



For immediate release

15 September 2008

Ideal Shopping Direct PLC

Interim Results

Ideal Shopping Direct Plc ("Ideal"), Britain's leading independent TV shopping and online business, today reports half year Group figures for the 26 weeks ended 29 June 2008.

KEY FINANCIALS

	H1 2008	H1 2007 (restated)	Var %
* Total Revenues	£47.5m	£46.3m	2.6%
* Gross Profit	£18.1m	£19.3m	(6.2%)
* (Loss) / Profit Before Taxation	(£1.2m)	£1.2m	
* Basic Earnings per share	(2.9p)	2.7p	
* Interim Dividend	1.75p	1.75p	

- * Key development programme underway
- * Successful website relaunch – showing strong growth in online sales
- * 9% increase in new customer acquisition
- * Craft sales up 24%
- * 19% reduction in inventory levels
- * 2006 and 2007 accounts restated to reflect accounting system adjustments totalling £0.8m

David Williams, Chairman, commented:

“We are continuing our programme of core business developments, which will improve our service across an increasingly multi channel business. The development of online is a key initiative, and we are particularly encouraged by the successful relaunch of our websites since June. Over the next few weeks, Ideal World will also benefit from further significant improvements in the ways we interact with our customers, making it easier to shop with us both by telephone and online.

Our first half results, however, reflect the well publicised consumer downturn, which has undoubtedly impacted our customer base, noticeably in sales of Homewares and Fashion.

By contrast, the first 10 weeks of the second half have seen sales 6% ahead of last year, and at a higher margin. With the programme of improvements already under way, and given

the fundamental strengths of our business, we remain confident of an improved second half. However, we will continue to manage the business on the basis that we are unlikely to see any upturn in consumer spending for some time and we currently expect our results for the full year to be no higher than 2007 (pre-adjusted figures).”

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Financial results

Total revenues grew by 2.6% in the first half of 2008, against a well-publicised deterioration in the general retail climate. Average customer spend fell by 4% compared with the first half of 2007, but, driven by a strong promotional focus, this was offset by a 9% increase in new customer acquisitions, to 211,000 in H1 2008.

Within this sales growth, we saw strong results from our Craft and Online businesses. Sales of craft products grew by 24% compared to the first half of 2007, supported by a strong increase in subscribers to the Create & Craft Club, up to 26,000 members (H1 2007: 11,000). The Ideal World website was relaunched at the end of June, and online sales grew by 10% in the half, reaching 24% of sales for the half.

Our main channel, Ideal World, saw good growth in Health & Beauty and Leisure & Technology, but this was offset by lower sales in Fashion and Homewares, and our continuing reduction in emphasis on the Jewellery category.

During the first half we discontinued our third channel, Ideal Vitality, and replaced it with "Ideal World 2", broadcasting repeats of shows from the main live channel. This has been a successful transition, and Ideal World 2 is now consistently generating daily sales in excess of Ideal Vitality. We have recently acquired a better channel position for Ideal World 2, Sky channel 651, which commenced broadcasting at the start of September and is already generating increased sales volumes.

The use of pricing and promotions to support sales and drive new customer acquisition, coupled with an increased focus on technology within the category mix, resulted in a 350 basis point reduction in gross margins, primarily in the first four months of the year. Since May 2008, trading margins have increased, and shown some improvement on the comparative period last year.

Total overheads grew by £1.1m, or 5.9%, of which £0.4m is attributable to depreciation and exchange rate variances.

Distribution costs increased by £0.4m, including £0.1m relating to our outlet store in Peterborough, which clears end of line and returned goods. With the reduction in average spend, the volume of sales increased faster than their value, and warehouse activity was 7% higher than last year. This additional volume had to be fulfilled via external facilities, resulting in distribution costs rising faster than sales.

Excluding the contracted increases in broadcast costs and the prior year exceptionals, other overheads grew by just 0.1%.

The slower sales growth and the dilution of margin resulted in loss before tax of £1.2m for the half (2007: profit before tax of £1.2m).

Post tax profit was (£0.9m) vs. £0.8m in 2007.

Inventory

At the end of the first half, inventory stood at £7.3m, a reduction of 19% over last year.

Financial Systems and Accounting adjustments

We are currently recruiting for a new Finance Director. In June, we appointed an interim FD and instigated a full review of the Group's financial systems and processes. This has

identified an understatement of liabilities in the balance sheet, which arose during the transition to our new computer systems in 2006 and 2007. The initial migration of financial systems onto the new platform took place in 2006, followed by the full transition of all other systems in June 2007.

In conjunction with Grant Thornton, Management have identified an adjustment of £0.8m before taxation that relates to the financial years 2006 and 2007. The accounts have been restated to reflect the necessary prior year adjustments of £282k and £560k respectively (before taxation). Of the 2007 adjustment, £191k relates to the first half. The adjustments affect sales and cost of sales, and the detail is identified in note 6 to these interim accounts.

Following rigorous investigation of the issue, the Board has taken action to improve processes and controls within the business and to strengthen management to prevent a recurrence of this issue.

Cash

Net cash outflow from operating activities was £3.9m (H1 2007: £3.1m). Capital expenditures were £1.8m in the half (H1 2007: £1.6m), and £1.1m was paid in dividends (H1 2007: £0.8m). Gross cash balances were £9.7m at the end of the half (H1 2007: £13.0m).

Dividend

The Board has recommended an interim dividend of 1.75p, unchanged from 2007.

Superstore

Superstore's third party sales were flat year-on-year at £1.5m. However, this is against a strong result in the comparative period which saw the launch into Wilkinsons' of our wholesale craft range, including a substantial initial stock fill of their retail chain. On a comparable basis, sales were significantly ahead of 2007, driven by the launch of the Create & Craft branded range into independent craft outlets.

Superstore's primary contribution to the business remains direct sourcing for Ideal, and it supplied 14% of Ideal's H1 product sales.

Development

We are continuing our strategy of repositioning the business to offer a more customer-focused, multichannel proposition, and, as part of that, there have been a number of key developments post the period end which will underpin second half performance:

- The Ideal World website was relaunched at the end of June, and the Create and Craft website relaunched at the start of August. Sales on both sites have increased by more than 50% since relaunch, and conversion of traffic has risen to over 8% of all visits.
- The benefit of these improvements is in evidence, with total online sales now up to 28% of total revenues. Development of our websites is continuing, and we expect our online revenues to account for almost 30% of sales by the end of the year.

- In July we completed a 12 week trial of selling some overnight Freeview airtime to Smart TV Ltd, who operate gaming services. We have now entered into a 12 month contract with Smart TV for 2 overnight hours at an enhanced hourly rate, in excess of the revenues generated from TV shopping at those times.
- At the end of July we launched a range of 50 craft video projects onto the BT Vision platform, accessible in almost 300,000 households via their video on demand service. Initial feedback on the content has been very good, and use of the service should step up as BT enhances the functionality later this year.
- We have begun the introduction of a new automated phone ordering system, which will be fully implemented by the end of September. Our existing Interactive Voice Response (IVR) system ("In First") will be replaced with a new system, allowing a faster ordering route for customers, improved service, and additional sales opportunities.
- In October, our Customer Service call centre, operated by Oceans Connect, will transfer from India back to the UK, based out of Runcorn. Whilst this increases the operating cost per call, this will be mitigated by the switch to our online and IVR routes, which will offer increased customer service capabilities in addition to a faster order channel.

Board & Staff

As previously announced, David Blake stepped down as Finance Director in June 2008, and has been replaced on an interim basis by Steve Mensforth, whilst we pursue recruitment of a permanent Finance Director.

In July, Pamela Aujla joined the Board as Commercial Director. Pamela has been with Ideal as the Head of Buying and Merchandising since January 2005 and is a welcome addition to our Board.

Outlook

The fundamental strengths of the business remain unchanged - Ideal is well placed as one of the leading digital retailers to benefit from the continuing drive towards convergence of broadcast and online media, and our business model allows us to react quickly to manage our sales plans in response to changing market conditions. With the development programme outlined above, and particularly the growing online component, the Board remains confident in our future growth potential.

The first 10 weeks of the second half show signs of improvement in both sales and margins, with turnover 6% ahead of 2007 as we move into the critical final quarter of the year.

However, we are undoubtedly operating in an uncertain retail climate, and do not believe that the consumer environment will improve significantly in the short term. This market weakness is likely to mitigate our own developments, and we currently expect our results for the full year to be no higher than 2007 (pre-adjusted figures).

Consolidated income statement
As at 29 June 2008

	26 weeks ended 29 June 2008 £'000 (unaudited)	26 weeks ended 1 July 2007 £'000 (unaudited and restated)	52 weeks ended 30 December 2007 £'000 (audited and restated)
Sales Revenue	47,468	46,289	96,631
Cost of Sales	<u>(29,351)</u>	<u>(26,940)</u>	<u>(56,228)</u>
Gross profit	18,117	19,349	40,403
Distribution costs	(2,134)	(1,731)	(3,639)
Administrative expenses			
Exceptional items	0	(274)	(570)
Other	(17,317)	(16,219)	(31,462)
Other expenses	<u>(50)</u>	<u>(188)</u>	<u>(283)</u>
Operating (loss) / profit	(1,384)	937	4,449
Finance costs	0	(42)	(69)
Finance income	149	265	817
(Loss) / profit from continuing operations	(1,235)	1,160	5,197
(Loss) / profit from continuing operations before exceptional items	(1,235)	1,434	5,767
Tax credit / (expense) net	378	(356)	(1,462)
Net (loss) / profit for the period	(857)	804	3,735
(Loss) / earnings per share			
Basic	(2.9)p	2.7p	12.6p
Diluted	(2.9)p	2.7p	12.5p

Consolidated interim balance sheet
As at 29 June 2008

	29 June 2008 £'000 (unaudited)	1 July 2007 £'000 (unaudited and restated)	30 December 2007 £'000 (audited and restated)
Assets			
Non-current			
Goodwill	1,523	1,523	1,523
Other intangible assets	3,225	2,717	3,083
Property, plant and equipment	10,964	9,587	9,904
Deferred tax assets	71	64	71
	15,783	13,891	14,581
Current			
Inventories	7,349	9,019	6,750
Trade and other receivables	5,883	3,922	5,516
Current tax assets	713	-	97
Cash and cash equivalents	9,650	13,008	16,697
	23,595	25,949	29,060
Total assets	39,378	39,840	43,641
Equity			
Equity attributable to shareholders of Ideal Shopping Direct Plc			
Share Capital	894	893	894
Share Premium	310	262	308
Other reserves	2,657	2,344	2,642
Retained earnings	16,850	16,356	18,832
Total equity	20,711	19,855	22,676
Liabilities			
Non-current			
Borrowings	1,693	2,032	1,863
Deferred tax liabilities	705	376	705
Obligations under finance leases	-	78	-
	2,398	2,486	2,568
Current			
Provisions	274	340	449
Trade and other payables	15,560	16,061	16,979
Borrowings	339	339	339
Current tax liabilities	0	345	321
Obligations under finance leases	96	414	309
	16,269	17,499	18,397
Total liabilities	18,667	19,985	20,965
Total equity and liabilities	39,378	39,840	43,641

Consolidated interim statement of changes in equity

	Share Capital £'000	Share Premium £'000	Other reserves £'000	Retained earnings £'000	Total Equity £'000
Balance at 1 January 2007 (audited)	888	193	2,166	16,496	19,743
Effect of prior year adjustment (see note 6)	-	-	-	(197)	(197)
Balance at 1 January 2007 (restated)	888	193	2,166	16,299	19,546
Revaluation of Land and Buildings	-	-	198	-	198
Deferred Tax	-	-	-	(76)	(76)
Income taxes relating to items charged or credited to equity	-	-	(20)	-	(20)
Net income recognised directly in equity	888	193	2,344	16,223	19,648
Profit for the 26 weeks ended 1 July 2007	-	-	-	804	804
Total recognised income and expense for the period	888	193	2,344	17,027	20,452
Employee share based compensation	5	69	-	-	74
Dividends	-	-	-	(814)	(814)
Increase in share option reserve	-	-	-	143	143
Balance at 1 July 2007 (unaudited and restated)	893	262	2,344	16,356	19,855
Revaluation of Land and Buildings	-	-	241	-	241
Deferred Tax	-	-	-	54	54
Income taxes relating to items charged or credited to equity	-	-	(20)	-	(20)
Net income recognised directly in equity	893	262	2,565	16,410	20,130
Profit for the 26 weeks ended 30 December 2007	-	-	-	2,931	2,931
Total recognised income and expense for the period	893	262	2,565	19,341	23,061
Employee share based compensation	1	46	-	-	47
Dividends	-	-	-	(519)	(519)
Increase in share option reserve	-	-	77	10	87

Balance at 30 December 2007 (audited and restated)	894	308	2,642	18,832	22,676
Depreciation transfer on revaluation of land and buildings	-	-	(21)	-	(21)
Net income recognised directly in equity	894	308	2,621	18,832	22,655
Loss for the 26 weeks ended 29 June 2008	-	-	-	(857)	(857)
Total recognised income and expense for the period	894	308	2,621	17,975	21,798
Employee share based compensation	-	2	-	(13)	(11)
Dividends	-	-	-	(1,112)	(1,112)
Increase in share option reserve	-	-	36	-	36
Balance at 29 June 2008 (unaudited)	894	310	2,657	16,850	20,711

Consolidated interim cash flow statement
For the 26 weeks ended 29 June 2008

	26 Weeks ended 29 June 2008 £'000 (unaudited)	26 Weeks ended 1 July 2007 £'000 (unaudited and restated)	52 Weeks ended 30 December 2007 £'000 (unaudited and restated)
Operating activities			
Result for the period after tax	(857)	804	3,735
Depreciation & amortisation and impairment charges	557	435	1,064
Employee equity-settled share options	36	143	230
Tax (credit) / expense	(378)	356	1,462
Finance Income	(149)	(265)	(485)
Finance Costs	0	42	69
Change in inventories	(599)	(3,709)	(1,369)
Change in trade and other receivables	(367)	(1,328)	(2,921)
Change in trade and other payables	(1,419)	916	1,837
Change in provisions	(175)	-	109
Cash generated from operations	(3,351)	(2,606)	3,731
Income tax paid	(559)	(523)	(1,482)
Net cash from operating activities	(3,910)	(3,129)	2,249
Investing activities			
Additions to property, plant and equipment	(706)	(939)	(808)
Additions to other intangible assets	(1,094)	(671)	(1,860)
Proceeds from sale of property, plant and equipment	7	0	0
Interest received	149	265	485
Net cash used in investing activities	(1,644)	(1,345)	(2,183)
Financing activities			
Repayment of bank loans	(170)	(170)	(339)
Discharge of finance lease liability	(213)	(250)	(433)
Interest paid	0	(42)	(69)
Dividends paid	(1,112)	(814)	(1,333)
Financing outflows	(1,495)	(1,276)	(2,174)
Proceeds from share issue	2	74	121
Net change in cash and cash equivalents	(7,047)	(5,676)	(1,987)
Cash and cash equivalents, beginning of period	16,697	18,684	18,684
Cash and cash equivalents, end of period	9,650	13,008	16,697

Notes to the consolidated interim financial statements

1 Basis of preparation

These consolidated Group interim financial statements are for the 26 weeks ended 29 June 2008. The annual consolidated financial statements of the Group have been prepared in accordance with 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 principal accounting policies of the Group are set out below.

The financial statements set out in these statements in respect of the year to 30 December 2007 does not constitute the Company's financial statements for the year. The statutory financial statements for the year ended 30 December 2007 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 29 June 2008 and the 26 weeks ended 1 July 2007 do not constitute statutory statements and are unaudited.

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 AIM Stock Exchange.

2 Segment information

At 29 June 2008 the Group was organised into wholesale and retail business segments, both operating within the UK.

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

All amounts are presented in £'000

Business segments	Retail	Wholesale	Group
Revenue			
- from external customers	45,980	1,488	47,468
- from other segments	-	-	-
	45,980	1,488	47,468
Cost of Sales	(29,130)	(221)	(29,351)
	16,850	1,267	18,117
Gross Profit			
Administration costs	(18,691)	(810)	(19,501)
	(1,841)	457	(1,384)

Balance sheet segment; assets and liabilities as at 29 June 2008 may be summarised as follows;

Segment assets	36,641	2,737	39,378
Segment impairment losses	-	-	-
Investments	-	-	-
Depreciation and amortisation	(550)	(7)	(557)
Impairment losses	-	-	-

Income segment results for the 26 weeks to 1 July 2007 are as follows;

All amounts are presented in £'000

Business segments	Retail (restated)	Wholesale (restated)	Group (restated)
Revenue			
- from external customers	44,777	1,512	46,289
- from other segments	-	-	-
	44,777	1,512	46,289
Cost of Sales	(25,947)	(993)	(26,940)
Gross Profit	18,830	519	19,349
Administration costs	(17,942)	(470)	(18,412)
Segment operating profit	888	49	937

Balance sheet segment; assets and liabilities as at 1 July 2007 may be summarised as follows;

Segment assets	35,931	3,909	39,840
Segment impairment losses	-	-	-
Investments	-	-	-
Depreciation and amortisation	(432)	(3)	(435)
Impairment losses	-	-	-

Income segment results for the 52 weeks to 30 December 2007 are as follows;

All amounts are presented in £'000

Business segments	Retail (restated)	Wholesale (restated)	Group (restated)
Revenue			
- from external customers	92,871	3,760	96,631
- from other segments	-	-	-
	92,871	3,760	96,631
Cost of Sales	(54,461)	(1,767)	(56,228)
Gross Profit	38,410	1,993	40,403
Administration costs	(34,808)	(1,146)	(35,954)
Segment operating profit	3,602	847	4,449

Balance sheet segment; assets and liabilities as at 30 December 2007 may be summarised as follows;

Segment assets	40,895	2,746	43,641
Segment impairment losses	-	-	-
Investments	-	-	-
Depreciation and amortisation	(1,055)	(9)	(1,064)
Impairment losses	-	-	-

3 Share issues

During the period under review share options granted under the Company's share based compensation plan have been exercised. These share options increased ordinary shares issued and fully paid at the end of the period under review by £436.

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 29 June 2008 Number	26 Weeks ended 1 July 2007 Number	52 weeks ended 30 December 2007 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	29,664,102	29,508,196	29,663,505
Weighted average number of dilutive shares under option	273,955	156,545	235,269
Weighted average number of ordinary shares for diluted earnings per share	<u><u>29,938,057</u></u>	<u><u>29,664,741</u></u>	<u><u>29,898,774</u></u>

5 Dividends

An interim dividend on the ordinary shares of 1.75p per share in respect of the year ended 30 December 2007 was declared on 21 September 2007 and paid on 19 October 2007.

A final dividend on the ordinary shares of 3.75p per share in respect of the year ended 30 December 2007 was declared on 4 March 2008 and paid on 27 June 2008.

6 Prior year adjustment

We are currently recruiting for a new Finance Director. In June, we appointed an interim FD and instigated a full review of the Group's financial systems and processes. This has identified an understatement of liabilities in the balance sheet, which arose during the transition to our new computer systems in 2006 and 2007. The initial migration of financial systems onto the new platform took place in 2006, followed by the full transition of all other systems in June 2007.

In conjunction with Grant Thornton, Management have identified an adjustment of £0.8m before taxation that relates to the financial years 2006 and 2007. The accounts have been restated to reflect the necessary prior year adjustments of £282k and £560k respectively (before taxation). Of the 2007 adjustment, £191k relates to the first half.

The amount of the correction for each financial statement line item affected in 2007 is as follows:

	26 weeks ended 1 July 2007 £'000	52 weeks ended 30 December 2007 £'000
Income Statement:		
Sales Revenue	(103)	(240)
Cost of Sales	(88)	(220)
Gross profit	(191)	(460)
Administrative expenses - other	0	(100)
Operating profit	(191)	(560)
Profit from continuing operations	(191)	(560)
Profit from continuing operations before exceptional items	(191)	(560)
Tax expense net	71	166
Net profit for the period	(120)	(394)
Balance Sheet:		
Current Assets		
Inventories	0	(16)
Trade and other receivables	0	(100)
Total assets	0	(116)
Retained Earnings	(317)	(591)
Total equity	(317)	(591)
Trade and other payables	473	726
Current tax liabilities	(156)	(251)
Total liabilities	317	475
Total equity and liabilities	0	(116)
Earnings per share:		
Basic (p)	(0.4)	(1.3)
Diluted (p)	(0.4)	(1.3)

The amount of the correction at 1 January 2007 (the beginning of the earliest period presented) is a £197k reduction in retained earnings.

7 Principal Accounting Policies

The preparation of financial statements, in conformity with generally accepted accounting principles under IFRS, 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.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 29 June 2008.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill.

Inter-company 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.

Restatements

As well as the prior year adjustment referred to in note 6, the restatements of the 1 July 2007 interim balance sheet and the 1 July 2007 statement of changes in equity are due to the revaluation of land and buildings in the second half of 2007, and the retrospective adoption of this policy.

Revenue

Revenue represents the total invoice value, excluding value added tax, of goods sold and services rendered during the period. 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 and for rendering of services. Provision is made for the profit on anticipated returns at fair value upon initial recognition.

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. Transactions which may give rise to exceptional items are principally gains or losses on board restructuring and relocation costs.

Goodwill

Goodwill represents the excess of the acquisition cost in a business combination over the fair value of the group's share of the identifiable net assets acquired. Goodwill is carried at cost less accumulated impairment losses.

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 the 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)	16.6%
Other intangibles (inc. trademarks)	12.5%

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

Directly attributable costs relating to software development include employee costs and an appropriate portion of 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, and
- 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 programmes in use are recognised as an expense when incurred.

Estimation of Uncertainty and Significant Judgement

Superstore TV Limited goodwill impairment review

An impairment review has been carried out on the following balances;

Goodwill £1,523,000 (As stated on group balance sheet)

The impairment review is based on a five year net present value with the following assumptions for growth of;

Market growth 2.0%
Sales price inflation 3.0%
Cost inflation 3.0%

All cash flows are nominal and pre-tax, with an estimated cost of capital rate of 18% being used.

Intangible Assets

After a due diligence review, the directors do not consider that any intangible assets met IAS 38 'Intangible assets' criteria as part of the Superstore TV Limited Business Combination.

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 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 the straight line basis, at the following rates, in order to write off the cost, 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%

Assets held under finance leases are depreciated over their expected useful economic lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

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 the 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 income statement.

Assets carried at valuation

The only class of asset that is carried at valuation is freehold land and property. Revaluation is to fair value. Fair value is determined in appraisals by external professional valuers once every three years, unless market-based factors indicate a material change in value.

Any revaluation surplus is credited to "other reserves" in equity, unless the carrying amount has previously suffered a revaluation decrease or impairment loss. To the extent that any decrease has previously been recognised in the income statement, a revaluation

increase is recognised in the income statement, with the remaining part of the increase charged to equity.

Downward revaluations are recognised upon appraisal or impairment testing, with the decrease being charged against any revaluation surplus in equity relating to this asset and any remaining decrease recognised in the income statement.

Impairment of property, plant and equipment, goodwill and intangible assets

Property, plant and equipment and intangible assets with finite useful lives are reviewed for impairment at each reporting date whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Goodwill and intangible assets with an indefinite useful life and those intangible assets not yet available for use are reviewed for impairment at least annually.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

Where we are unable to perform an impairment review at individual asset level then this is performed at cash generating unit level. Goodwill is always considered at cash generating unit level.

Leases

Finance leases

Assets financed by leasing arrangements, which transfer substantially all the risks and rewards of ownership to the lessee, are capitalised in the balance sheet at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability is shown as a finance lease obligation to the lessor.

Leasing repayments comprise both a capital and a finance element. The finance element is written off to the income statement so as to produce an approximately constant periodic rate of charge on the outstanding obligation. Such assets are depreciated over the shorter of their estimated useful lives and the period of the lease.

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 period of the lease. Lease incentives are spread over the term of the lease.

Inventories

Inventories are stated at the lower of cost and net realisable value, on a first in, first out basis.

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. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Deferred tax assets 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.

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 method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the income statement.

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.

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. Financial liabilities (eg forward exchange contracts) categorised as at fair value through profit or loss are recorded initially at fair value, all transaction costs are recognised immediately in the income statement. All other financial liabilities are recorded initially at fair value, net of direct issue costs.

Financial liabilities categorised as at fair value through profit or loss are remeasured at each reporting date at fair value, with changes in fair value being recognised in the income statement. All other 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 income statement. Finance charges, including premiums payable on settlement or redemption and direct issue costs, are charged to the income statement on an accruals basis using the effective interest 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.

Financial liabilities are categorised as at fair value through profit or loss where they are classified as held-for-trading or designated as at fair value through profit or loss on initial recognition. Financial liabilities are designated as at fair value through profit or loss where they eliminate or significantly reduce a measurement (or recognition) mismatch.

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

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

Derivative financial instruments

Derivative financial instruments comprise forward contracts for foreign currencies and are recognised at fair value. Any gain or loss on re-measurement of fair value is recognised immediately in the income statement.

Where a derivative financial instrument is used to hedge economically the foreign exchange exposure of a recognised monetary asset or liability, no hedge accounting is applied.

Foreign currencies

Transactions in foreign currencies are translated into sterling at the rate of exchange 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 balance sheet date except where there are matching contracts where the asset or liability is translated at the contracted rate, and no gain or loss results. All exchange differences subject to the above are dealt with through the income statement for the year. Sterling is the presentational currency of the group.

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.

Employee and retirement benefits

The Group operates defined contribution pension schemes. Contributions payable are charged to the income statement in the period to which they relate. These contributions

are invested separately from the group's assets.

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 that 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 balance sheet 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 income statement, 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.

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.