

DIGITAL DIRECT LIMITED
(Formerly ICM Security Products Limited)
(Registered Number 2583461)

ANNUAL REPORT
YEAR ENDED 30 JUNE 1999

PANNELL KERR FORSTER
Chartered Accountants



DIGITAL DIRECT LIMITED
(Formerly ICM Security Products Limited)
ANNUAL REPORT
YEAR ENDED 30 JUNE 1999

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DIGITAL DIRECT LIMITED
(Formerly ICM Security Products Limited)
DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 June 1999. The company changed its name to Digital Direct Limited on 14 August 1998.

RESULTS AND DIVIDENDS

The (loss)/profit for the year after taxation was £(205,448) (1998: £68,068). The directors do not recommend the payment of a dividend (1998: £103,939).

REVIEW OF THE BUSINESS

The company's principal activities during the year were acting as manufacturers of electronic systems and consultants in relation thereto.

The directors are satisfied with the results for the year

At the close of business on 30 June 1999 the assets, liabilities and trading activities of the company were transferred to IES Integrated Electronic Systems Limited.

DIRECTORS

The directors who served during the year were as follows:

C A Smith (Chairman) (appointed 10 February 1999)
R W Ricks (resigned 8 December 1998)
M R Unwin (resigned 28 January 1999)
B E H Hiscock (appointed 8 December 1998)

DIRECTORS' INTEREST

None of the directors who held office at 30 June 1999 had any interest in the shares of the company at the beginning or end of the period.

C A Smith and B E H Hiscock are directors of the ultimate parent undertaking, IES Group plc. Their notifiable interests in the share capital of group companies are disclosed in that company's financial statements.

AUDITORS

A resolution to reappoint Pannell Kerr Forster as auditors will be proposed at the forthcoming annual general meeting.

BY ORDER OF THE BOARD

 
B E H Hiscock
Secretary

31 January 2000

DIGITAL DIRECT LIMITED
(Formerly ICM Security Products Limited)
STATEMENT OF 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 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 keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and which 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.

**AUDITORS' REPORT TO THE SHAREHOLDERS OF
DIGITAL DIRECT LIMITED
(Formerly ICM Security Products Limited)**

We have audited the financial statements on pages 4 to 10 which have been prepared under the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

As described on page 2 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards. 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 of the state of affairs of the company as at 30 June 1999 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Pannell Kerr Forster

PANNELL KERR FORSTER
Chartered Accountants
Registered Auditors

London

15 February 2000

DIGITAL DIRECT LIMITED
(Formerly ICM Security Products Limited)
PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 1999

	<u>Notes</u>	<u>1999</u> £	<u>1998</u> £
Turnover	2	1,674,060	1,598,208
Cost of sales		(1,396,267)	(1,102,730)
Gross profit		277,793	495,478
Administrative expenses		(547,695)	(363,163)
Development costs		-	(55,976)
Operating (loss)/profit	3	(269,902)	76,339
Net interest payable	6	-	(1,724)
(Loss)/profit on ordinary activities before taxation		(269,902)	74,615
Taxation on (loss)/profit on ordinary activities	7	64,454	(6,547)
(Loss)/profit on ordinary activities after taxation		(205,448)	68,068
Dividends paid		-	(103,939)
Loss for the financial year		(205,448)	(35,871)
Retained profit at the beginning of the year		5,389	41,260
Retained (loss)/profit carried forward		(200,059)	5,389

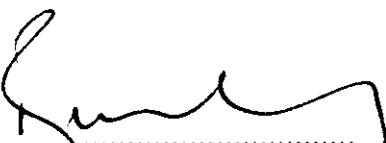
On 30 June 1999 the assets, liabilities and trading activities were transferred to a fellow subsidiary undertaking and the above activities have therefore been discontinued in this company.

There were no recognised gains or losses for the year other than those included in the profit and loss account.

DIGITAL DIRECT LIMITED
(Formerly ICM Security Products Limited)
BALANCE SHEET
30 JUNE 1999

	<u>Notes</u>	<u>1999</u> £	<u>1998</u> £
FIXED ASSETS			
Tangible assets	8	-	99,286
CURRENT ASSETS			
Stocks	9	-	890,930
Debtors	10	-	223,438
Cash and bank balances		-	178
CREDITORS			
Amounts falling due within one year	11	(199,959)	(1,207,547)
NET CURRENT LIABILITIES		(199,959)	(93,001)
TOTAL ASSETS LESS CURRENT LIABILITIES		(199,959)	6,285
CREDITORS			
Amounts falling due after more than one year	12	-	(796)
NET (LIABILITIES)/ASSETS		(199,959)	5,489
CAPITAL AND RESERVES			
Called up share capital	13	100	100
Profit and loss account		(200,059)	5,389
SHAREHOLDERS' FUNDS	14	(199,959)	5,489

Approved by the board on 31 January 2000


.....
B E H Hiscock - Director

DIGITAL DIRECT LIMITED
(Formerly ICM Security Products Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1999

1 ACCOUNTING POLICIES

(a) Accounting convention

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

(b) Turnover

Turnover represents amounts receivable for goods and services provided in the UK net of trade discounts, and VAT.

(c) Tangible fixed assets and depreciation

Tangible fixed assets are stated at cost, less depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Plant, machinery and tooling	20% - 50%
Computer equipment	25%
Office furniture and equipment	15% - 20%
Motor vehicles	25%
Leasehold improvements	over the period of the lease

(d) Leased assets

Assets held under finance leases are capitalised as tangible fixed assets and are depreciated in accordance with the above policy. The finance element of the rental payments is charged to the profit and loss account over the period of the lease so as to produce a constant periodic rate or charge on the outstanding balance of the net obligation in each period.

Rentals paid under operating leases are charged against income on a straight line basis over the lease term.

(e) Stocks and work in progress

Stocks are stated at the lower of cost and net realisable value. Cost is arrived at as follows:

Raw materials and goods for resale - purchase cost on a first-in, first-out basis
Work in progress and finished goods - cost of direct materials and labour

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

(f) Pension costs

The company makes contributions to the personal pension plans of certain employees of the company. The costs are charged to the profit and loss account in the accounting period to which they relate.

DIGITAL DIRECT LIMITED
(Formerly ICM Security Products Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1999

1 ACCOUNTING POLICIES (continued)

(g) Deferred taxation

Provision is made for deferred taxation using the liability method to take account of timing differences between income and expenditure for taxation and accounting purposes except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

2 TURNOVER

The directors consider that the company's turnover arises from a single class of activity, all within the UK.

3 OPERATING (LOSS)/PROFIT

Operating (loss)/profit is stated after charging:	<u>1999</u> £	<u>1998</u> £
Depreciation: owned fixed assets	18,840	19,184
Depreciation: assets under finance lease contracts	3,925	10,055
Operating lease rentals:		
- land and buildings	26,288	26,619
- other	34,841	7,900
	<u> </u>	<u> </u>

The audit fee for the group is included within the holding company. The charge attributable to Digital Direct Limited would be £6,250 (1998: £5,750).

4 DIRECTORS' REMUNERATION

	<u>1999</u> £	<u>1998</u> £
Aggregate emoluments	-	61,942
	<u> </u>	<u> </u>

5 STAFF COSTS

The average number of persons (including directors) employed by the company during the period was 14 (1998: 10).

Employment costs	<u>1999</u> £	<u>1998</u> £
Wages and salaries	277,589	153,427
Social security costs	24,675	16,196
Other pension costs	-	4,737
	<u> </u>	<u> </u>
	302,264	174,360
	<u> </u>	<u> </u>

DIGITAL DIRECT LIMITED
(Formerly ICM Security Products Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1999

6

NET INTEREST PAYABLE

1999

£

1998

£

On finance lease contracts terminating within five years

-

1,724

-

1,724

7

TAXATION

The taxation (credit)/charge in the profit and loss account is made up as follows:

Corporation tax:

Group relief receivable at 30%

(62,944)

-

Group relief payable at 24%

-

18,500

Over provision in respect of prior periods

(1,510)

(11,953)

(64,454)

6,547

8

TANGIBLE FIXED ASSETS

Plant,
machinery
and
tooling
£

Computer
equipment
£

Office
furniture
and
equipment
£

Motor
vehicles
£

Leasehold
improve-
ments
£

Total
£

Cost

At 1 July 1998

13,635

49,738

18,711

15,699

69,787

167,570

Additions

1,966

316

-

-

440

2,722

Disposals - group

(15,601)

(50,054)

(18,711)

(15,699)

(70,227)

(170,292)

At 30 June 1999

-

-

-

-

-

-

Depreciation

At 1 July 1998

8,060

36,083

7,096

7,524

9,521

68,284

Charge for the year

2,449

6,211

2,694

3,924

7,487

22,765

Disposals - group

(10,509)

(42,294)

(9,790)

(11,448)

(17,008)

(91,049)

At 30 June 1999

-

-

-

-

-

-

Net book value

At 30 June 1999

-

-

-

-

-

-

Owned

5,575

13,655

11,615

-

60,266

91,111

Leased

-

-

-

8,175

-

8,175

At 30 June 1998

5,575

13,655

11,615

8,175

60,266

99,286

DIGITAL DIRECT LIMITED
(Formerly ICM Security Products Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1999

9 STOCKS	<u>1999</u>	<u>1998</u>
	£	£
Raw materials	-	384,453
Work in progress	-	257,383
Finished goods	-	249,094
	<hr/>	<hr/>
	-	890,930
	<hr/>	<hr/>
 10 DEBTORS		
Trade debtors	-	140,619
Amount owed by group undertakings	-	3,597
Corporation tax recoverable	-	61,743
Other taxes, debtors and prepayments	-	17,479
	<hr/>	<hr/>
	-	223,438
	<hr/>	<hr/>
 11 CREDITORS		
Amounts falling due within one year:		
Bank overdraft (secured)	-	183,725
Obligations under finance leases	-	4,533
Trade creditors	-	125,959
Amounts owed to group undertakings	199,959	854,047
Corporation tax	-	25,985
Other taxes and social security costs	-	6,151
Accruals	-	7,147
	<hr/>	<hr/>
	199,959	1,207,547
	<hr/>	<hr/>

The company is party to a group overdraft facility of £2,000,000 gross (£150,000 net) which is secured by a fixed and floating charge on the current and future assets of the company.

12 CREDITORS	<u>1999</u>	<u>1998</u>
	£	£
Amounts falling due after more than one year:		
Obligations under finance leases due within one to two years	-	796
	<hr/>	<hr/>

DIGITAL DIRECT LIMITED
(Formerly ICM Security Products Limited)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 1999

13 SHARE CAPITAL

	<u>Authorised</u>		<u>Allotted, called up and fully paid</u>	
	<u>1999</u> Number	<u>1998</u> Number	<u>1999</u> £	<u>1998</u> £
Authorised and allotted share capital £1 ordinary	5,000	5,000	100	100

**14 RECONCILIATION OF MOVEMENTS IN
SHAREHOLDERS' FUNDS**

	<u>1999</u> £	<u>1998</u> £
(Loss)/profit for the year	(205,448)	68,068
Dividend paid	-	(103,939)
Opening shareholders' funds	5,489	41,360
Closing shareholders' funds	(199,959)	5,489

15 ULTIMATE PARENT UNDERTAKING AND RELATED PARTY DISCLOSURES

In the opinion of the directors the ultimate holding company and controlling party at 30 June 1999 was IES Group plc.

IES Group plc is the parent undertaking of the largest and smallest group of which the company is a member and for which group accounts are drawn up. Copies of the group accounts can be obtained from:

The Company Secretary
 IES Group plc
 Ryarsh House
 Roughetts Road
 Ryarsh
 West Malling
 Kent ME19 5LR

No disclosure has been made within these financial statements of any transactions with the ultimate parent undertaking or fellow subsidiaries in accordance with the exemptions allowed by Financial Reporting Standard No 8.