

**I S DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)
FINANCIAL STATEMENTS**

30 JUNE 2007

AMENDED

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**I S DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)**

FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2007

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**I S DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)**

OFFICERS AND PROFESSIONAL ADVISERS

YEAR ENDED 30 JUNE 2007

The board of directors	B Hersh S E Hersh
Company secretary	S E Hersh
Registered office	The Studio East Batterlaw Farm Hawthorn Seaham Co Durham SR7 8RP
Auditor	Tenon Audit Limited Registered Auditors Highfield Court Chandlers Ford Eastleigh Hampshire SO53 3TY
Bankers	Barclays Bank Plc Argyll House 23a Brook Street Kingston-upon-Thames Surrey KT1 2BN NatWest Bank Plc 43 Swan Street West Malling Kent ME19 6HF
Solicitors	Michael Simkins LLP 45 - 51 Whitfield Street London W1T 4HB
Accountants	C W Fellowes Templars House Lulworth Close Chandlers Ford Hampshire SO53 3TL

I S DIRECT LIMITED (FORMERLY DIGITAL CYBERMASTERS LIMITED)

THE DIRECTORS' REPORT *(CONTINUED)*

YEAR ENDED 30 JUNE 2007

The directors present their report and the financial statements of the company for the year ended 30 June 2007.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activities of the company are research, development and sales in the electronic security market and other business to business software with particular emphasis on networks – building maintaining and auditing. Normal trading activity ceased in 2006 with new trading opportunities being sought by the directors during the year.

On 27 November 2006 the company changed its name from Digital Cybermasters Limited to I S Direct Limited.

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.

RESULTS AND DIVIDENDS

The loss for the year amounted to £50,630. The directors have not recommended a dividend.

IS DIRECT LIMITED (FORMERLY DIGITAL CYBERMASTERS LIMITED)

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2007

DIRECTORS

The directors who served the company during the year were as follows:

B Hersh

S E Hersh

Lady M H Tovey Resigned 31 August 2007

The company is a wholly owned subsidiary and the interests 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 interests 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 interests in shares in the ultimate holding company, which is incorporated outside Great Britain.

DIRECTOR'S STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the director's report are named on page 1. Having made enquiries of the company's auditors, the directors confirm that:

- To the best of their knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are not aware; and
- They have taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these 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;
 - state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
-

IS DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 30 JUNE 2007

DIRECTORS' RESPONSIBILITIES *(continued)*

- 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 keeping proper accounting records that 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In so far as the directors are aware:

- there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

POST BALANCE SHEET EVENTS

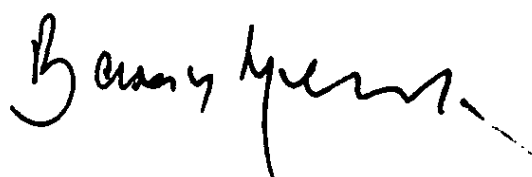
The financial statements for the year ended 30 June 2007 have been re-prepared and re-audited after it was discovered that the previous auditor was not a Registered Auditor, and therefore was not qualified to sign the Auditors' Report. This resulted in the appointment of Tenon Audit Limited as of 22 April 2008. Although it is anticipated that these costs will be met by the previous auditors, for prudence, a charge of £3,750 has been included in these accounts in respect of this.

AUDITOR

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 385 of the Companies Act 1985.

Registered office:
The Studio
East Batterlaw Farm
Hawthorn Seaham
Co Durham
SR7 8RP

Signed by order of the directors



B Hersh
Director

Approved by the directors on 28 July 2009

**I S DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
I S DIRECT LIMITED**

YEAR ENDED 30 JUNE 2007

We have audited the financial statements of I S Direct Limited on pages 8 to 15 for the year ended 30 June 2007. 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 pages 3 to 4 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, except that the scope of our work was limited as explained below.

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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the circumstances of the company, consistently applied and adequately disclosed.

We planned 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.

**IS DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
IS DIRECT LIMITED *(continued)***

YEAR ENDED 30 JUNE 2007

Basis of audit opinion *(continued)*

However, in performing our audit of the company's financial statements for the year ended 30 June 2007 we were unable to form an opinion on the truth and fairness of the state of the company's affairs as at 1 July 2006 as in our opinion adequate accounting records had not been maintained by the company.

As a consequence of our inability to form an opinion on the state of the company as at 1 July 2006 we have been unable to obtain sufficient appropriate audit evidence concerning either the completeness or accuracy of income and expenditure reported in the profit and loss account for the year ended 30 June 2007.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion: disclaimer on view given by financial statements

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 30 June 2007, and
- as regards the state of the company's affairs have been properly prepared in accordance with the Companies Act 1985.

Because of the possible effect of the limitation in evidence available to us we are unable to form an opinion as to whether the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice of the company's loss for the period ended 30 June 2007; and
- as regards the profit and loss account have been properly prepared in accordance with the Companies Act 1985.

In respect solely of the limitation of our work on the profit and loss account referred to above:

- we have not obtained all the information and explanations we considered necessary for the purpose of our audit; and
- we were unable to determine whether proper accounting records have been maintained.

Notwithstanding our disclaimer on the view given by the profit and loss account, in our opinion the information given in the Directors' Report is consistent with the financial statements.

**I S DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)**

**INDEPENDENT AUDITOR'S REPORT TO THE SHAREHOLDERS OF
I S DIRECT LIMITED (continued)**

YEAR ENDED 30 JUNE 2007

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 £50,630 during the year ended 30 June 2007 and at that date the company had net liabilities of £490,692. 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

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

Date:-

30 July 2009

I S DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)

PROFIT AND LOSS ACCOUNT

YEAR ENDED 30 JUNE 2007

	Note	2007	Discontinued activities	Continuing activities	2006
		Total £	£	£	Total £
TURNOVER	2	1,340	18,893	-	18,893
Cost of sales		(1,490)	(13,608)	-	(13,608)
GROSS (LOSS)/PROFIT		(150)	5,285	-	5,285
Distribution costs		(2,545)	(6,182)	-	(6,182)
Administrative expenses		(47,935)	(52,459)	(17,148)	(69,607)
Other operating income	3	-	-	18,343	18,343
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION	4	(50,630)			(52,161)
Tax on loss on ordinary activities	6	-			-
LOSS AFTER TAXATION		(50,630)			(52,161)

The company has no recognised gains or losses other than the results for the year as set out above.

The notes on pages 10 to 15 form part of these financial statements.


IS DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)

BALANCE SHEET

30 JUNE 2007

	Note	2007 £	£	2006 £	£
CURRENT ASSETS					
Debtors	7	1,156		395	
Cash at bank		<u>77</u>		<u>77</u>	
		1,233		472	
CREDITORS: Amounts falling due within one year	8	<u>(491,925)</u>		<u>(440,534)</u>	
NET CURRENT LIABILITIES			<u>(490,692)</u>		<u>(440,062)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			<u>(490,692)</u>		<u>(440,062)</u>
CAPITAL AND RESERVES					
Called-up equity share capital	9		805,002		805,002
Profit and loss account	11		<u>(1,295,614)</u>		<u>(1,245,064)</u>
SHAREHOLDER'S FUNDS	11		<u>(490,692)</u>		<u>(440,062)</u>

These financial statements were approved by the directors and authorised for issue on 28 July 2007 and are signed on their behalf by:


B Hersh
Director

The notes on pages 10 to 15 form part of these financial statements.

**IS DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)**

NOTES TO THE ACCOUNTS

YEAR ENDED 30 JUNE 2007

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company is dependent on the financial support of its parent company to continue trading. Innovative Software Direct Plc (formerly Digital Cybermasters Group 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. On this basis the directors consider it appropriate to prepare the financial statements on the going concern basis.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement.

Related parties transactions

The company is a wholly owned subsidiary of Innovative Software Direct Plc, the consolidated financial statements of which are publicly available.

Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members of the Innovative Software Direct Plc. See note 11 for details on other related party transactions.

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.

Deferred taxation

Provision is made in full for all taxation in respect of material timing differences that have originated but not reversed by the balance sheet date, except for timing differences arising on revaluation of fixed assets which are not intended to be sold, gains on disposals of fixed assets which will be rolled over into replacement assets and earnings of overseas subsidiaries that are not intended to be remitted to the UK. No provision is made for taxation on permanent differences. Deferred tax assets are recognised to the extent that it is more likely than not that they will be recovered.

IS DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 30 JUNE 2007

1. ACCOUNTING POLICIES *(continued)*

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

Leased assets and obligations

Where assets are financed by leasing agreements that give rights approximating to ownership ("finance leases"), the assets are treated as if they had been purchased outright. The amount 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 the 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.

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.

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 to which it relates. Financial assets are recognised in the balance sheet at the lower of cost and net realisable value and provision is made for diminution in value.

2. TURNOVER

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

IS DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 30 JUNE 2007

3. OTHER OPERATING INCOME

	2007 £	2006 £
Other operating income	<u>—</u>	<u>18,343</u>

Other operating income represents rental income made under a rolling lease agreement for the rights to using the Digital Cybermasters brand and website.

4. OPERATING LOSS

Operating loss is stated after charging:

	2007 £	2006 £
Directors' emoluments	—	4,000
Loss on disposal of fixed assets	—	6,437
Auditor's remuneration	3,750	3,750
Operating leases: rents on land and buildings	<u>1,448</u>	<u>3,968</u>

5. PARTICULARS OF EMPLOYEES

The average number of staff employed by the company during the financial year amounted to:

	2007 No	2006 No
The average monthly number of employees (including the directors) during the year were	<u>3</u>	<u>3</u>

The aggregate payroll costs of the above were:

	2007 £	2006 £
Wages and salaries	—	12,254
Social security costs	—	931
	<u>—</u>	<u>13,185</u>

I S DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 30 JUNE 2007

6. TAX ON PROFIT/(LOSS) ON ORDINARY ACTIVITIES

	2007 £	2006 £
(a) Analysis of charge in the year:		
Corporation tax	<u>-</u>	<u>-</u>
(b) Factors affecting current tax charge:		
Loss on ordinary activities before taxation	<u>(50,630)</u>	<u>(52,161)</u>
Loss on ordinary activities by rate of tax 2007: 19% (2006: 19%)	<u>(9,610)</u>	<u>(9,911)</u>
Effects of:		
Expenses not deductible for tax purposes	146	201
Net impact of difference between capital allowances and depreciation charge	-	(11,538)
Unrelieved tax losses	<u>9,464</u>	<u>21,248</u>
	<u>-</u>	<u>-</u>

No provision has been made in the accounts as the company is loss making. The company has losses of £434,327 (2006: - £371,872) 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 cannot be reliably estimated at the current time.

7. DEBTORS

	2007 £	2006 £
Trade debtors	-	183
VAT recoverable	1,156	-
Other debtors	-	212
	<u>1,156</u>	<u>395</u>

IS DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 30 JUNE 2007

8. CREDITORS: Amounts falling due within one year

	2007	2006
	£	£
Bank overdrafts	34,546	33,266
Trade creditors	14,613	25,338
Other creditors including taxation and social security:		
Taxation and social security	–	1,686
Other creditors	20,499	66,705
Amounts owed to group undertakings	422,267	313,539
	<u>491,925</u>	<u>440,534</u>

No security is given over the company's assets in respect of the bank overdraft.

9. SHARE CAPITAL

Authorised share capital:

	2007	2006
	£	£
1,000,000 Ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Allotted, called up and fully paid:

	2007	£	2006	£
	No		No	
Ordinary shares of £1 each	<u>805,002</u>	<u>805,002</u>	<u>805,002</u>	<u>805,002</u>

10. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital	Profit and loss	Total share-
	£	account	holders' funds
		£	£
Balance brought forward as at 1 July 2005	805,002	(1,192,903)	(387,901)
Loss for the year ended 30 June 2006	–	(52,161)	(52,161)
Balance brought forward as at 1 July 2006	805,002	(1,245,064)	(440,062)
Retained loss for the year ended 30 June 2007	–	(50,630)	(50,630)
Balance carried forward as at 30 June 2007	<u>805,002</u>	<u>(1,295,694)</u>	<u>(490,692)</u>

IS DIRECT LIMITED
(FORMERLY DIGITAL CYBERMASTERS LIMITED)

NOTES TO THE ACCOUNTS

YEAR ENDED 30 JUNE 2007

11. TRANSACTIONS WITH DIRECTORS

The company has taken advantage of the exemption under FRS8 from disclosing related party transactions with entities that are part of the Innovative Software Direct Plc group.

During the year, the company entered into transactions, in the ordinary course of business, with other related parties who are not part of the Innovative Software Direct Plc group. Transactions entered into, and trading balances outstanding at 30 June, are as follows:

During the year, bookkeeping fees were paid to Bestbooks, a business controlled by the daughter of B Hersh, totalling £Nil (2006: £5,697). At the balance sheet date there was no outstanding balance (2006: £Nil).

During the year, consultancy fees were paid to Goldsmiths, an entity controlled by S E Hersh, a director, totalling £(276) (2006: £10,985). At the balance sheet date there was an outstanding creditor balance of £6,240 (2006: £9,712).

During the year, website consultancy fees were paid to Aspect Group, an entity controlled by S Hersh, totalling £(628) (2006: £1,500). At the balance sheet date there was an outstanding creditor balance of £Nil (2006: £788).

12. POST BALANCE SHEET EVENTS

The financial statements for the year ended 30 June 2007 have been re-prepared and re-audited after it was discovered that the previous Responsible Individual was not a Registered Auditor, and therefore was not qualified to sign the Auditors' Report. This resulted in the appointment of Tenon Audit Limited as of 22 April 2008.

13. ULTIMATE PARENT COMPANY

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.