# +IPPLUS PLC

## Interim Report

for the six months ended 31 December 2010

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 four distinct brands: Ansaback, a 24/7 bureau contact centre operation, CallScripter, a software house producing software tools for the contact centre industry, IP3 Telecom, a Network Solution provider and Ancora Solutions, a document storage and secure document destruction business.

## 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 Company'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 the developments be they hardware software mobile devices or the latest channel mediums.

# Highlights

| | **6 months ended 31 December 2010 (unaudited) £** | 6 months ended 31 December 2009 (unaudited) £ | 12 months ended 30 June 2010 (audited) £ |
|---|---|---|---|
| Revenue | **2,501,619** | 2,279,027 | 4,604,409 |
| Profit before taxation | **71,287** | 85,490 | 102,613 |
| Profit after taxation | **100,845** | 85,490 | 99,430 |

- Profit after taxation increased by 18%
- Turnover increased by £222,592 compared to the corresponding prior year period
- Record monthly Ansaback billable minutes in December 2010
- Ansaback billable minutes up 6% on the corresponding prior year period
- CallScripter sales increased by 29% compared to the corresponding prior year period
- Closing cash balance of £366,504
- Acquisition of the assets and business of Ancora Solutions, an established regional leader in document storage and secure document destruction in January 2011

# Chairman's **Statement**

## Financial Summary

It is still early days for the new coalition Government but the media build up to the announced austerity measures and swingeing public service cuts did create some business uncertainty. However, we were pleased that our call centre chargeable minutes held up. This was aided by an early cold snap in December which, with heavy snow falls and complete paralysis in some areas, led to us taking extra calls from businesses unable to answer in their normal manner. Our call centre partners were similarly affected and also overflowed a portion of their additional traffic to us.

Historically we see a seasonal rise in TV shopping and charity call volumes when their Christmas advertising kicks in and with this we closed the first half year with a new record high in December and cumulative billable minutes which were 6% higher than the corresponding prior year period.

Retail businesses on the high street may have suffered but expenditure on the internet is worth a reputed £100bn annually to the UK, according to a study commissioned by Google in the autumn of 2010. This figure is higher than the construction and transport industries and accounts for more than 7% of the UK's overall economic output, with the report claiming that this will reach 10% by 2015. The corollary to this is that online e:tailers require real people to handle queries, be they orders, chasing deliveries/returns or complaints. Some sector specialisation is required for this and we have been piloting dedicated seats for certain e:tailers and similar virtual companies.

Despite suffering a major bad debt of £27,840 and continuing delays in contract signatures, CallScripter saw an improvement in their divisional result helped by steadily increasing sales from our OEM (Original Equipment Manufacturer) partners. The total number of licences worldwide now exceeds 11,000 in 26 countries and the core recurring revenues continue to build.

We have secured a new CallScripter distribution agreement with one of the world's largest providers of telecoms services to the call centre market, which is expected to build into additional volumes over the coming years. This is a clear testament to the credibility we have gained in the global space.

IP3 has now consolidated its position within the Group with virtually all Ansaback clients now using its Network platform to enhance services and provide primary disaster recovery benefits. We anticipate continued growth from this area.

Overall the Group has generated a profit before taxation for the six months to December 2010 of £71,287 (December 2009: £85,490). This was achieved on an increased turnover of £2,501,619 (December 2009: £2,279,027).

The Group cash position has remained steady with a closing cash balance of £366,504.

In January we welcomed Bernie Waldron to the board. Bernie has 27 years experience in the global technology and business services marketplace including positions as Director of Business Strategy for IBM in New York, General Manager of IBM's Industrial Sector business for Europe, Middle East and Africa, and Executive Chairman of the former Maersk Data Group of companies based in Copenhagen.

Steve Allen resigned in December 2010 and the board thanks him for his contribution and wishes him well in the future.

## Acquisition of Ancora Solutions

On 21 January 2011 we announced the acquisition, via our main operating subsidiary IPPlus (UK) Limited, of the business, assets and goodwill of Ancora Solutions Limited for a consideration of £474,000.

For the year ended 30 November 2009, Ancora had revenues of £720,814, a Profit after Tax of £81,683 and Net Assets of £206,479 at the year end.

Of the amount to be paid, £279,000 was settled in cash on completion, £84,000 will be deferred and paid in cash over a period of 42 months, while the balance was settled through the issue of 1,930,435 ordinary 1p shares in the Company issued at a price of 5.75p per share.

NatWest Bank have provided a £150,000 loan over three years to help fund this deal.

Ancora is an established regional leader in document storage and secure document destruction serving many leading blue chip companies within the legal, medical, property, and transportation sectors. Richard Clement, who has been the lead executive director for the past two years, joins us bringing his team of archive specialists.

The acquisition of Ancora extends our offering by providing outsourced office services to a wide range of prestigious clients. It provides the opportunity to broaden our activities into both the private and public sector, particularly where compliance and regulatory storage is needed. The Ancora team have built an impressive customer base and an enviable reputation using their bespoke software for cataloguing and indexing vital document management storage.

# Chairman's **Statement**

As part of the Group, Ancora will benefit from additional resources and complementary technical, administrative and marketing skills that will enable it to maximise opportunities within the specialised markets it serves. The ability to use the Ansaback call centre to take client requests and sales enquiries, 24 hours a day, will also provide a differentiator from its competitors.

## Business Summary

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

The Group now trades under four main trading styles namely CallScripter, Ansaback, IP3 Telecom and the newly acquired Ancora Solutions.

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 e-mail 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.

Ancora Solutions provide a specialist document storage and secure document destruction service.

## Review of Operations

### CallScripter

CallScripter sales improved and were 29% higher than the corresponding period last year.

The market remains challenging but our revitalised team have struck a new ISV (Integrated Software Vendor) distributor agreement and reseller deal in the US, which over the coming months is expected to add momentum to move the product up market.

Part of the strategy to gear up for larger scale users has meant the introduction of an Agile product methodology — a system designed to ensure new software is deployed in a timely manner incorporating end user feedback during the development cycle.

In addition, as part of our strategy to broaden our routes to market, CallScripter 4.5 has achieved AVAYA compliance approval for use with their Proactive Contact 4 customer contact solution.

The CallScripter user group and annual awards were held at the Globe Theatre which was deemed to be an ideal venue for the world's greatest "script" writer. CallScripter version 4.5 was also launched at the NEC UK Call Centre Expo during September. This latest version of the product has been totally rebranded to show a fresh new look whilst offering enhanced reporting functionality and full integration into a hosted outbound dialler platform. This year's UK Call Centre expo was well attended by serious buyers and we have already had one significant order from an Insurance group.

The OEM collaboration with Interactive Intelligence Inc. (ININ) has seen them successfully develop their sales in a number of territories. Future periods are expected to see increased revenues on new ININ business.

## Ansaback

Billable minutes, our main Key Performance Indicator, were 6% higher in the six months to December, when compared to the previous year's corresponding period. This growth has come from sectors which we are strong in, namely Direct Response TV and Telecoms. The increase in business has meant continued cautious expansion of the staffing with a noticeable growth in the dedicated seat business which now accounts for over 7% of Ansaback turnover.

We continue to tender for a variety of projects which vary in size from basic answering and message taking to quite large outsourced projects. A high percentage of this business comes from existing client referrals and this bears testament to the value placed on our client services employees who are vital to client retention.

## IP3 Telecom

The vast majority of Ansaback clients now route over the IP3 Network. The business tends to have recurring revenues with low maintenance once the set up phase has been established. The clients have the benefit of self service access 24/7.

## Dividend

The Company will not be declaring an interim dividend.

## Outlook

The board is pleased with Group' progress and believes that there are market opportunities and continuing interest in the Group's product offerings. Trading, however, is still demanding but the board is confident that the Group can successfully meet these challenges.

**Philip Dayer**
Chairman
15 February 2011

# Consolidated Statement of **Comprehensive Income**

| | Note | **6 months ended 31 December 2010 (unaudited) £** | 6 months ended 31 December 2009 (unaudited) £ | 12 months ended 30 June 2010 (audited) £ |
|---|---|---|---|---|
| **Revenue** | 3 | **2,501,619** | 2,279,027 | 4,604,409 |
| Cost of sales | | **(1,420,257)** | (1,265,148) | (2,634,201) |
| **Gross profit** | | **1,081,362** | 1,013,879 | 1,970,208 |
| Administrative expenses | | **(1,012,285)** | (928,436) | (1,868,199) |
| **Operating profit** | 3 | **69,077** | 85,443 | 102,009 |
| Finance income | | **2,210** | 182 | 764 |
| Finance costs | | **—** | (135) | (160) |
| **Profit before taxation** | | **71,287** | 85,490 | 102,613 |
| Taxation | 4 | **29,558** | — | (3,183) |
| **Profit and total comprehensive income attributable to equity holders of the parent company** | | **100,845** | 85,490 | 99,430 |
| Basic and diluted earnings per share | 5 | **0.34p** | 0.29p | 0.33p |

# Consolidated Statement of **Financial Position**

| | **31 December 2010 (unaudited) £** | 31 December 2009 (unaudited) £ | 30 June 2010 (audited) £ |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Plant and equipment | **279,518** | 200,667 | 193,292 |
| Other intangible assets | **254,898** | 243,210 | 249,271 |
| Investment in joint venture | **40** | 40 | 40 |
| Deferred tax assets | **280,000** | 280,000 | 280,000 |
| Non-current assets | **814,456** | 723,917 | 722,603 |
| **Current assets** | | | |
| Trade and other receivables | **886,031** | 805,274 | 965,994 |
| Cash and cash equivalents | **366,504** | 368,369 | 375,015 |
| Current assets | **1,252,535** | 1,173,643 | 1,341,009 |
| **Total assets** | **2,066,991** | 1,897,560 | 2,063,612 |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | **(484,737)** | (435,274) | (584,203) |
| Current liabilities | **(484,737)** | (435,274) | (584,203) |
| **Non-current liabilities** | | | |
| Deferred taxation | **(69,410)** | (64,227) | (67,410) |
| Non-current liabilities | **(69,410)** | (64,227) | (67,410) |
| **Total liabilities** | **(554,147)** | (499,501) | (651,613) |
| **Net assets** | **1,512,844** | 1,398,059 | 1,411,999 |
| **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 | **1,196,540** | 1,081,755 | 1,095,695 |
| **Total equity** | **1,512,844** | 1,398,059 | 1,411,999 |

# Consolidated Statement of **Cash Flows**

| | **6 months ended 31 December 2010 (unaudited) £** | 6 months ended 31 December 2009 (unaudited) £ | 12 months ended 30 June 2010 (audited) £ |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Profit after taxation | **100,845** | 85,490 | 99,430 |
| Adjustments for: | | | |
| Depreciation | **39,072** | 39,707 | 76,237 |
| Amortisation of intangible assets | **58,491** | 57,867 | 116,357 |
| Investment income | **(2,210)** | (182) | (764) |
| Interest expense | **—** | 53 | 78 |
| Interest element of finance leases | **—** | 82 | 82 |
| Deferred tax provision | **2,000** | — | 3,183 |
| Tax recovery recognised in profit and loss | **(31,558)** | — | — |
| Profit on sale of fixed assets | **—** | — | (225) |
| Decrease/(increase) in trade and other receivables | **79,963** | 36,703 | (114,839) |
| Decrease in trade and other payables | **(99,466)** | (172,836) | (33,263) |
| **Cash generated from operations** | **147,137** | — | — |
| Income taxes received | **31,558** | — | — |
| Interest paid | **—** | (53) | (78) |
| Interest element of finance leases | **—** | (82) | (82) |
| **Net cash from operating activities** | **178,695** | 46,749 | 146,116 |
| **Cash flows from investing activities** | | | |
| Purchase of plant and equipment | **(125,300)** | (35,693) | (64,670) |
| Capitalisation of development costs | **(64,116)** | (60,167) | (124,718) |
| Interest received | **2,210** | 182 | 764 |
| Investment in associate company | **—** | (40) | (40) |
| Proceeds from sale of fixed assets | **—** | — | 225 |
| **Net cash used in investing activities** | **(187,206)** | (95,718) | (188,439) |
| **Cash flows from financing activities** | | | |
| Payment of finance lease liabilities | **—** | (3,781) | (3,781) |
| **Net cash used in financing activities** | **—** | (3,781) | (3,781) |
| **Net decrease in cash and cash equivalents** | **(8,511)** | (52,750) | (46,104) |
| **Cash and cash equivalents at beginning of the period** | **375,015** | 421,119 | 421,119 |
| **Cash and cash equivalents at the end of the period** | **366,504** | 368,369 | 375,015 |

# Consolidated Statement of **Changes in Equity**

| | Share capital £ | Other reserves £ | Profit and loss account £ | Total equity £ |
|---|---|---|---|---|
| Balance at 1 July 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** |
| Profit for the period | — | — | 13,940 | **13,940** |
| Balance at 30 June 2010 | 297,908 | 18,396 | 1,095,695 | **1,411,999** |
| Profit for the period | — | — | 100,845 | **100,845** |
| Balance at 31 December 2010 | 297,908 | 18,396 | 1,196,540 | **1,512,844** |

# 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 interim financial statements (the "interim financial statements") for the period ended 31 December 2010 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 2010. 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 2010.

The financial information for the year ended 30 June 2010 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 2010 have been filed with the Registrar of Companies. The auditor's 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 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 2010 and have been applied consistently throughout the Group for the purposes of preparation of these interim financial statements.

## 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 2010** | | | |
| Revenue | 443,007 | 2,058,612 | 2,501,619 |
| Segment result | (140,910) | 209,987 | 69,077 |
| **12 months to June 2010** | | | |
| Revenue | 808,693 | 3,795,716 | 4,604,409 |
| Segment result | (397,202) | 499,211 | 102,009 |
| **6 months to December 2009** | | | |
| Revenue | 342,428 | 1,936,599 | 2,279,027 |
| Segment result | (192,341) | 277,784 | 85,443 |

## 4. TAXATION

### Income tax

During the period the Group received a tax credit amounting to £31,558 relating to a repayment arising from a Research and Development claim for the period to June 2008 and June 2009.

### Deferred tax

During the period the provision for Deferred Taxation was increased by £2,000.

| | **6 months ended 31 December 2010 (unaudited) £** | 6 months ended 31 December 2009 (unaudited) £ | 12 months ended 30 June 2010 (audited) £ |
|---|---|---|---|
| Liability on capitalised assets | **(2,000)** | — | (3,183) |
| Prior year income tax receipt | **31,558** | — | — |
| Tax credit/(expense) | **29,558** | — | (3,183) |

## 5. EARNINGS PER SHARE

The calculation of the earnings per share is based on the profit after taxation added to 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 2010 (unaudited)** | 6 months ended 31 December 2009 (unaudited) | 12 months ended 30 June 2010 (audited) |
|---|---|---|---|
| Profit after taxation added to reserves | **£100,845** | £85,490 | £99,430 |
| Weighted average number of ordinary shares in issue during the period | **29,790,743** | 29,790,743 | 29,790,743 |
| Basic and diluted earnings per share | **0.34p** | 0.29p | 0.33p |

## 6. POST-BALANCE SHEET EVENT

### Purchase of Ancora Solutions

On 21 January 2011 the Company purchased, via its main operating subsidiary IPPlus (UK) Limited, the business, assets and goodwill of Ancora Solutions Limited for a consideration of £474,000.

Of the amount to be paid, £279,000 was settled in cash on completion; £84,000 will be deferred and paid in cash over a period of 42 months, while the balance was settled through the issue of 1,930,435 ordinary 1p shares in the Company issued at a price of 5.75p per share.

For the year ended 30 November 2009, Ancora had revenues of £720,814, a Profit after Tax of £81,683 and had Net Assets of £206,479 at the year end. The acquisition is expected to be earnings enhancing in the first full year of ownership.

Ancora is an established regional leader in document storage and secure document destruction serving many leading blue chip companies within the legal, medical, property, and transportation sectors.

## 7. 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.

# Company **Information**

| | | |
|---|---|---|
| **Directors:** | Philip John Dayer | Chairman |
| | William Alexander Catchpole | Managing Director |
| | Geoffrey Forsyth | Technical Director |
| | Robert Stuart McWhinnie Gordon | Financial Director |
| | Bernard Joseph Waldron (appointed 1 January 2011) | Non Executive Director |
| | Stephen John Allen (resigned 31 December 2010) | Non Executive Director |

**Secretary:** Robert Stuart McWhinnie Gordon BA FCMA

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

IPPLUS PLC

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