IPPLUS PLC

Interim Report

December 2009

IPPLUS PLC

Welcome to IPPLUS PLC

IPPlus PLC is a British company based in Ipswich, Suffolk, just over an hour from London by train and a short trip from London's Stansted airport. The company runs three distinct brands: Ansaback, a 24/7 bureau contact centre operation, CallScripter, a software house producing software tools for the contact centre industry, and IP3 Telecom, a Network Solution provider.

Vision

Our client portfolio is extremely prestigious and we go to considerable lengths to preserve their anonymity which also helps prevent casual solicitation. We aim to increase the client base without losing the individual client relationships. A key to our growth has been offering excellent client relationship management and as the business expands we will strengthen this activity. The software division has a product which works well on an International basis and our goal is to become a market leader in delivering the best product in our market niche. Achieving this via multi channel activity with a more recent emphasis in SaaS (Software as a Service) model is eminently achievable.

Approach

Recruiting and retaining high calibre staff to achieve the group's objectives and giving young innovative employees direct access to directors and managers who actually realise they are in the technology revolution and must move forward embracing developments be they hardware, software, mobile devices or the latest channel media.

Operational Highlights

	6 months ended 31 December 2009 (unaudited) £	6 months ended 31 December 2008 (unaudited) £	12 months ended 30 June 2009 (audited) £
Revenue	**2,279,027**	1,935,839	3,972,725
Profit/(loss) before taxation	**85,490**	(64,936)	10,846

- A return to profitability with a profit before taxation of £85,490 despite a challenging market
- Turnover increased by £343,188 (18%) compared with the corresponding prior period
- Closing cash of £368,369
- Maintained sales at CallScripter
- Record December billable minutes at Ansaback
- IP3 Telecom increases clients using platform

Chairman's Statement

Financial Summary

Even though some of the more cautious commentators suggest that the recession is over, the country is still heavily in debt and the overall fear remains that this is a fragile recovery which could be undermined by a new banking or monetary crisis. In addition, the prospect of an imminent change of government, leading to what is anticipated will be a period of extreme austerity, makes business ever more difficult to predict. Our increases in turnover and profitability are therefore both welcome and satisfying and, as we advance into the new decade, extreme care will be needed in all management disciplines across our divisions to ensure this is built on in the correct way.

Overall, the Group has continued its forward momentum and generated a profit before taxation for the six months to December 2009 of £85,490 (December 2008: £64,936 loss). This was achieved on an increased turnover of £2,279,027 (December 2008: £1,935,839).

We remain increasingly vigilant for client insolvency and bad debts. The analysts suggest that when the recovery does eventually arrive then this is the time of increased credit risks, but our main strength is that the diversity of our customer portfolio provides a solid base in this recessionary phase. Our portfolio is further safeguarded by our largest single client, a call centre partner, who similarly has a diversity of clients and we therefore perceive their risk to be comparable to ours. We continue to use a national credit checking agency to validate client credentials, which remains at the forefront of our approach to credit management and this, along with bank direct debit collections, provides early warning of any potential credit problems.

The Group cash position has improved in the twelve months and we have no major capital expenditure planned in the coming year. Further, the Group does not have any loans or finance agreements outstanding.

The Company invested £40 for a 40% shareholding in Commercial Finance Brokers (UK) Limited, an organisation set up to provide commercial finance broking services to networks of independent financial advisers. The Group will derive income for call centre and directorial services as well as any dividends that are declared.

Since our demerger from KDM International in 1999, the company has utilised Equiniti Limited as its shareholder registrar (formerly Lloyds TSB Registrars). Due to significant proposed charges by Equiniti, the group approached Capita Registrars who provided a very competitive quote. As such, the Board decided to transfer the registrar's function to Capita with the consequent cost savings. This is expected to be active around June 2010. No shareholder action is required and any CountyWeb.com PLC or County Contact Centres PLC share certificates remain valid. This has no effect on our Stock Exchange listing.

Business Summary

IPPlus PLC operates through two principal subsidiaries, IPPlus (UK) Limited and CallScripter Limited.

The Group trades under three main trading styles namely CallScripter, Ansaback and IP3 Telecom.

CallScripter is an enhanced customer interaction software suite specifically developed for contact centres, telesales and telemarketing operations. Our clients gain major benefits by introducing

CallScripter's dynamic scripting environment into their organisation. The software facilitates the rapid set-up, handling and reporting of sophisticated inbound, outbound and email campaigns.

Ansaback is a 24 hours a day, 7 days a week bureau telephony service providing overflow and out of hours call handling, emergency cover, dedicated phone resources, non-geographic, low call and Freephone telephone facilities as well as disaster recovery lines and other ancillary telecommunication services.

IP3 Telecom is the telephony services arm of the business providing a range of network level interactive call services. With options for self-sufficiency or fully managed services, the platform gives the user the ability to run a professional call handling operation without the necessity for expensive hardware, installation, and ongoing maintenance costs. Clients can route their required services through our web portal, allowing them to monitor their call traffic in real time or have reports sent periodically by email, fax or text.

Review of Operations

CallScripter

After a successful 2007/8, where software sales increased by 41%, shareholders were advised of our intention to push ahead with a strategy to expand the CallScripter division and we set about recruiting the necessary sales and marketing personnel to achieve this accelerated growth. Sadly the drive was short lived and by November 2008 that plan had halted as the credit crunch bit with no one knowing exactly how long it would last or how deep it was going to be. Measures were immediately taken to reduce costs and it was only in September 2009 that we felt that conditions had moderated sufficiently to allow the resurrection of this growth plan and its required recruitment. A combination of this plus other marketing initiatives are designed to regain the software sales momentum.

The team has now been strengthened to develop and tackle various channels to market and, encouragingly, we have secured a further Original Equipment Manufacturer European partner. Although still in its infancy this should lead to sales opportunities for which we would not have otherwise been considered. Our attention to the Public Sector is also bearing fruit but with glacially slow progress as numerous consultations and trials frustrate the originator's eager desire for implementation. However, we are optimistic that we will build on this and our patience will ultimately be rewarded. This toe-hold is vital, as many public sector contracts require three existing contracts as evidence of prior public consideration.

The Call Centre Expo can be a bell-wether to gauge market sentiment and whilst the 2009 show was neither tombstone quiet nor a wild frenzy of buying, there were serious enquirers looking to explore the latest offerings and options. Whilst these enquiries were marginally down on previous years, we expect these to provide new business in this fiscal year. The first trial at a Kenyan call centre in Nairobi is already under way and several demonstrations to large financial institutions in the UK have taken place. Whilst the software can show savings and improve an organisation's efficiencies, the process of persuading IT and Financial Directors to sanction expenditure is increasingly protracted.

Although the overall software sales are similar to the previous period, with just a 2% variance, the margins were eroded by an increase in sales of third party licensed software. These third party licences are bundled with CallScripter when a client requires

Chairman's Statement

postcode software or dialler licences which run hand in glove with our system. The margin achieved on these items is lower than CallScripter and as such increases in these sales erodes the overall margin. A CallScripter sale contracted in June 2009 created an increase in subsequent ongoing third party licenses in the six months to December 2009, altering the previous ratio and balance. A careful eye will be kept on third party revenue streams to ensure that core margins are maintained.

The good news is that recurring revenues are building and the number of agent seats, both UK and worldwide, are growing. These include one of the world's largest call centre operators who continue to increase their seats, over multiple call centres, on a concurrent monthly basis.

As some businesses need our software but are short of resources, be they technical or financial, CallScripter offers a hosted model sometimes referred to as SaaS (Software as a Service). This provides a pay-as-you-go option and effectively increases our channel to market. CallScripter currently offers its SaaS solution from a secure data centre based in East London. The users of this service have remained static on a like-for-like basis.

In November 2009 we hosted our 4th Annual Awards lunch in London which provides an opportunity to get closer to our clients. As previously the awards covered two categories — Best Script Builder and Most Innovative Use of CallScripter. Both of these recognise the creative and pioneering ways in which CallScripter's clients utilise the application in their own environments. The event brings a number of benefits including learning about the inventive ways that clients use our software which helps when marketing solutions to other prospects. This year the Most Innovative Award was for a call centre who had a blind operator, whereby the script was read into one ear whilst the caller talked simultaneously in his other ear — a particularly pleasing winner which certainly captured the hearts and minds of those attending.

Ansaback

Last year the six month period from July to December was extraordinarily bleak with our seasonal Christmas spike of calls failing to materialise as the credit crunch took hold. As we reported in the annual accounts, June and July showed encouraging overall call volume increases, although some call centre partners' overflow levels remained low as they opted to answer calls themselves. However, this year the shopping channels and charity sector have been much more active in the run-up to Christmas and the resulting call volumes followed previous trends. December 2009 was a record month for minutes of calls handled, a pleasing result given the number of business days lost to statutory holidays in the month. This high level of call volumes has continued in early January and has been further improved by adverse weather conditions boosting breakdown callout and recovery activity.

Call volumes have risen significantly due to increases from existing clients and new business gains. Billable minutes, our main Key Performance Indicator, were 27% higher in the six months to December, when compared with the previous year's corresponding period. The TV shopping channels have picked up as consumer confidence returns, with the continued low interest rates keeping mortgage payments down thereby boosting free cash. The steady business rise has meant cautious expansion of the staffing whilst monitoring the grade of service offered to our clients. Care must be taken in this as some of the newly acquired charity work can cause significant spikes in demand which can affect the overall call centre. Whilst we still have capacity for agent positions within the office, the prospect of "homeworkers" logging on to assist when known advertising spikes arrive will be piloted in the new year. Remote call handlers are not a new phenomenon and have become an increasing reality due to the huge improvement in Internet band width to homes. The benefit to home workers is their ability to select hours that they wish to cover thereby instantly allowing part-timers flexibility on shifts which work for them whilst being equally beneficial to the business.

We continue to tender for a variety of outsourced projects. Many of these are referrals from existing customers and are a testament to the value placed on our client services team who often go the extra mile in providing what they want — and a bit more.

IP3 Telecom

The conversion of the Ansaback customer base has progressed well, with 95 clients now routing calls through our hosted telephone numbers. As well as providing earning revenue, this also adds another layer of resilience to the client's and Ansaback's disaster recovery plans.

In addition, the most exciting development of recent months has been the IP3/CallScripter hosted contact centre solution, combining hosted telephony and hosted scripting into one easy-to-use, low-cost contact centre package. We sold our first IP3/CallScripter integrated solution in December 2009, and are now creating a strategy to take this out to market in 2010.

Risks

The principal risk to the CallScripter division continues to be the ability of our sales team and the partner resellers to achieve market penetration. Channels to market are a fierce battleground for all suppliers keen that their offering is seen as pre-eminent in the line-up of products bundled within consolidators' call handling solutions.

The main risk within Ansaback is the exposure to the failure of a major client. Care is taken within the credit control function to minimise this threat.

Additional risks include the technology utilised in the call centre and as such we have installed a modern telephone switch. This new switch includes fail-over systems to further increase our business continuity/disaster recovery readiness whilst also enabling us to offer additional services to clients. Looking at other risks, to lower our susceptibility to power outages, we have a standby generator in case of power cuts, whilst our main computer systems have been upgraded to improve their resilience and minimise any down-time should a problem arise.

IP3 Telecom would be affected if there was a major carrier breakdown affecting the entire network.

Dividend

The Company will not be declaring an interim dividend.

Outlook

Each of our divisions continues to encounter demanding conditions but the Board is confident that the Group will successfully meet these challenges.

Philip Dayer

Chairman

12 February 2010

Condensed Statement of Comprehensive Income

	note	6 months ended 31 December 2009 (unaudited) £	6 months ended 31 December 2008 (unaudited) £	12 months ended 30 June 2009 (audited) £
Revenue	3	**2,279,027**	1,935,839	3,972,725
Cost of sales		**(1,265,148)**	(1,060,404)	(2,201,305)
Gross profit		**1,013,879**	875,435	1,771,420
Administrative expenses		**(928,436)**	(947,777)	(1,768,348)
Operating profit	3	**85,443**	(72,342)	3,072
Finance income		**182**	8,061	9,028
Finance costs		**(135)**	(655)	(1,254)
Profit/(loss) before taxation		**85,490**	(64,936)	10,846
Income tax expense		**—**	—	(6,067)
Profit/(loss) for the period		**85,490**	(64,936)	4,779
Total comprehensive income/(expense) for the period		**85,490**	(64,936)	4,779
Equity holders of the parent		**85,490**	(64,936)	4,779
Basic and diluted earnings per share	5	**0.29p**	(0.22)p	0.02p

Condensed Consolidated Statement of Financial Position

	note	31 December 2009 (unaudited) £	31 December 2008 (unaudited) £	30 June 2009 (audited) £
ASSETS				
Non-current assets				
Plant and equipment		**200,667**	238,246	215,542
Other intangible assets		**243,210**	231,048	240,910
Investment in joint venture	4	**40**	—	—
Deferred tax assets		**280,000**	280,000	280,000
Non-current assets		**723,917**	749,294	736,452
Current assets				
Trade and other receivables		**805,274**	764,779	851,155
Cash and cash equivalents		**368,369**	239,273	421,119
Current assets		**1,173,643**	1,004,052	1,272,724
Total assets		**1,897,560**	1,753,346	2,008,726
LIABILITIES				
Current liabilities				
Trade and other payables		**(435,274)**	(442,059)	(628,149)
Current portion of long-term borrowings		**—**	(10,273)	(3,781)
Current liabilities		**(435,274)**	(452,332)	(631,930)
Non-current liabilities				
Deferred taxation		**(64,227)**	(58,160)	(64,227)
Non-current liabilities		**(64,227)**	(58,160)	(64,227)
Total liabilities		**(499,501)**	(510,492)	(696,157)
Net assets		**1,398,059**	1,242,854	1,312,569
EQUITY				
Equity attributable to shareholders of the parent				
Share capital		**297,908**	297,908	297,908
Other reserves		**18,396**	18,396	18,396
Profit and loss account		**1,081,755**	926,550	996,265
Total equity		**1,398,059**	1,242,854	1,312,569

Condensed Consolidated Statement of Cash Flows

	6 months ended 31 December 2009 (unaudited) £	6 months ended 31 December 2008 (unaudited) £	12 months ended 30 June 2009 (audited) £
Cash flows from operating activities			
Profit/(loss) after taxation	**85,490**	(64,936)	4,779
Adjustments for:			
Depreciation	**39,707**	26,041	55,412
Amortisation	**57,867**	51,890	103,151
Investment income	**(182)**	(8,061)	(9,028)
Interest expense	**53**	—	298
Interest element of finance leases	**82**	655	956
Deferred tax provision	**—**	—	6,067
Decrease in trade and other receivables	**36,703**	179,047	92,671
(Decrease)/increase in trade and other payables	**(172,836)**	(101,450)	92,640
Cash generated from operations	**46,884**	83,186	346,946
Interest paid	**(53)**	—	(298)
Interest element of finance leases	**(82)**	(655)	(956)
Net cash from operating activities	**46,749**	82,531	345,692
Cash flows from investing activities			
Purchase of plant and equipment	**(35,693)**	(75,856)	(90,523)
Capitalisation of development costs	**(60,167)**	(60,686)	(121,809)
Interest received	**182**	8,061	9,028
Investment in joint venture	**(40)**	—	—
Net cash used in investing activities	**(95,718)**	(128,481)	(203,304)
Cash flows from financing activities			
Repayments of borrowings	**—**	(15,000)	(15,000)
Payment of finance lease liabilities	**(3,781)**	(9,291)	(15,783)
Net cash used in financing activities	**(3,781)**	(24,291)	(30,783)
Net (decrease)/increase in cash and cash equivalents	**(52,750)**	(70,241)	111,605
Cash and cash equivalents at beginning of the period	**421,119**	309,514	309,514
Cash and cash equivalents at the end of the period	**368,369**	239,273	421,119

Condensed Consolidated Statement of Changes in Equity

	Share capital £	Other reserves £	Profit and loss account £	**Total equity £**
Balance at 1 July 2008	297,908	18,396	991,486	**1,307,790**
Loss for the period	—	—	(64,936)	**(64,936)**
Balance at 31 December 2008	297,908	18,396	926,550	**1,242,854**
Profit for the period	—	—	69,715	**69,715**
Balance at 30 June 2009	297,908	18,396	996,265	**1,312,569**
Profit for the period	—	—	85,490	**85,490**
Balance at 31 December 2009	297,908	18,396	1,081,755	**1,398,059**

Notes to the Interim Financial Statements

1. NATURE OF OPERATIONS AND GENERAL INFORMATION

IPPlus PLC is the Group's ultimate parent company and is a public limited company domiciled in England and Wales (registration number 3869545). The company's registered office, which is also its principal place of business, is Melford Court, The Havens, Ransomes Europark, Ipswich, IP3 9SJ. The company's ordinary shares are traded on the Alternative Investment Market of the London Stock Exchange. The Group's consolidated condensed interim financial statements (the "interim financial statements") for the period ended 31 December 2009 comprise the company and its subsidiaries (the "Group").

The Company operates principally as a holding company. The main subsidiaries are engaged in the development and sale of call centre contact relationship management software and the provision of a 24 hours a day, 7 days a week out of hours and overflow telephony service.

The interim financial statements are presented in pounds sterling (£), which is also the functional currency of the parent company.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

These interim financial statements are for the six months ended 31 December 2009. They do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group for the year ended 30 June 2009.

The financial information for the year ended 30 June 2009 set out in these interim financial statements does not constitute statutory accounts as defined by Section 434 of the Companies Act 2006. The Group's statutory financial statements for the year ended 30 June 2009 have been filed with the Registrar of Companies. The auditors' report on those financial statements was unqualified and did not contain statements under Section 498(2) or Section 498(3) of the Companies Act 2006.

These interim financial statements are based on the recognition and measurement principles of applicable International Financial Reporting Standards (IFRS) in issue as adopted by the European Union and have been prepared under the historical cost convention.

The accounting policies adopted are consistent with those utilised in the financial statements for the year ended 30 June 2009 and have been applied consistently throughout the group for the purposes of preparation of these interim financial statements, except for the adoption of new standards and interpretations as of 1 January 2009, noted below:

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION continued

- IAS 1 *Revised Presentation of Financial Statements*

  The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes details of transactions with owners, with non-owner changes in equity presented as a single line. In addition, the standard introduces the statement of comprehensive income: it presents all items of recognised income and expense, either in one single statement, or in two linked statements. The group has elected to present a single statement.

- IFRS 8 *Operating Segments*

  This standard requires disclosure of information about the group's operating segments and replaces the requirement to determine primary (business) and secondary (geographical) reporting segments. Adoption of this standard did not have any effect on the financial position or performance of the group. The group determined that the operating segments were the same as the segmental analysis used in the 2009 financial statements as previously identified under IAS 14 Segment Reporting. Additional disclosures about each of these segments are shown in note 3.

3. SEGMENTAL INFORMATION

IPPlus PLC operates two business sectors, CallScripter and Ansaback. The revenue and operating profit/(loss) of each business sector is summarised below:

Business segments	CallScripter £	Ansaback £	Group £
6 months to December 2009			
Revenue	342,428	1,936,599	2,279,027
Segment result	(192,341)	277,784	85,443
12 months to June 2009			
Revenue	769,410	3,203,315	3,972,725
Segment result	(37,685)	40,757	3,072
6 months to December 2008			
Revenue	350,666	1,585,173	1,935,839
Segment result	(169,895)	97,553	(72,342)

Notes to the Interim Financial Statements

4. INVESTMENT IN JOINT VENTURE

The company invested £40 for a 40% shareholding in Commercial Finance Brokers (UK) Limited, a company set up to provide commercial finance broking services to networks of independent financial advisers. The group will derive income for call centre and directorial services as well as any dividends that are declared.

5. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit/(loss) after taxation added to/(deducted from) reserves divided by the weighted average number of ordinary shares in issue during the relevant period. No diluted profit per share is shown because all options are non-dilutive.

	6 months ended 31 December 2009 (unaudited)	6 months ended 31 December 2008 (unaudited)	12 months ended 30 June 2009 (audited)
Profit/(loss) after taxation added to reserves	**£85,490**	£(64,936)	£4,779
Weighted average number of ordinary shares in issue during the period	**29,790,743**	29,790,743	29,790,743
Basic and diluted earnings/(loss) per share	**0.29p**	(0.22)p	0.02p

6. AVAILABILITY OF INTERIM STATEMENT

Copies of this interim statement are being sent to the company's shareholders and will also be available from the company's head office at Melford Court, The Havens, Ransomes Europark, Ipswich, Suffolk, IP3 9SJ. A copy is also available to download on the corporate page of the group website at www.ipplusplc.com.

Directors:	Philip John Dayer	Chairman
	Stephen John Allen	Non-Executive Director
	William Alexander Catchpole	Managing Director
	Geoffrey Forsyth	Technical Director
	Robert Stuart McWhinnie Gordon	Financial Director

Secretary: Robert Stuart McWhinnie Gordon BA FCMA

Company registration number:	3869545
Registered office:	Melford Court The Havens Ransomes Europark Ipswich Suffolk IP3 9SJ
Nominated Advisers and Brokers:	Brewin Dolphin Limited
Registrars:	Equiniti Limited
Solicitors:	Fasken Martineau LLP
Bankers:	Barclays Bank PLC NatWest Bank PLC
Auditors:	Grant Thornton UK LLP
Interim financial statements available at	www.ipplusplc.com

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