

23 September 2009

**Ideal Shopping Direct PLC**  
**(the 'Company' or the 'Group')**

**Interim Results**  
**For the 26 weeks ended 28 June 2009**

Ideal Shopping Direct Plc, the independent TV shopping and online business, today announces its interim results for the 26 weeks ended 28 June 2009.

**Financial Highlights**

- Sales revenue broadly flat at £47.4m (2008: £47.5m)
- Gross margin improved to 40.9% (2008: 38.2%)
- Underlying loss from operations reduced to £0.9m (2008: £1.2m loss)
- Loss before tax of £1.2m after exceptional items of £0.3m (2008: £1.2m)
- Basic loss per share of 4.1p (2008: 2.9p loss)
- Cash of £9.2m at 28 June 2009 (28 December 2008: £8.4m)

**Operational Highlights**

- Major strategic review with significant remedial actions to stabilise the Company
- Customer service improvements initiated
- Reduction in stock levels by 59%
- Successful broadcast trials with leading retail high street brands

**Paul Wright, Chairman, commented:**

"During the first half, we have undertaken a major strategic review and we are pleased that a number of remedial actions have been undertaken to stabilise the business. We are optimistic that we now have a solid platform from which to drive top line growth and restore profitability. Current trading in the second half is in line with management expectations with the critical last quarter performance yet to unfold."

**For further information please contact:**

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Mike Hancox, Chief Executive	
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**Notes to editors:**

Ideal Shopping Direct is one of the UK's leading home shopping retailers, selling via its TV channels and the internet. Its main channel, Ideal World, is broadcast on the rapidly expanding

Freeview platform as well as on Sky, Virgin Media and Freesat. It has three other channels on Sky, 'Ideal World 2', 'Ideal World 3' and 'Create and Craft'.

'Ideal World' offers a broad selection of general merchandise with six product categories, led by Home, Leisure and Craft along with Fashion, Health & Beauty and Jewellery. 'Ideal World 2 and 3' repeat selected shows of Ideal World and 'Create and Craft' is a niche channel selling craft products.

Ideal's transactional websites [www.idealworld.tv](http://www.idealworld.tv) and [www.createandcraft.tv](http://www.createandcraft.tv) carry a live web stream of the TV broadcasts and offer a wide selection of products sold on TV as well as web-only deals.

For more information see [www.idealshoppingdirect.tv](http://www.idealshoppingdirect.tv)

## Chairman's and Chief Executive's Review

### Introduction

The first half saw a major strategic review, following a new non-executive Board and the appointment of Finance Director, Ian Jebson, to join Mike Hancox who was appointed in November 2008. The new Board is focused and working well and a number of significant remedial actions have been undertaken to stabilise the Company. There is, however, still much to do. We are optimistic that we now have a solid platform from which to drive top line growth and restore profitability. Our initial focus was to address what had become a poor customer experience with the Company and the actions implemented so far are already bearing fruit. We now turn our attention to significantly improving our product range and promotional strategies and vigorously pursuing a true multi-channel sales offering.

### Financial Results

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

£'000's			26 weeks	26 weeks
			ended 28	ended 29
	Underlying	Exceptional	June 2009	June 2008
Sales Revenue	47,419	0	47,419	47,468
Gross Profit	19,404	0	19,404	18,117
Operating Loss	(965)	(257)	(1,222)	(1,384)
Loss from Continuing Operations	(945)	(257)	(1,202)	(1,235)

Total revenues reduced year on year by 0.1% in the first half of 2009, reflecting a robust performance against a weak retail environment. We saw strong improvements in our Home category, in particular gardening and kitchen products. There were, however, reductions in other categories that offset these increases in revenue.

Gross profit margin increased to 40.9% of sales revenue, up from 38.2% for the comparative period.

Underlying overheads were 4.5% higher at £20.4 million (2008: £19.5 million) and as a consequence the underlying operational gearing of the group rose to 43.0% from 41.1%. The main increases in operating costs were call centre costs of £0.5 million, broadcasting costs of £0.3 million, (partially driven by our new channel Ideal World 3, rebranded in July 2009) and total website and marketing costs of £0.6 million reflecting an improved presence in the market place. Staff salaries and temporary costs reduced by £0.4 million in accordance with tighter cost controls that have been implemented throughout the business.

The reported operating loss, before exceptional items, was £0.9 million compared to a loss of £1.4 million for the comparative period. Exceptional costs of £0.26 million relate to management restructuring costs together with associated legal expenses.

In July 2009, we received £157,000 in relation to a partial recovery of a lost deposit with Kaupthing Singer & Friedlander. The total deposit written off as an exceptional item in 2008 was £0.6 million. The recovery will be reported in our full year 2009 statutory accounts.

The reported loss after exceptional items before tax was £1.2 million (2008: loss £1.2 million) and basic earnings per share for the period was 4.1p loss (2008: 2.9p loss).

Despite the progress made during the first half of the year, the Board is not recommending an interim dividend (2008: 3.75p). This will be reviewed at the year end, depending on performance.

### **Inventory & Cash**

At 28 June 2009, inventory stood at £3.0m, representing a reduction of £4.3 million, 59% lower than the second half of 2008. This was achieved following a reduction in warehousing from nine units to three and passing more inventory risk to suppliers.

The closing gross cash balances were £9.2 million (H1 2008: £9.7 million). The net cash inflow of £0.8 million in the half arose from £1.4 million inflow from operating activities and outflows of £0.25 million capital expenditure, £0.2 million payment of dividends and £0.2 million from repayment of finance.

### **Bank Facilities**

On 9 April 2009 bank facilities were renewed with Barclays Bank Plc. These include a 10 year mortgage which has 5 years to maturity. The mortgage had a balance of £1.7 million at 28 June 2009 and is repayable by quarterly instalments of £0.08 million.

### **Development**

Since the beginning of the second half of the year the management team has focused on continuing to deliver initiatives that support our multi channel strategy and improve profitability.

As with any retailer, customer service is key to retaining new and existing customers and therefore we have focused our efforts on improving their overall experience. In May 2009, we appointed a new 'final mile' delivery provider, to ensure professional and efficient delivery.

Also in May, we commenced a contract with Cellcast, selling airtime between the hours of midnight and 5am on Freeview.

We have continued our successful broadcast trials with a number of leading retail high street brands allowing our customers to have access to a range of popular and diverse products. As we do not stock these products ourselves, revenue is guaranteed without the stock risk.

### **Board**

As previously announced, Graham Cole was appointed as an independent non-executive director to the PLC Board with effect from 1 July 2009. He joins our other non-executive directors, Paul Wright and Valerie Kaye who were appointed on 3 February 2009 and our executive directors, Mike Hancox and Ian Jebson who joined the Board as Finance Director on 1 March 2009.

### **Current Trading**

Trading in the first 10 weeks of the second half are in line with management expectations. However, the critical last quarter performance is yet to unfold.

Paul Wright  
Chairman  
23 September 2009

Mike Hancox  
Chief Executive

## **Independent Review Report to Ideal Shopping Direct Plc**

### **Introduction**

We have been engaged by the Company to review the condensed set of financial statements in the half-yearly report for the six months ended 28 June 2009 which comprises the Condensed Consolidated Statement of Financial Position, the Condensed Consolidated Statement of Comprehensive Income, the Condensed Consolidated Statement of Changes in Equity, the Condensed Consolidated Statement of Cashflows and the related explanatory notes. We have read the other information contained in the half-yearly report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the Company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the Company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

### **Directors' responsibilities**

The half-yearly report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly report in accordance with the AIM Rules.

The annual financial statements of the group are prepared in accordance with IFRSs as adopted by the EU. The condensed set of financial statements included in this half-yearly report has been prepared in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU.

### **Our responsibility**

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly report based on our review.

### **Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the Auditing Practices Board for use in the UK. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly report for the six months ended 28 June 2009 is not prepared, in all material respects, in accordance with the recognition and measurement requirements of IFRSs as adopted by the EU and the AIM Rules.

**S J Purkess**  
for and on behalf of KPMG Audit Plc

*Chartered Accountants*  
2 Cornwall Street  
Birmingham  
B3 2DL

23 September 2009

## Condensed consolidated statement of comprehensive income

			26 weeks ended 28-Jun-09	26 weeks ended 29-Jun-08	52 weeks ended 28-Dec-08	
	Underlying £'000 (unaudited)	Exceptional £'000 (unaudited)	Total £'000 (unaudited)	Total £'000 (unaudited)	Underlying £'000 (audited)	Total £'000 (audited)
<b>Sales revenue</b>	47,419		47,419	47,468	94,947	94,657
Cost of sales	(28,015)	-	(28,015)	(29,351)	(59,126)	(61,884)
<b>Gross profit</b>	19,404	-	19,404	18,117	35,821	32,773
Distribution costs	(2,209)	-	(2,209)	(2,134)	(4,519)	(4,519)
Administrative expenses	(18,022)	(257)	(18,279)	(17,317)	(34,842)	(41,037)
Other expenses	(138)	-	(138)	(50)	(62)	(62)
<b>Operating loss</b>	(965)	(257)	(1,222)	(1,384)	(3,602)	(12,845)
Finance costs	(24)	-	(24)	-	(643)	(643)
Finance income	44	-	44	149	267	267
<b>Loss from continuing operations before taxation</b>	(945)	(257)	(1,202)	(1,235)	(3,978)	(13,221)
Taxation	-	-	-	378	-	1,669
<b>Loss from continuing operations and for the period</b>	(945)	(257)	(1,202)	(857)	(3,978)	(11,552)
<i>Other comprehensive income:</i>						
Revaluation of property plant and equipment	-	-	-	-	-	(724)
<b>Total comprehensive income for the period attributable to owners of the Group</b>	(945)	(257)	(1,202)	(857)	(3,978)	(12,276)
<b>Earnings per share</b>						
From continuing operations:						
Basic			(4.1)p	(2.9)p		(38.9)p
Diluted			(4.0)p	(2.9)p		(38.9)p

## Condensed consolidated statement of financial position

	26 weeks ended 28-Jun-09 £'000 (unaudited)	26 weeks ended 29-Jun-08 £'000 (unaudited)	52 weeks ended 28-Dec-08 £'000 (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8,229	10,964	8,574
Intangible assets	3,065	3,225	3,302
Goodwill	-	1,523	-
Deferred tax assets	-	71	131
<b>Total non-current assets</b>	<b>11,294</b>	<b>15,783</b>	<b>12,007</b>
<b>Current assets</b>			
Inventories	2,991	7,349	3,872
Trade and other receivables	4,152	5,883	4,538
Current tax assets	-	713	1,300
Cash and cash equivalents	9,193	9,650	8,399
<b>Total current assets</b>	<b>16,336</b>	<b>23,595</b>	<b>18,109</b>
<b>Total assets</b>	<b>27,630</b>	<b>39,378</b>	<b>30,116</b>
<b>Equity</b>			
Share Capital	895	894	895
Share premium	314	310	314
Other reserves	1,754	2,657	1,666
Retained earnings	4,811	16,850	5,863
Total equity attributable to shareholders of Ideal Shopping Direct Plc	7,774	20,711	8,738
<b>Liabilities</b>			
<b>Current liabilities</b>			
Provisions	269	274	803
Trade and other payables	17,779	15,560	18,166
Borrowings	339	339	1,863
Current tax liabilities	115	-	94
Dividends payable	-	-	221
Obligations under finance leases	-	96	-
<b>Total current liabilities</b>	<b>18,502</b>	<b>16,269</b>	<b>21,147</b>
<b>Non-current liabilities</b>			
Borrowings	1,354	1,693	-
Deferred tax liabilities	-	705	131
<b>Total non-current liabilities</b>	<b>1,354</b>	<b>2,398</b>	<b>131</b>
<b>Total liabilities</b>	<b>19,856</b>	<b>18,667</b>	<b>21,278</b>
<b>Total equity and liabilities</b>	<b>27,630</b>	<b>39,378</b>	<b>30,016</b>

## Condensed consolidated statement of cashflows

	26 weeks ended 28-Jun-09 £000 (unaudited)	26 weeks ended 29-Jun-08 £000 (unaudited)	52 weeks ended 28-Dec-08 £000 (audited)
<b>Cash flows from operating activities</b>			
(Loss)/profit for the period	(1,202)	(857)	(11,552)
Depreciation	392	375	683
Amortisation of intangible assets	443	182	577
Impairment of assets	-	-	324
Loss on disposal	4	-	745
Impairment of goodwill	-	-	1,523
Equity settled share-based payment transactions	138	36	63
Income tax expense	-	(378)	(1,669)
Net finance (expense) / income	(20)	(149)	(231)
	(245)	(791)	(9,537)
Change in inventories	881	(599)	2,878
Change in trade and other receivables	386	(367)	978
Change in trade and other payables	(387)	(1,419)	1,187
Change in provisions	(534)	(175)	354
<b>Cash generated from operations</b>	<b>101</b>	<b>(3,351)</b>	<b>(4,140)</b>
Interest paid	-	-	(36)
Income tax received / (paid)	1,321	(559)	(181)
<b>Net cash flows from operating activities</b>	<b>1,422</b>	<b>(3,910)</b>	<b>(4,357)</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment	(51)	(706)	(767)
Acquisition of intangible assets	(206)	(1,094)	(1,396)
Proceeds from sale of property, plant and equipment	-	7	7
Interest received	20	149	267
<b>Net cash flows from investing activities</b>	<b>(237)</b>	<b>(1,644)</b>	<b>(1,889)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of share capital	-	2	7
Repayment of bank loans	(170)	(170)	(339)
Payment of finance lease liability	-	(213)	(309)
Dividends paid	(221)	(1,112)	(1,411)
<b>Net cash flows from financing activities</b>	<b>(391)</b>	<b>(1,493)</b>	<b>(2,052)</b>
<b>Net increase/(decrease) in cash and cash equivalents from continuing operations</b>	<b>794</b>	<b>(7,047)</b>	<b>(8,298)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>794</b>	<b>(7,047)</b>	<b>(8,298)</b>
Cash and cash equivalents at the beginning of the period	8,399	16,697	16,697
<b>Cash and cash equivalents at the end of the period</b>	<b>9,193</b>	<b>9,650</b>	<b>8,399</b>

## Condensed consolidated statement of changes in equity

<b>For the six months ended 28 June 2009</b>	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	<b>Total £000</b>
Balance at 28 December 2008	895	314	1,666	5,963	8,838
Profit / (loss) for the period	-	-	-	(1,202)	<b>(1,202)</b>
Total comprehensive income for the period	-	-	-	(1,202)	(1,202)
Share based payment transactions	-	-	88	50	<b>138</b>
Total transactions with owners	-	-	88	50	<b>138</b>
<b>Balance at 28 June 2009</b>	<b>895</b>	<b>314</b>	<b>1,754</b>	<b>4,811</b>	<b>7,774</b>

<b>For the six months ended 29 June 2008</b>	Share capital £000	Share premium £000	Other reserves £000	Retained earnings £000	<b>Total £000</b>
Balance at 30 December 2007	894	308	2,642	18,832	22,676
Profit / (loss) for the period	-	-	-	(857)	<b>(857)</b>
<i>Other comprehensive income:</i>					
Depreciation transfer on revaluation of land and buildings	-	-	(21)	0	<b>(21)</b>
Total comprehensive income for the period	-	-	(21)	(857)	(878)
Dividends to equity holders	-	-	-	(1,112)	<b>(1,112)</b>
Share based payment transactions	-	2	36	(13)	<b>25</b>
Total transactions with owners	-	2	36	(1,125)	<b>(1,087)</b>
<b>Balance at 29 June 2008</b>	<b>894</b>	<b>310</b>	<b>2,657</b>	<b>16,850</b>	<b>20,711</b>

### Notes:

#### 1. Basis of preparation

These consolidated Group interim financial statements are for the 26 weeks ended 28 June 2009. The annual consolidated financial statements of the Group have been prepared in accordance with the recognition and measurement requirements of International Financial Reporting Standards (IFRS) as adopted by the EU and under the historical cost convention, except they have been modified to include the revaluation of certain non-current assets, financial assets and liabilities. The measurement bases and the principal accounting policies of the Group are set out below.

Ideal Shopping Direct plc, a public limited company, is the group's ultimate parent. It is incorporated and domiciled in the UK. The address of Ideal Shopping Direct Plc's registered office, which is also its principal place of business;

Ideal Home House  
Newark Road  
Peterborough  
PE1 5WG

Ideal Shopping Direct Plc's shares are listed on the Alternative Investment Market of the London Stock Exchange

The financial statements set out in these statements in respect of the year to 28 December 2008 does not constitute the Company's financial statements for the year. The statutory financial statements for the year ended 28 December 2008 have been delivered to the Registrar of Companies and the auditors report thereon was unqualified and did not contain statements under section 240 of the Companies Act 1985. The financial statements for the 26 weeks ended 28 June 2009 and the 26 weeks to 29 June 2008 do not constitute statutory statements and are unaudited.

## 2. Segmental reporting

At 28 June 2009 the Group was organised into wholesale and retail business segments, both operating within the UK. Income segment results for the 26 weeks to 28 June 2009 are as follows;

<b>Continuing operations</b>	Retail £000	Wholesale £000	Eliminations £000	Total £000
<b>Revenue</b>				
- from external customers	45,972	1,447	-	47,419
- from other segments	-	4,695	(4,695)	-
	45,972	6,142	(4,695)	47,419
<b>Cost of Sales</b>	(27,600)	(5,302)	4,887	(28,015)
<b>Gross Profit</b>	18,372	840	192	19,404
Administration costs, distribution costs and other expenses	(20,168)	(458)	-	(20,626)
<b>Segment operating profit/(loss)</b>	(1,796)	382	192	(1,222)
Balance sheet segment: Assets and liabilities as at 28 June 2009 may be summarised as follows;				
<b>Segment assets</b>	26,282	1,528	(180)	27,630
<b>Segment impairment losses</b>				
Depreciation and amortisation	791	44	-	835
Impairment losses				-

Income segment results for the 26 weeks to 29 June 2008 are as follows;

**Segmental revenue and profit**

<b>Continuing operations</b>	Retail £000	Wholesale £000	Eliminations £000	Total £000
<b>Revenue</b>				
- from external customers	45,980	1,488	-	47,468
- from other segments	-	4,013	(4,013)	0
	45,980	5,501	(4,013)	47,468
<b>Cost of Sales</b>	(29,130)	(221)	4,007	(29,351)
<b>Gross Profit</b>	16,850	5,280	(6)	18,117
Administration costs, distribution costs and other expenses	(18,691)	(810)	-	(19,501)
<b>Segment operating profit/(loss)</b>	(1,841)	4,470	(6)	(1,384)

Balance sheet segment; assets and liabilities as at 28 June 2008 may be summarised as follows;

<b>Segment assets</b>	36,845	2,741	(208)	39,378
<b>Segment impairment losses</b>				
Depreciation and amortisation	(550)	(7)	-	(557)
Impairment losses	-	-	-	-

Income segment results for the 52 weeks to 30 December 2008 are as follows;

**Segmental revenue and profit**

<b>Continuing operations</b>	Retail £000	Wholesale £000	Eliminations £000	Total £000
<b>Revenue</b>				
- from external customers	91,222	3,435	-	94,657
- from other segments	-	8,728	(8,728)	0
	91,222	12,163	(8,728)	94,657
<b>Cost of Sales</b>	(60,853)	(9,590)	8,559	(61,884)
<b>Gross Profit</b>	30,369	2,573	(169)	32,773
Administration costs, distribution costs and other expenses	(43,084)	(2,534)	-	(45,618)
<b>Segment operating profit/(loss)</b>	(12,715)	39	(169)	(12,845)

Balance sheet segment; assets and liabilities as at 30 December 2008 may be summarised as follows;

<b>Segment assets/(liabilities)</b>	28,689	1,557	(130)	30,116
<b>Segment impairment losses</b>				
Depreciation and amortisation	(1,240)	(20)	-	(1,260)
Impairment losses	(1,016)	-	-	(1,016)

### 3. Share issues

During the period under review 3,280,000 share options were granted. No share options granted under the Company's share based compensation plan have been exercised.

### 4. Earnings per share

To calculate the diluted earnings per share figure, the weighted average of dilutive employee share options expected to vest have been added. The number represents management's best estimate at the balance sheet date, which is also used for calculating employee remuneration expense relating to share based payment transactions.

	26 weeks ended 28 June 2009	26 Weeks ended 29 June 2008	52 weeks ended 30 December 2008
<b>Reconciliation of average number of shares used for basic and diluted earnings per share</b>			
Weighted average number of ordinary shares used for basic earnings per share	29,669,505	29,664,102	29,665,428
Weighted average number of dilutive shares under option	143,078	273,955	30,327
<b>Weighted average number of ordinary shares for diluted earnings per share</b>	<b>29,812,583</b>	<b>29,938,057</b>	29,695,755

## 5. Exceptional items

Exceptional items during the interim period under review relate to board restructuring costs.

During the year to 28 December 2008 the following exceptional items were incurred:

	52 weeks ended 28 December 2008 £'000	52 weeks ended 28 December 2008 £'000
<i>Included in sales revenue:</i>		
Sales returns		290
<i>Included in costs of sales:</i>		
Stock write downs		2,758
<i>Included in administrative expenses:</i>		
Restructuring costs		746
Doubtful debt provisions		752
Legal and professional fees in respect of restructuring		355
Bank deposit loss		614
Write off planning permission costs (historical)	432	
Write off planning permission costs (acquired in the year)	260	
Impairment of IT system values	245	
Write off of IT expenditure (acquired in the year)	884	
Assets written off under new capitalisation policy	79	
Assets written off after physical audit	305	
Impairment of goodwill	1,523	
Asset write off's		3,728
		9,243

None of these exceptional items were incurred during the first half of 2008.

## 6. Dividends

The Directors do not propose an interim dividend for 2009 ( 2008:£519,216 (1.75p per share)). The £221,000 balance remaining on the 2008 interim dividend was paid on 29th December 2008.

## 7. Principal accounting policies

The following principal accounting policies have been applied consistently.

## **Use of estimates and judgements**

The preparation of financial statements, in conformity with adopted IFRSs, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

## **Revenue**

Revenue represents the total invoice value (which includes postage & packing), 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 dispatch 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.

## **Exceptional Items**

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the group's financial performance.

## **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.

## **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 profit. Deferred tax liabilities are provided in full, with no discounting.

Deferred tax assets are recognised to the extent that it is probable 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 balance sheet date that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or 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.

## **8. Taxation**

No tax charge has been provided for the period to 28 June 2009 as the Group has significant unrecognised losses which are considered to exceed any potential tax charge for the full year period based on current management forecasts.