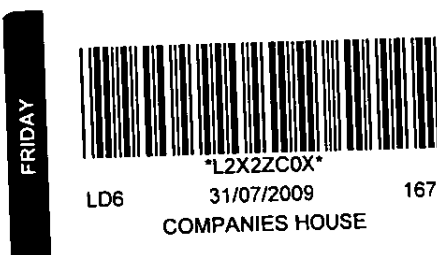


**I S DIRECT LIMITED**

**Financial Statements**

**For the period ended 31 December 2008**



Montpelier Chartered Accountants  
Montpelier Professional (Leeds) Limited  
Sanderson House  
Station Road  
Horsforth  
Leeds  
LS18 5NT

# **I S DIRECT LIMITED**

## **Financial statements for the period ended 31 December 2008**

---

<b>Contents</b>	<b>Pages</b>
Directors, officers and advisers	1
Directors' report	2-3
Independent Auditors' report	4
Profit and loss account	5
Balance sheet	6
Notes to the financial statements	7-10
Detailed profit and loss account (unaudited)	11

# **I S DIRECT LIMITED**

## **Directors, officers and advisers**

---

### **Directors**

B Hersh  
S E Hersh

### **Company secretary**

S E Hersh

### **Registered number**

03900537

### **Registered office**

The Studio, East Batterlaw Farm  
Hawthorn  
Seaham  
Co Durham  
SR7 8RP

### **Auditors**

Tenon Audit Limited  
Registered Auditors  
Highfield Court  
Tollgate  
Chandlers Ford  
Eastleigh  
Hampshire  
SO53 3TY

### **Accountants**

Montpelier Chartered Accountants  
Montpelier Professional (Leeds) Limited  
Sanderson House  
Station Road  
Horsforth  
Leeds  
LS18 5NT

### **Principal bankers**

HSBC Bank plc  
47 Market Street  
Bradford  
West Yorkshire  
BD1 1LW

# **IS DIRECT LIMITED**

## **Directors' report for the period ended 31 December 2008**

---

The directors present their report and the financial statements of the company for the period ended 31 December 2008.

### **Principal activities and business review**

The principal activity of the company is the sourcing and marketing of innovative business-to-business software solutions with particular emphasis on networks.

IS Direct, as agent for its holding company, has negotiated distribution rights (without acquiring the intellectual property rights) for ZENmetrics and Scan ITT. These are sophisticated "Network Discovery" tools, allowing the user to identify the hardware connected to a network and the software running on it. During the period the company has continued to invest in the development of these products but as yet is not in a position to bring to market, and subsequent to the year end has deferred further development for the short term, as a result of prevailing economic conditions.

Innovative Software Direct Plc acquired the Powerdial group of companies in December 2007. Following the acquisition, it extended its own accounting period and that of the company to December 2008 so as to align the year ends with what are now the group's principal operating subsidiaries.

### **Results and dividends**

The results for the period are shown on the profit and loss account on page 6. The loss for the period after taxation was £214,970.

No dividends were paid during the period.

### **Financial risk management objectives and policies**

The company's operations expose it to a variety of financial risks that include the effects of changes in credit, liquidity and interest rate risk. The company, in conjunction with the parent company, has in place a risk management programme that seeks to limit the adverse effects on the financial performance of the company by monitoring levels of debt finance and the related finance costs. The company does not use derivative financial instruments to manage interest rate costs and as such no hedge accounting is applied.

Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the board. The policies set out by the board and agreed with the parent company are implemented by the company's finance department.

### **Credit risk**

The company has implemented policies that require appropriate credit checks on customers before sales are made.

### **Liquidity risk**

The company currently has no requirements for debt finance but maintains sufficient funds for operations.

### **Interest rate cash flow risk**

The company has interest bearing assets in the form of cash balances and overdrafts.

### **Directors**

The directors who served during the period were:

B Hersh  
S E Hersh (Appointed 2 January 2008)  
M H Tovey (Resigned 31 August 2007)

The company is a wholly owned subsidiary and the interest of the group directors are disclosed in the financial statements of the parent company where necessary.

According to the register required to be kept under Section 325 of the Companies Act 1985, no director held any interest in shares in the company at any time during the year. As permitted by statutory instrument, the directors are exempt from notifying the company of interest in shares in the ultimate parent undertaking, which is incorporated in England and Wales.

## IS DIRECT LIMITED

### Directors' report for the period ended 31 December 2008 (continued)

---

#### Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act. It is also their responsibility to safeguard the assets of the company and hence to take reasonable steps to prevent and detect fraud and other irregularities.

#### Disclosure of information to auditors

To the knowledge and belief of the directors, there is no relevant information that the company's auditors are not aware of, and the directors have taken all the steps necessary to ensure the directors are aware of any relevant information, and to establish that the company's auditors are aware of the information.

#### Auditors

Morris Palmer Limited resigned as auditors on 15 April 2008. Tenon Audit Limited were appointed as auditors on 22 April 2008. A resolution to re-appoint Tenon Audit Limited as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 489 of the Companies Act 2006.

#### Signed on behalf of the board

B HERSH

*Benny Hersh*  
Approved by the Board on ..... 28 July 2009

# **I S DIRECT LIMITED**

## **Independent auditors' report to the shareholders of I S Direct Limited**

We have audited the financial statements of I S Direct Limited on pages 5 to 10 for the period ended 31 December 2008. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of directors and auditor**

As described in the statement of directors' responsibilities on page 3 the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

### **Basis of audit opinion**

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

### **OPINION**

In our opinion:

- The financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2008 and of its loss for the period then ended;
- The financial statements have been properly prepared in accordance with the Companies Act 1985; and
- The information given in the Directors' Report is consistent with the financial statements.

### **Emphasis of matter – going concern**

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosures made in note 1 concerning the company's ability to continue as a going concern. The company incurred a net loss of £214,970 during the period ended 31 December 2008 and at that date the company had net liabilities of £705,662. Although there is continued support by its parent company, the financial statements indicated the existence of a material uncertainty which could cast doubt about the company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

  
Tenon Audit Limited  
Registered Auditor  
Highfield Court  
Tollgate  
Chandlers Ford  
Eastleigh  
Hampshire  
SO53 3TY

Date:- 31 July 2009

**I S DIRECT LIMITED****Profit and loss account for the period ended 31 December 2008**

	Notes	01/07/2007 to 31/12/2008	Year to 30/06/2007
		£	£
Turnover	2	-	1,340
Cost of sales		96,422	1,490
Gross loss		(96,422)	(150)
Distribution costs		120	2,545
Administrative expenses		123,673	47,935
		123,793	50,480
Other operating income	13	5,245	-
Operating loss	3	(214,970)	(50,630)
Taxation on loss on ordinary activities	5	-	-
Loss for the financial period		(214,970)	(50,630)

None of the company's activities were acquired or discontinued during the above two years.

There were no recognised gains nor losses other than those included in the profit and loss account.

The notes on pages 7 to 10 form part of these financial statements.

# IS DIRECT LIMITED

## Balance sheet at 31 December 2008

		31/12/2008		30/06/2007	
		£	£	£	£
<b>Current assets</b>					
Debtors	6	8,039		1,156	
Cash at bank and in hand		77		77	
		8,116		1,233	
<b>Creditors: amounts falling due within one year</b>	7	(713,778)		(491,925)	
<b>Net current liabilities</b>			(705,662)		(490,692)
<b>Current liabilities less total assets</b>			(705,662)		(490,692)
<b>Capital and reserves</b>					
Called up share capital	8	805,002		805,002	
Deficit on profit and loss account	9	(1,510,664)		(1,295,694)	
<b>Shareholders' funds</b>	10		(705,662)		(490,692)

Approved by the board of directors on 28 July 2009 and signed on its behalf.

Benny Hersch B Hersch - Director

The notes on pages 7 to 10 form part of these financial statements.



**1 Accounting policies**
**a) Going concern**

The company is dependent on the financial support of its parent company to continue trading. Innovative Software Direct plc and its directors have confirmed their intention to provide sufficient funds to enable the company to continue for a period of at least 12 months. Since the year end the company has not incurred any significant costs and does not anticipate doing so for the foreseeable future. On this basis the directors consider it appropriate to prepare the financial statements on the going concern basis.

**b) Basis of accounting**

The financial statements are prepared on the historical cost basis of accounting and have been prepared in accordance with applicable accounting standards.

The company has taken advantage of the exemption, conferred by Financial Reporting Standard 1, from presenting a cash flow statement, as a consolidated cash flow statement is included in the financial statements of the parent undertaking, Innovative Software Direct plc.

**c) Turnover**

Turnover represents the amount derived from the provision of goods and services during the year (exclusive of value added tax).

Turnover is recognised on the transfer of the risks and rewards of ownership, usually upon the receipt of goods and services by customers.

**d) Deferred taxation**

Deferred tax arises as a result of including items of income and expenditure in taxation computations in periods different from those in which they are included in the company's accounts. Deferred tax is provided in full on timing differences which result in an obligation to pay more (or less) tax at a future date, at the average tax rates that are expected to apply when timing differences reverse, based on current tax rates and laws.

**e) Foreign currency translation**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

**f) Leased assets and obligations**

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leasing"), the assets are treated as if they had been purchased outright. The amounts capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as obligations to the lessor. Lease payments are treated as consisting of capital and interest elements, and interest charged to the profit and loss account in proportion to the remaining balance outstanding. All other leases are "operating leases" and the annual rentals are charged to the profit and loss on a straight line basis over the lease term.

**g) Financial instruments**

The group does not trade in financial derivatives. Income and expenditure arising on financial instruments is recognised on an accruals basis and taken to the profit and loss account in the period it relates. Financial assets are recognised in the balance sheet at the lower of cost and net realisable value and provision is made for any diminution in value.

**2 Turnover**

Turnover arises from the principal activities of the company and originates wholly within the United Kingdom.

**3 Loss on ordinary activities before taxation**

This is stated after charging/(crediting):

	01/07/2007 to 31/12/2008	Year to 30/06/2007
	£	£
Directors' emoluments	-	-
Auditors' remuneration - Audit fee	2,295	3,750
Operating lease rentals - other assets	4,554	1,448

# IS DIRECT LIMITED

## Notes to the financial statements for the period ended 31 December 2008 (continued)

### 4 Employee Information

	01/07/2007 to 31/12/2008	Year to 30/06/2007
	£	£

Staff costs:

Wages and salaries

-	-
---	---

The was no directors' remuneration in the year due to the company not trading.

The average number of persons employed during the period, including executive directors, was made up as follows:

	01/07/2007 to 31/12/2008	Year to 30/06/2007
	Number	Number
Office and management	2	3

### 5 Tax on profit on ordinary activities

	01/07/2007 to 31/12/2008	Year to 30/06/2007
	£	£
United Kingdom corporation tax	-	-

Based on these accounts no provision for corporation tax has been made. The company has losses of £681,704 (2007: £434,327) available to carry forward against future trading profits. No provision for deferred tax has been recognised in respect of these losses as their likely future economic benefits can not be reliably estimated at the current time.

#### Factors affecting tax charge for the period

Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2007: 19%)	(45,144)	(9,610)
Effects of:		
Expenses not deductible for tax purposes	1,926	146
Unrelieved tax losses	43,218	9,464
Current tax charge for the period	-	-

### 6 Debtors

	31/12/2008	30/06/2007
	£	£
Other debtors	7,757	1,156
Prepaid expenses and accrued income	282	-
	8,039	1,156

# **I S DIRECT LIMITED**

## **Notes to the financial statements for the period ended 31 December 2008 (continued)**

### **7 Creditors: amounts falling due within one year**

	<u>31/12/2008</u>	<u>30/06/2007</u>
	£	£
Bank overdraft (secured)	27,415	34,546
Trade creditors	12,470	14,613
Amounts owed to group undertakings	632,183	422,267
Director's current account	645	-
Accruals and deferred income	41,065	20,499
	<u>713,778</u>	<u>491,925</u>

HSBC Bank plc have an unlimited debenture, dated 16 October 2008, over the company's undertaking, property and assets.

### **8 Called-up share capital**

	<u>31/12/2008</u>	<u>30/06/2007</u>
	£	£
Authorised Equity shares:		
Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>
Allotted, called up and fully paid Equity shares:		
Ordinary shares of £1 each	<u>805,002</u>	<u>805,002</u>

### **9 Reserves**

	Profit and loss account
	£
At 1 July 2007	(1,295,694)
Loss for the period	(214,970)
At 31 December 2008	<u>(1,510,664)</u>

### **10 Reconciliation of movement in shareholders' funds**

	<u>31/12/2008</u>	<u>30/06/2007</u>
	£	£
Loss for the period	(214,970)	(50,630)
Shareholders' funds at 1 July 2007	<u>(490,692)</u>	<u>(440,062)</u>
Shareholders' funds at 31 December 2008	<u>(705,662)</u>	<u>(490,692)</u>

### **11 Leasing commitments**

#### **Operating leases**

The company's annual commitments for rental payments under non-cancellable operating leases at 31 December 2008 were as set out below:

	<u>31/12/2008</u>		<u>30/06/2007</u>	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Operating leases which expire:				
Within one year	<u>910</u>	<u>36,000</u>	<u>1,092</u>	<u>-</u>

**12 Controlling party**

The immediate and ultimate parent and controlling party is Innovative Software Direct Plc, a company registered in England and Wales, which is listed on the PLUS markets exchange. Copies of Innovative Software Direct Plc consolidated financial statements can be obtained from the Company Secretary at The Studio, East Batterlaw Farm, Hawthorn, Seaham, Co Durham, SR7 8RP.

The company is controlled by the board of directors of its parent undertaking, Innovative Software Direct Plc.

**13 Related parties**

The company has taken advantage of the exemption under FRS 8 from disclosing related party transactions with entities that are part of the Innovative Software Direct Plc group.

During the period consultancy totalling £5,603 (2007: £904) was provided by company director S Hersh, personally, through Bohica Capital, Goldsmiths and the Aspect Group. Included in other creditors are £645 (2007: £nil) owing to Simon Hersh and included in trade creditors are £570 (2007: £9,712) and owing to Bohica Capital and £485 (2007: £6,240 ) owing to Goldsmiths.

During the period consultancy totalling £1,600 (2007: £nil) was provided by C J Wilson, the wife of company director S Hersh. Included in trade creditors are £1,600 (2007: £nil) owing to C J Wilson.

During the period purchases totalling £4,968 were made from Education Solutions Limited, a company which S Hersh is also a director. Other operating income includes £5,173 (2007: £nil) receivable from Education Solutions Limited.