

IDEAL SHOPPING DIRECT PLC

2006 INTERIM RESULTS AND RENEWAL OF FREEVIEW CONTRACT

Ideal Shopping Direct Plc ("Ideal"), Britain's leading independent TV shopping business, today reports interim figures for 2006 and confirms the renewal of its carriage agreement with National Grid Wireless ("NGW") for the Freeview digital TV platform.

HIGHLIGHTS

	2006	2005	Growth
• Like-for-like turnover	£40.7m	£37.0m	10.1%
• Like-for-like profit before taxation	£4.0m	£3.7m	8.3%
• Profit before taxation	£2.5m	£3.6m	(30.0)%
• Basic Earnings per share	6.0p	8.5p	(29.7)%
• Interim dividend	1.5p	1.0p	50.0%
• Cash (net of borrowings)	£12.9m	£13.4m	(3.7)%

- Strong core business sales growth
- Profit impacted by one off costs of £1.3m in the period and £0.2m due to the implementation of FRS 20 (2005: £0.1m)
- Underperforming Jewellery Vault channel closed in July
- Completion of first acquisition, Superstore TV Ltd, in May
- Freeview contract successfully renegotiated and extended
- Interim dividend increased by 50%

FREEVIEW

Ideal's contract with NGW for the Freeview digital TV platform, which ran until 2014, provided for a price review effective October 2008. Ideal have now agreed a revised contract with NGW to secure Ideal's position on Freeview until 2018. The revised fee from January 2007 will increase with the RPI. In the short term the impact of this change means that profits in 2007 may be below those for 2006, but this renegotiation will result in very significant savings compared to expectations from 2009 onwards.

Jim Hodkinson, Chairman, commented:

"The Freeview platform remains the biggest engine of Ideal's growth, and with the number of Freeview households expected to exceed 12m by 2012, I am delighted that we have been able to agree a revised contract that now extends to 2018.

Our interim results show robust organic sales growth. We continue to be an innovative and fast paced company with a track record of developing and launching new propositions. Whilst we were disappointed that Jewellery Vault did not meet our expectations, necessitating its prompt closure, we remain committed to investing in the development of new profit streams, both organically and by acquisition, as evidenced by our first acquisition, Superstore TV Ltd."

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PERFORMANCE

Sales for the 26 weeks to July 2nd 2006 were £42.3 million, an increase of 14.3% compared to the first half of 2005. On a like-for-like basis, excluding Jewellery Vault, Superstore TV and the two additional days in the 26 week accounting period, sales were up 10.1%.

Our principal channel, Ideal World, achieved continuing strong growth in turnover, led by the Fashion and Homewares categories. Create and Craft, our specialist craft and hobby channel, together with the related website, saw further strong growth helped by the Create and Craft Club, which encourages online sales via a discount. Ideal Vitality, our niche Health, Beauty and Fitness channel had a difficult six months under an increasing regulatory burden, and turnover was down year on year.

Excluding Jewellery Vault, core business gross margins were down 1.2% on the first half of last year, due to a combination of the sales mix and the growth of sales both on the Freeview platform and online, which incur sales commissions. The online sales commission arrangement will terminate with the implementation our new core systems platform, which is under test.

Over the last year Ideal has invested significantly in upgrading the capacity and capability of the business in the areas of logistics, buying, e-commerce, direct marketing, compliance and business development. This has been necessary both to service a rapidly growing business and to meet our strategic ambitions for continued growth. The annualisation of these investments has seen continuing core operating costs (excluding FRS 20 costs, Superstore and iChild) increase by 8.4% over 2005.

Like for like operating profit is up by £0.2m to £3.7m, and on a similar basis profit before tax is up 8.3% to £4.0m.

The Jewellery Vault channel, which sold jewellery via a falling-price auction model, launched in July 2005. In its first six months of trading it incurred an operating loss of approximately £0.5m. The channel's performance did not improve in the first half of this year and in an increasingly crowded market it did not achieve the critical mass required to reach profitability. We therefore decided to act promptly to stem continuing losses, closing the channel with effect from July 16th. In the period under review it incurred losses of £0.8m and additional closure costs of £0.4m on sales of £1.2m.

After the losses incurred on Jewellery Vault, £0.1m of other non recurring costs and £0.2m of costs resulting from the implementation of FRS 20, reported profit before tax was £2.5m (2005: £3.6m).

The implementation of FRS 20 ("Share Based Payments") is discussed in the "Prior year adjustment" note to the Consolidated profit and loss accounts below. The standard requires that the estimated fair value of share option grants be expensed through the Profit and Loss account in the period from grant to exercise.

Net cash balances were £12.9m after investing £1.6m in the acquisition of Superstore TV Ltd and a further £0.6m in working capital finance for that business. Excluding these cashflows, net cash inflow from

operating activities for the half was £0.6m and capital expenditure was £0.5m. With brought forward trading losses now exhausted, Ideal will start making Corporation Tax payments in the second half of 2006.

The continuing progress of the business has encouraged the Board to recommend an interim dividend of 1.5p per ordinary share (2005: 1.0p), to be paid on 20th October 2006 to shareholders on the register on 22nd September 2006.

SUPERSTORE

Ideal acquired Superstore, a consumer products sourcing and wholesaling business, with effect from 31st May this year. In the five weeks post acquisition it contributed £0.1m of turnover and a small operating loss. The process of securing the synergy opportunities from Superstore's sourcing and buying capability in the Far East is underway with expected margin improvements in 2007, in parallel with Superstore's development of its wholesale craft proposition to multiple retailers.

FREEVIEW

A renewed contract for the broadcast of Ideal World on Freeview will come into effect from January 1st 2007. The terms of the agreement are contractually confidential, but Ideal can confirm that:

- The previous pricing structure, under which Ideal paid both a commission on sales and a fixed annual fee, has been simplified to a fixed fee which rises with the RPI
- The contract extends to 2018, contingent on the renewal of NGW's Ofcom licence for Freeview in 2014.

The new fee will be higher than that paid in 2006, but significantly below estimates of what could have been payable at the review in 2008. In the short term the impact of this change means that profits in 2007 may be below those for 2006. However, this renegotiation has achieved certainty of availability to the rapidly growing Freeview audience and will result in very significant savings compared to expectations from 2009 onwards. The Ofcom reported DTT (Freeview) audience has grown from 3.5m households in the first quarter of 2004 to 7.1m households in the first quarter of 2006, and is expected to exceed 12m households by the time the analogue signal is switched off in 2012.

DEVELOPMENT

We believe that considerable growth opportunities exist to enhance the core business proposition, for example by developing own label ranges and by improving the overall service delivery to customers. Well publicised trials with Next brought high profile branded products to Ideal World, and further tests are to be undertaken with N Brown products.

We are accelerating the development of our on-line business by investing in our e-commerce and business development capabilities. We are particularly pleased by the continuing growth in subscriptions to the Create and Craft Club, which was supported by the launch of a CD-based version of the on-line magazine in July. We are committed to developing and trialling new online revenue streams, in particular where our broadcast capabilities can be utilised to add video content.

We have also added a wholesale craft business with the acquisition of Superstore at the beginning of June, and plan to develop wholesale propositions for both multiple and independent craft retailers to service this rapidly growing market.

In addition to our organic development plans, we recognise that acquisition may be the quickest way to enter new segments and are actively reviewing opportunities.

OUTLOOK

Despite the unusually hot weather and the distractions of the World Cup in July, Ideal's core business has continued to show healthy like-for-like growth of 7.5% in the first 8 weeks of the second half. We anticipate that Freeview and on-line sales will continue to be the key drivers of growth for the rest of the year, and we believe that we can continue to improve our service proposition without significant additions to costs.

Superstore TV, acquired at the end of May, is in the early stages of its integration and development, and we do not therefore expect it to make a contribution to earnings this year.

Ideal operates in a dynamic segment of the retail market and the Board remain confident about its opportunities and prospects.

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Consolidated Profit and Loss Accounts

	26 weeks to 2nd July 2006 £000 (Unaudited)	Six months to 30 June 2005 £000 (Restated) (Unaudited)	Year to 31 December 2005 £000 (Restated) (Audited)
Turnover	42,272	36,977	79,191
Cost of Sales	(25,008)	(21,114)	(45,822)
Gross Profit	17,264	15,863	33,369
Administration and Distribution costs	(14,577)	(12,471)	(26,569)
Profit before exceptional items	2,687	3,392	6,800
Exceptional item (Note 2)	(430)	0	0
Operating profit	2,257	3,392	6,800
Net Interest	253	193	389
Profit on ordinary activities before tax	2,510	3,585	7,189
Tax on profit on ordinary activities	(752)	(1,098)	(2,250)
Retained profit transferred to reserves	1,758	2,487	4,939
Basic earnings per share (Note 3)	6.0	8.5	16.8
Diluted earnings per share (Note 3)	5.9	8.3	16.5

There were no recognised gains or losses other than the profits of the 26 weeks ended 2nd July 2006

Prior year adjustment

During the period the company adopted FRS 20. Under the new standard share options are expensed during the vesting period, and this has resulted in a restatement of comparative figures. In the current period, £154,008 has been expensed. The comparative figures for the period ended 30 June 2005 was £74,972; and for the period ended 31 December 2005, £214,577. Opening reserves in the comparative year have been reduced by £28,988.

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Consolidated Balance Sheets

	2nd July 2006 £000 (Unaudited)	30th June 2005 £000 (Restated) (Unaudited)	31st December 2005 £000 (Restated) (Audited)
Fixed assets			
Tangible assets	8,979	7,784	8,794
Intangible assets	1,627		
	<u>10,606</u>	<u>7,784</u>	<u>8,794</u>
Current assets			
Stock	5,359	6,051	5,254
Debtors: amounts falling due within one year	2,454	1,184	2,208
Current asset investment - Treasury Deposit		10,000	
Cash	16,631	7,078	19,557
	<u>24,444</u>	<u>24,313</u>	<u>27,019</u>
Creditors: amounts falling due within one year	(15,668)	(16,454)	(17,295)
Net current assets	<u>8,776</u>	<u>7,859</u>	<u>9,724</u>
Total assets less current liabilities	19,382	15,643	18,518
Creditors: amounts falling due after more than one year	(2,844)	(3,038)	(3,294)
Provisions for liabilities and charges	(734)	(773)	(757)
Net Assets	<u>15,804</u>	<u>11,832</u>	<u>14,467</u>
Capital & Reserves			
Called up share capital	888	883	887
Share premium account	191	139	180
Share option reserve	398	104	244
Profit & loss account	14,327	10,706	13,156
Shareholders' funds (Note 4)	<u>15,804</u>	<u>11,832</u>	<u>14,467</u>

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Consolidated Cash Flow Statements

	26 weeks to 2nd July 2006 £000 (Unaudited)	Six months to 30 June 2005 £000 (Unaudited)	Year to 31 December 2005 £000 (Audited)
Net Cash flow from operating activities (Note 5)	40	3,495	6,913
Returns on Investments and Servicing of Finance			
Interest received	308	245	506
Interest paid	(15)	(22)	
Finance lease interest paid	(40)	(30)	(117)
Net cash inflow/(outflow) from returns on investments and servicing on finance	253	193	389
Capital Expenditure			
Purchase of tangible fixed assets	(549)	(372)	(897)
Sale of tangible fixed assets			5
Net cash outflow from capital expenditure	(549)	(372)	(892)
Acquisitions & Disposals			
Purchase of subsidiary undertaking	(597)		
Repayment of acquired company loans	(1,050)		
Net cash outflow from acquisitions and disposals	(1,647)	0	0
Financing			
Issue of shares	13	56	101
Repayment of borrowings	(167)	(169)	(339)
Capital element of finance lease payments	(282)	(350)	(546)
Net Cash outflow from financing	(436)	(463)	(784)
Equity Dividend paid	(588)	(292)	(586)
Management of liquid resources			
Purchase of short term deposits		(10,000)	
(Decrease)/Increase in Cash	(2,927)	(7,439)	5,040

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Notes to the interim financial information

Note 1 Basis of preparation

The interim financial information has been prepared on the basis of the accounting policies set out in the Company's 2005 statutory financial statements, except for the changes resulting from the adoption of FRS20 ("share based payments"), as disclosed above in the "Prior Year Adjustment" note to the Consolidated Profit and Loss Accounts.

The financial information set out in these statements in respect of the year to 31 December 2005 does not constitute the Company's financial statements for that year. The statutory financial statements for the year ended 31 December 2005 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 2 July 2006 and the six months ended 30 June 2005 are unaudited.

Note 2 Exceptional item

Separately disclosed within operating profit is the cost of closure of the Jewellery Vault channel of £430,000. The decision to close this channel was announced in June, and broadcasting ceased on July 16th.

Note 3 Earnings per ordinary share

The calculation of earnings per share is based on the profits attributable to ordinary shareholders divided by the weighted average number of shares in issue during the period. The weighted average number of shares is increased by outstanding share options in order to calculate diluted earnings per share.

	Earnings attributable to ordinary shareholders £	Weighted average number of shares	Earnings per share (pence)
26 weeks ended 30 June 2006			
Basic	1,758,000	29,423,846	6.0
Dilutive effect of securities: options		543,830	(0.1)
Diluted	1,758,000	29,967,675	5.9

	Earnings attributable to ordinary shareholders £	Weighted average number of shares	Earnings per share (pence)
Six months ended 30 June 2005			
Basic	2,487,000	29,276,043	8.5
Dilutive effect of securities: options		667,103	(0.2)
Diluted	2,487,000	29,943,146	8.3

	Earnings attributable to ordinary shareholders £	Weighted average number of shares	Earnings per share (pence)
Year ended 31 December 2005			
Basic	4,939,000	29,315,129	16.8
Dilutive effect of securities: options		535,381	(0.3)
Diluted	4,939,000	29,850,510	16.5

Note 4

Reconciliation of movements in Shareholders' funds

	26 weeks to 2nd July 2006 £000	Six months to 30 June 2005 £000	Year to 31 December 2005 £000
Profit for the period	1,758	2,487	4,939
Equity dividends paid	(588)	(292)	(586)
	<hr/> 1,170	<hr/> 2,195	<hr/> 4,353
Issue of shares in the period	13	56	101
	<hr/> 1,183	<hr/> 2,251	<hr/> 4,454
Net increase in shareholders' funds	1,183	2,251	4,454
Shareholders' funds at start of period	14,467	9,506	9,506
Current period FRS20 adjustment	154		
Prior year adjustment - FRS20		75	215
Prior year adjustment - FRS21			292
	<hr/> 15,804	<hr/> 11,832	<hr/> 14,467
Shareholders' funds at end of period	15,804	11,832	14,467

Note 5

Net cash inflow from operating activities

	26 weeks to 2nd July 2006 £000	Six months to 30 June 2005 £000	Year to 31 December 2005 £000
Operating profit	2,257	3,392	6,800
Depreciation	376	496	861
(Increase)/decrease in stocks	109	(2,222)	(1,425)
(Increase)/decrease in debtors	475	(108)	(1,132)
Increase/(decrease) in creditors	(3,331)	1,862	1,594
Transfer to share option reserve	154	75	215
	<hr/> 40	<hr/> 3,495	<hr/> 6,913
Net cash inflow from operating activities	40	3,495	6,913

Note 6

Reconciliation of net cash flow to movement in net funds

	26 weeks to 2nd July 2006 £000	Six months to 30 June 2005 £000	Year to 31 December 2005 £000
(Decrease)/increase in cash in the period	(2,927)	(7,439)	5,040
Cash outflow/(inflow) from financing	167	169	339
Cash outflow from finance leases	282	350	546
Cash outflow from Treasury Deposits		10,000	
Change in net funds resulting from cash flows	(2,478)	3,080	5,925
Inception of finance leases			(855)
Movement in net funds in the period	(2,478)	3,080	5,070
Net funds at start of period	15,394	10,324	10,324
Net funds at end of period	12,916	13,404	15,394

Note 7

Analysis of changes in net funds

	At 1 January 2006 £000	Cash flow £000	At 30 June 2006 £000
Cash in hand and at bank	19,557	(2,927)	16,630
Debt	(2,879)	167	(2,712)
Finance leases	(1,284)	282	(1,002)
	15,394	(2,478)	12,916