution 5 to grant authority to the Company to allot shares pursuant
to section 570 of the Companies Act 2006

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7. To authorise the purchase of ordinary shares in the Company in accordance with
Resolution 8 in the Notice of Annual General Meeting

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8. To allow a General Meeting to be held on 14 days' notice.

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Notes

1. Every holder has the right to appoint some other persons(s) of their choice, who need not be a shareholder as his proxy to exercise all or any of his rights, to attend, speak and vote on their behalf at the meeting. If you wish to appoint a person other than the Chairman, please insert the name of your chosen proxy holder in the space provided.

If the proxy is being appointed in relation to less than your full voting entitlement, please enter in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. If left blank your proxy will be deemed to be authorised in respect of your full voting entitlement (or if this proxy form has been issued in respect of a designated account for a shareholder, the full voting entitlement for that designated account.) If you wish to appoint some other person or persons please insert his/her/their name(s) and address(es), initial the insertion and strike out the words 'the Chairman of the meeting'.

2. To appoint more than one proxy, please photocopy this form, or (an) additional proxy form(s) may be obtained by contacting the Registrar's helpline on 0871 664 0300 (calls cost 10p per minute plus network extras) (+44 (0) 206 639 3399 from outside the UK). Lines are open Monday - Friday, 9am - 5.30pm. All forms must be signed and should be returned together in the same envelope.

3. Unless otherwise instructed above, the proxy will exercise his or her discretion both as to how he or she votes and as to whether or not he or she abstains from voting on any resolutions proposed at the meeting.

4. The 'vote withheld' option is to enable you to abstain on any particular resolution. This is not a vote in law and will not be counted in the votes 'for' and 'against' a particular resolution.

5. To be valid this form duly signed, together with the power of attorney or other authority (if any) under which it is signed (or a notarially certified copy of such power or authority) must be deposited at the offices of the Registrars no later than 48 hours before the time for holding the meeting.

6. In the case of a corporation this form must be under its Common Seal or otherwise executed in accordance with the Companies Act 2006 or it must be signed by an officer or attorney duly authorised in writing.

7. Any alterations to this form must be initialled.

8. In the case of joint holders only one need sign but the names of all joint holders must be stated. The vote of the senior holder who tenders a vote shall be accepted to the exclusion of the votes of the other joint holders. For this purpose seniority shall be determined by the order in which names stand in the register of members.

9. For details of how to change your proxy instructions or revoke your proxy appointment please see the notice of meeting. If you submit more than one valid proxy appointment, the appointment received last before the latest time for receipt of proxies will take precedence.

10. Shares held in uncertificated form (i.e. in CREST) may be voted through the CREST Proxy Voting Service in accordance with the procedures set out in the CREST manual.

11. You may not use any electronic address provided in this proxy form to communicate with the Company for any purposes other than those expressly stated.

