

IDEAL SHOPPING DIRECT PLC

PRELIMINARY RESULTS

For the 52 weeks ended 30 December 2007

Ideal Shopping Direct Plc ("Ideal"), Britain's leading independent TV shopping and online business, today reports preliminary Group figures for 2007 (under IFRS).

Highlights

	2007 £'million	2006 £'million	Growth %
Sales	96.9	85.6	13.1%
Gross Margin	42.2%	41.3%	+86bps
Like for like underlying profit	10.7	7.4	44.6%
Profit before tax	5.8	6.1	(6.2%)
Earnings per share (basic)	13.9	15.0	(7.3%)
Dividend declared per share	5.5p	4.25p	29.4%

- 14.6% like-for-like sales increase, led by craft and leisure categories
- Sustainable cost base established with broadcast and systems infrastructure now in place
- Gross margin enhanced, in part reflecting the benefits of sourcing through Superstore
- Strong cash flow resulted in cash balances of £16.7million despite significant investment in the Group's infrastructure.
- Encouraging start to 2008 with sales +6.4% over 2007
- Uniquely positioned for further growth in digital retailing
- Agreement with BT Vision to carry video on demand content announced today

David Williams, Chairman, commented:

"I am delighted that, in a year when we have been putting in place the key foundations for our future, we have still been able to drive strong growth in sales and underlying profitability. As a digital retailer, Ideal is perfectly placed to benefit from the continuing drive towards convergence of broadcast and online media. The BT Vision contract evidences our ability to take advantage of this trend.

"This year has started well and we are confident that the investments made in 2007 position us to make good progress in 2008 and beyond."

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Chairman's statement

I am delighted to report that the Group has delivered a strong set of results for the 52 weeks ended 30 December 2007. Our overall sales growth of 13.1% at improved margins has generated a pre-tax profit of £5.8 million, resulting in earnings per share of 13.9p. Excluding exceptional items and the changes in Freeview carriage, this is equivalent to a 44.6% increase in underlying profitability. This is a particularly impressive performance when you consider that our main goal for 2007 was to put in place some of the key strategic components that will underpin our future growth: our carriage contracts with Freeview and Virgin Media, and our new IT systems.

Our main TV channel, Ideal World, can now be viewed by over 21 million households, and this will rise to almost 26 million in the next four years as the digital switchover completes, mainly via Freeview. We have secured our carriage on Freeview until 2018, and subsequent renegotiations by other channels show that we have done so at a price well below the current market rate.

Last year's replacement of our IT systems will allow us to expand the business with ever increasing efficiency, whilst responding more effectively to the needs of our customers. In particular, it facilitates significant development in our online capability in 2008, led by our new Head of eCommerce.

Our investment in Superstore, our sourcing and wholesale business, is now producing margin improvements, and we are managing working capital tightly. Our cash balances at year end were £16.7million.

As we progress towards the convergence of broadcast and online, Ideal's role as a digital retailer means that we are well positioned to build on our 2007 growth. Nonetheless, we operate in what is perhaps the fastest-paced sector of the retail market, and, since becoming Chairman, I have initiated a strategic review to ensure that we continue to maximise our opportunities in this exciting and rapidly evolving market.

Dividend

These results, together with our confidence in the business model, enable the Board to recommend a final dividend of 3.75p, which takes the total dividend for the year to 5.5p representing 29% growth over last year's dividend of 4.25p. This moves the Group onto a progressive and sustainable dividend policy for the future.

Board Changes

During the year, we have completed a restructuring of the Board in order to support the next stage of the Group's growth. Paul Wright and Val Kaye, Ideal's co-founders, stepped down as non-executive Directors in the first half, having already relinquished their executive responsibilities the previous year. Jim Hodgkinson resigned as Chairman in July 2007, and I became Chairman on that date. David Blake joined us as Finance Director, taking over from Mike Camp in July 2007. I would like to thank all of our current and previous directors for the contribution they have made to the growth and development of the Group.

Colleagues

I am extremely grateful for the hard work and dedication of the whole team in generating these strong results, in a challenging retail environment. I would like to thank all of our employees on behalf of the Board and our shareholders.

Outlook

Despite the toughening retail environment, 2008 has started well with good growth on what was a very strong start to 2007. Our sales for the first nine weeks of the new financial year are 6.4% ahead of 2007, and 27% ahead of 2006. In more difficult times, our consumers increasingly enjoy the convenience of being able to shop from their homes, and we are confident that the investments made in 2007 position us to make good progress in 2008 and beyond.”

Finance Director's Report

The Group's results for the year have been prepared under IFRS for the first time.

Financial Results

Group sales for the 52 weeks ended 30 December 2007 were £96.9million (2006 £85.6m), an increase of 13.1%, and a 14.6% increase on a like-for-like basis.

Gross margin was £40.9million (2006 £35.4million), or 42.2% of revenues (2006 41.3%), reflecting the positive combined impact of our improved sourcing and purchasing and the removal of Freeview commission, partially offset by increased promotional activity.

Overheads, excluding exceptionals, were 18.2% higher at £35.3million (2006 £29.8million), mainly due to the impact of the new carriage agreements for the extended Freeview contract and the addition of the Telewest base to the Virgin Media Group's network in January 2007. A significant portion of our overheads are contracted (Freeview, Sky, Virgin Media etc) and are subject to RPI increases, with few directly-variable costs. This means that, by driving sales, we are able to leverage the operational effects of a robust and stable cost base, and deliver strong bottom line growth. Our operational gearing (overheads as a percentage of sales) was 36.4% versus 34.8 % for 2006. However, on a comparable basis, underlying overheads increased by only 1.4% from £26.0million to £26.4million, which reflects our tight cost controls.

Reported profit before exceptionals and tax was £6.3million compared to £6.1million in the prior year; which represents a 3.0% increase. The exceptional items of £0.6million comprise Board restructuring costs (£0.4million) and the relocation of Superstore's Manchester office to Peterborough (£0.2million) during the year.

Reported profit after exceptionals before tax was £5.8million compared to £6.1million in the prior year. On a comparable basis, profit before tax was £10.7million v £7.4million which represents a 44.6% increase.

Taxation

The taxation charge for the financial year was £1.6million (2006 £1.7 m) resulting in a full year effective tax rate of 28.3% (2006 28.2%).

Earnings Per Share

Basic earnings per share (EPS) were 13.9p (2006 15.0p), with diluted EPS at 13.8p and 14.8p.

Cash Flow, Debt and Capital Structure

We finished the year strongly with £16.7million of gross cash (2006 £18.7million) following rigorous management of stock, debtors and creditors. This was after significant increases in cash outflow for tax and dividend payments, and capital expenditure on new IT systems and TV.

Stock levels increased 28% to £6.8million (2006 £5.3million), reflecting appropriate stock investment in directly-sourced own brand goods and wholesale ranges for Superstore's third party business. Although both these activities use working capital, the cost of this is more than offset by the increased margin we obtain from these products, and the Group still operates a negative working capital model.

Cash deposit rates are reviewed weekly to maximise returns on a variety of time length deposits. To minimise currency fluctuations, more than 75% of our forecast US\$ and Euro€ denominated purchases have already been forward hedged for the year.

Capital Expenditure & Revaluations

Capital expenditure for the year was £2.7million, of which £1.4million was IT-related and £0.8million was Broadcast-related. During the year, we revalued our land and buildings, resulting in an increase of £2.3million in their value, reflecting the growth in the Peterborough commercial property market.

Dividend

The Board is recommending a final dividend of 3.75p per share (2006 2.75p), giving a total dividend of 5.5p (2006 4.25p).

Subject to shareholder approval at the Annual General Meeting ('AGM') the final dividend will be paid on 27 June 2008 to shareholders on the register at the close of business on 6 June 2008.

Chief Executive's Review

Market trends

It is estimated that in 2007 the UK television shopping market generated sales of over £950 million, with annual growth of between 5% and 7%. Our market share is in excess of 10%.

Growth in the market is being driven by:

- **Growth in access to digital television**
As the analogue to digital switchover occurs, all viewers must adopt Freeview, satellite or cable television, which will automatically give them access to Ideal World and, if they do so via Sky, to our other channels.
- **Growth in internet sales**
The number of UK households with a broadband connection continues to grow rapidly, and is approaching 16 million (source: IMRG). UK Online sales are estimated to have exceeded £46 million in 2007, an increase of more than 50% in the year. As online usage grows, the profile of the online population is evolving to more closely match that of our existing customer base.
- **Growing craft market**
We estimate that the UK craft market is worth in excess of £2 billion per year at retail sales value. This market is very fragmented, and we estimate that we are amongst the top 4 players in the market, after only 5 years of operation.

Operational review

With the move onto new Freeview and Virgin contracts, and the introduction of new systems, 2007 was a year in which we put in place the foundations to underpin our future growth. The benefits of this began to be realised in the second half of the year, when we delivered like-for-like sales growth in excess of 16%. This was despite the toughening of the underlying retail market, and reflects both underlying productivity improvements and a strong promotional focus. Our like-for-like sales growth exceeded 14% for the full year, with growth in all our key categories.

During the year we have continued our strategy of focusing on the following key elements:

- Ideal World
- Create and Craft
- Superstore
- Infrastructure

Ideal World

At the start of 2007 we successfully launched the Ideal World channel onto the Telewest cable base (which, together with the former NTL cable business, is now branded Virgin Media). This added around 1.3 million new Virgin Media households which can receive our channel 24 hours a day. In addition, according to figures produced by Ofcom, through the first nine months of 2007 1.6 million additional households gained access to Freeview, and hence to our main channel, Ideal World. This means that today we broadcast into over 21.5 million homes, representing 86% of all UK households.

We have focused on three key sales tools: driving underlying productivity, better use of promotions, and continuing our programme of sourcing and developing new ranges.

Productivity has been driven by the use of our improved IT systems which give us greater analytical ability. This data enables us to more actively manage our schedules, thereby maximising sales productivity and increasing our margins. For example, with the recent trends in the retail jewellery market, coupled with the increase in gold prices, we have actively reduced the airtime given to jewellery, reducing its sales and gross margin, but enhancing sales and margin overall.

Sales by category

% sales growth

Leisure	80%
Craft	14%
Home	10%
Health & Beauty	7%
Fashion	6%
Jewellery	(11%)

In several of our categories, sales and margin benefited from our continuing focus on developing our own product brands. These include; “Simply Yoghurt” yoghurt making kits, the “Skin Naturally” skincare range, and “Flex & Soft” comfort and fashion footwear.

Our promotional programme has been highly effective, primarily utilising multibuy offers and free or discounted postage offerings. Despite these offers, we are pleased that margins have still increased.

During 2007 we brought almost 5,000 new products to air, continually refreshing our on-air offer.

This combination of driving existing ranges, over 90 new products each week, and compelling promotional offers, has combined to achieve outstanding sales results in the second half of the year, and achieve record levels of new customer acquisition. 380,000 new customers were added in 2007, with the monthly rate of acquisition increasing steadily through to the end of the year.

Create and Craft

Our second channel, Create and Craft, has a very strong brand presence in the UK craft market, which is worth in excess of £2 billion per year. This market is very fragmented, such that we are in the top four craft retailers in the UK.

The Create and Craft brand addresses the needs of regular and dedicated crafters, who prefer to buy from retailers that really understand their needs, and who can provide inspiration for their crafting projects.

Our craft offer includes live shows on Ideal World, pre-recorded shows on the “Create and Craft” channel (on Sky), a standalone retail website, a subscription-based craft club, with over 23,000 members, and a range of “Create and Craft” branded products sold on air and wholesaled to independent craft retailers.

The growth in the Create and Craft Club, from just over 10,000 members at the start of 2007, has been a key driver of our craft sales. We plan to grow this substantially in 2008.

Our craft model combines the benefits of a strong brand and a truly multichannel proposition, and the success of this approach suggests that it could be applicable to other categories in the future.

Superstore

The acquisition of Superstore in 2006 was designed to rapidly enhance our direct sourcing capability, and in 2007 we put in place the additional resources in China to support this. We now have 15 employees there who seek out products on our behalf and work “hands on” to ensure that strict quality controls are always met. Initially, the main category focus has been on craft products, but we are beginning to source for other categories too. The direct sourcing model does increase the amount of stock that we purchase on firm sale (as opposed to our more traditional ‘sale or return basis’), but it remains a single digit percentage of our business, and the small increase in stock is significantly outweighed by the enhanced margins and better quality assurance.

In May 2007, Superstore began delivering craft ranges into Wilkinsons. This complements our supply of craft products to Asda, which began in 2006. Whilst this national account business supports the volumes of our internal craft purchasing, the strategic benefits of the Superstore business remain the margin enhancement from direct sourcing and the increased reach of the “Create and Craft” brand.

Infrastructure

During the first half of the year, we completed the improvement and upgrade of our IT systems (ISIS) in order to handle significantly higher volumes in the business. This has been an important long-term project and our new platform has significantly greater data storage capacity and performance capability. We have also upgraded our automated call centre facility (IVR), to offer “upsells” to customers and allow them to trace the status of their order. Further enhancement is planned for 2008.

With the rapid growth of new business, 2008 is the year in which we must determine the longer term solution to our warehousing requirement. We have applied for planning permission to extend our current warehouse facilities, but are continuing to review this opportunity against other warehousing solutions in the first half of 2008.

New Opportunities

As previously announced, we began discussions with BT Plc last year, to become the flagship TV shopping channel on BT Vision. We are pleased to report that a formal agreement was signed in January 2008, and we expect to launch onto this new exciting IPTV platform with a video on demand offer in quarter 3 2008.

We believe that our online growth opportunity may even exceed the potential from TV shopping, and we are committed to realising this. In January 2008, we appointed a new Head of eCommerce, and have commenced a programme to overhaul our websites by the middle of this year. Already more than 20% of our sales are taken online, and we anticipate that our online sales will approach 30% of the mix by the end of this year.

In November 2007, we opened an “Ideal World” outlet store in Peterborough, enabling us to clear end of line stocks above cost prices.

Future prospects

Having put the foundations in place during 2007, we anticipate continued growth in 2008. On Ideal World, we will continue to drive the introduction of own brands and directly sourced products, so as to drive margins and increase loyalty, and we will test new categories of products and services that we believe are relevant to our customers. Our Create and Craft brand will continue to benefit from our truly multichannel approach, with increased airtime and online focus, and growth in Club membership.

In Superstore, the main focus is on doubling the volume of directly sourced merchandise for Ideal, with commensurate margin benefits. In third party sales, we are focused on driving the

efficient use of working capital in supporting our key accounts, whilst we roll out our Create and Craft branded offer to independent craft stockists.

In terms of infrastructure, we continue to develop both our IT and telephony systems. By the end of 2008 we plan to repatriate our customer service centre from India, and utilise both IVR and web to enhance our ordering and customer service capabilities.

“Convergence” of digital technologies has been referenced in the media for the last few years, but 2008 looks as if it will be the first year that it will reach some critical mass. We are perfectly placed to exploit the integration of broadcast and online media, and our launch onto the BT Vision platform later this year is a key step in our evolution as a digital retailer.

The operational gearing of the business means that growing our sales and margin produces a disproportionate benefit to profit, and with our significant investments in infrastructure now complete, we expect to drive up net margins in 2008.

Financial statements

Consolidated Income Statement

		52 weeks ended 30 December 2007 £'000	52 weeks ended 31 December 2006 £'000
	Notes		
Sales Revenue		96,871	85,638
Cost of Sales		(56,008)	(50,255)
Gross profit		40,863	35,383
Distribution costs		(3,639)	(3,027)
Administrative expenses			
Exceptional items	2	(570)	0
Other		(31,362)	(26,397)
Other expenses		(283)	(417)
Operating profit		5,009	5,542
Finance costs		(69)	(97)
Finance income		485	594
Other financial result		332	101
Profit from continuing operations		5,757	6,140
Profit from continuing operations before exceptional items		6,327	6,140
Tax expense net	3	(1,628)	(1,733)
Net profit for the period		4,129	4,407
Attributable to equity shareholders of Ideal Shopping Direct plc		4,129	4,407
Earnings per share			
Continuing operations:			
Basic	4	13.9	15.0
Diluted	4	13.8	14.8

The company has not presented its own income statement as permitted by section 230 of the Companies Act 1985. The parent company's profit attributable to shareholders amounted to £3.5m (2006: £4.8m).

Consolidated Balance Sheet

	30 December 2007	31 December 2006
	£'000	£'000
Assets		
Non-current		
Goodwill	1,523	1,523
Other intangible assets	3,083	1,510
Property, plant and equipment	9,904	9,420
Deferred tax assets	71	94
	<hr/> 14,581	<hr/> 12,547
Current		
Inventories	6,766	5,310
Trade and other receivables	5,616	2,595
Current tax assets	97	0
Cash and cash equivalents	16,697	18,684
	<hr/> 29,176	<hr/> 26,589
Total assets	<hr/> 43,757	<hr/> 39,136
Equity		
Equity attributable to shareholders of Ideal Shopping Direct Plc		
Share Capital	894	888
Share Premium	308	193
Other reserves	2,642	2,166
Retained earnings	19,423	16,496
Total equity	<hr/> 23,267	<hr/> 19,743
Liabilities		
Non-current		
Borrowings	1,863	2,202
Deferred tax liabilities	705	486
Obligations under finance leases	0	260
	<hr/> 2,568	<hr/> 2,948
Current		
Provisions	449	340
Trade and other payables	16,253	14,860
Borrowings	339	339
Current tax liabilities	572	424
Obligations under finance leases	309	482
	<hr/> 17,922	<hr/> 16,445

Total liabilities	20,490	19,393
Total equity and liabilities	43,757	39,136

Statement of changes in equity

Group statement of changes in equity: 2007

	Share Capital £'000	Share Premium £'000	Other reserves £'000	Retained earnings £'000	Total Equity £'000
1 January 2007	888	193	2,166	16,496	19,743
Revaluation of Land and Buildings	-	-	439	-	439
Deferred Tax Adjustment	-	-	-	(22)	(22)
Income taxes relating to items charged or credited to equity	-	-	(40)	-	(40)
Net income recognised directly in equity	888	193	2,565	16,474	20,120
Profit for the 52 weeks ended 30 December 2007	-	-	-	4,129	4,129
Total recognised income and expense for the period	888	193	2,565	20,603	24,249
Employee share based compensation	6	115	-	-	121
Dividends	-	-	-	(1,333)	(1,333)
Increase in Share Option Reserve	-	-	77	153	230
30 December 2007	894	308	2,642	19,423	23,267

Group statement of changes in equity: 2006

	Share Capital £'000	Share Premium £'000	Other reserves £'000	Retained earnings £'000	Total Equity £'000
1 January 2006	887	180	1,643	13,152	15,862
Revaluation of Land and Buildings	-	-	257	-	257
Income taxes relating to items charged or credited to equity	-	-	(13)	(33)	(46)
Net income recognised directly in equity	887	180	1,887	13,119	16,073
Profit for the 52 weeks ended 31 December 2006	-	-	-	4,407	4,407
Total recognised income and expense for the period	887	180	1,887	17,526	20,480
Employee share based compensation	1	13	-	-	14
Increase in share option reserve	-	-	279	-	279
Dividends	-	-	-	(1,030)	(1,030)
31 December 2006	888	193	2,166	16,496	19,743

Consolidated statement of cash flows

For the 52 weeks ended 30 December 2007

	2007	2006
	£'000	£'000
Operating activities		
Result for the period after tax	4,129	4,407
Adjustments	2,506	2,236
Change in inventories	(1,385)	159
Change in trade and other receivables	(3,021)	191
Change in trade and other payables	1,393	(550)
Change in provisions	109	(139)
Cash generated from operations	3,731	6,304
Income tax paid	(1,482)	(3,026)
Net cash from operating activities	2,249	3,278
Investing activities		
Additions to property, plant and equipment	(808)	(582)
Additions to other intangible assets	(1,860)	(450)
Acquisition of Superstore TV net of cash acquired	0	(1,720)
Interest received	485	594
Net Cash used in Investing Activities	(2,183)	(2,158)
Financing activities		
Repayment of bank loans	(339)	(337)
Discharge of finance lease liability	(433)	(543)
Interest paid	(69)	(97)
Dividends paid	(1,333)	(1,030)
Financing outflows	(2,174)	(2,007)
Proceeds from share issue	121	14
Net change in cash and cash equivalents	(1,987)	(873)
Cash and cash equivalents, beginning of period	18,684	19,557
Cash and cash equivalents, end of period	16,697	18,684

Notes

1) Basis of preparation

The financial statements set out above in respect of 30 December 2007 does not constitute statutory accounts as defined in Section 240 of the Companies Act 1985. The financial information contained in this announcement has been extracted from the 2007 financial statements upon which the auditor's opinion is unqualified and does not include any statement under Section 237 of the Companies Act 1985.

The preliminary announcement has been prepared under the historical cost convention, except it has been modified to include the revaluation of certain non-current assets, financial assets and liabilities. A policy of revaluation in respect of property has been adopted as at 30 December 2007 as the directors consider this the most appropriate policy. This policy has been applied retrospectively, and where appropriate the 2006 comparatives have been amended accordingly.

The 2007 financial statements are the first financial statements prepared by the group in accordance with accounting standards as adopted for use in the EU and as such take account of the requirements and options in IFRS 1 (First-time Adoption of International Financial Reporting Standards) as they relate to the 2006 comparatives included therein.

2) Exceptional items

The following amounts have been included in the income statement line for the reporting periods presented;

	2007	2006
	£'000	£'000
Board Restructuring Expenses	420	-
Superstore TV Limited Relocation Costs	150	-
	<u>570</u>	<u>-</u>

3) Income tax expense

The relationship between the expected tax expense based on the effective tax rate of the Group at 30% (2006: 30%) and the tax expense actually recognised in the income statement can be reconciled as follows;

	2007	2006
	£'000	£'000
Result for the year before tax	5,757	6,140
Tax rate	30%	30%
Expected tax expense	1,727	1,842
Adjustment for tax-rate differences	(29)	-
Adjustment in respect of prior periods	(14)	(86)
Other temporary differences	40	(76)
Utilisation of tax losses	(178)	-
Share options	43	16
Other non-deductible expenses	39	37
Actual tax expense, net	1,628	1,733
Comprising		
Current tax expense	1,509	1,791
Deferred tax (expense), income, resulting from the - origination and reversal of temporary differences	119	(58)
Total	1,628	1,733

4) Earnings per share and dividends

Both the basic and diluted earnings per share have been calculated using the net results attributable to shareholders of the Group as the numerator. None of the dilutive shares relate to interest or similar expense recognisable in profit or loss for 2006 or 2007.

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.

	2007	2006
	Number	Number
Reconciliation of average number of shares used for basic and diluted earnings per share		
Weighted average number of ordinary shares used for basic earnings per share	29,663,505	29,431,917
Weighted average number of dilutive shares under option	235,269	406,035
Weighted average number of ordinary shares for diluted earnings per share	29,898,774	29,837,952

During 2007 the Group paid dividends of £1,333,000 to its shareholders (2006 £1,030,035). This represents a payment of 4.50p per share (2006 3.50p per share).

The Directors propose final dividend payment of £1,112,381 (3.75p per share) resulting in a full year dividend of 5.5p for 2007. As the distribution of dividends by the Group requires approval of

the shareholders' meeting, no liability in this respect is recognised in the 2007 consolidated financial statements. No income tax consequences are expected to arise as a result of this transaction.

5) Cash flow statement

The following non-cash flow adjustments have been made to the pre-tax profit for the year to arrive at Group operating cash flow;

	2007 £ '000	2006 £ '000
Depreciation & Amortisation and impairment charges of tangible and intangible assets	1,064	721
Employee equity-settled share options	230	279
Tax expense net	1,628	1,733
Finance Income	(485)	(594)
Finance Cost	69	97
	<hr/> 2,506	<hr/> 2,236

Copies of the annual report and accounts will be posted to the shareholders in due course.

Annual General Meeting

The Annual General Meeting will be held on 7 May 2008 at 10.00 a.m. at the offices of Buchanan Communications, at 45 Moorfields, London, EC2Y9AE

Notice is sent to shareholders separately with this report.