IPPLUS PLC

INTELLIGENT PROFESSIONAL SOLUTIONS



IPPlus PLC
Annual Report and Accounts 2011

For the year ended 30th June 2011

AIM stock code: IPP

WELCOME TO IPPLUS PLC

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.

OUR BRANDS

CallScripter™

CallScripter, a software house producing Customer Interaction Management (CIM) software tools for the contact centre market. Currently installed both within the UK in major call centres and internationally through multi channel delivery partners.

www.callscripter.com

IP3 TELECOM

IP3 Telecom, interactive voice response and call handling software. A cutting edge provider of hosted "cloud" technology. Whether working on bespoke automated IVR solution, or setting up hosted contact centres, our ethos of innovative thinking and customer service is always at the forefront of what we do.

www.ip3tele.com

ansaback

Ansaback, a 24/7 bureau contact centre operation. An exemplary discreet service for discerning clients who wish to overflow and outsource certain calls when required.

www.ansaback.co.uk

ANCORA SOLUTIONS

Ancora, document and data solutions. Securely managing archiving services, removing and storing documents, secure destruction and recycling of confidential materials. We deliver a national and international service in the medical and scientific industries, as well as industrial and professional sectors.

www.ancorasolutionsco.uk

OPERATIONAL HIGHLIGHTS

- Ancora Solutions acquired in January 2011
- CallScripter core revenues increase by 40%
- CallScripter secure new global ISV distribution agreements
- New Disaster Recovery and Data Centre commissioned
- Ansaback clients and billable minutes increased in the year
- IP3 Telecom now has 280 clients live on the Network Platform (2010: 251)

FINANCIAL HIGHLIGHTS

- Group revenues increase by 14% to £5,246,070; up from £4,604,409
- Profit before taxation fell to £39,356; down from £102,613
- Profit after taxation was £66,914; down from £99,430
- Closing net cash, less outstanding loan balance, of £191,966

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CHAIRMAN'S STATEMENT

FINANCIAL SUMMARY

In 2011, along with many other companies, we found the first six months of the New Year extremely unpredictable. At the time of the Interim Statement, the Board reported that trading was demanding and this proved to be the case in the Group's second half.

Nevertheless the Board is pleased to report progress in its plans and recorded a profit for the sixth consecutive year. The Group's final profits, however, were adversely affected by: a volatile trading environment for Ansaback; substantial CallScripter bad debts (£29,709); the costs of the Government's concessionary wedding day holiday; and the professional costs associated with the Ancora acquisition.

Having had a record December 2010, the Ansaback contact centre business saw a serious ebb in call traffic between January and April, followed by a recovery in May and June. This volatility heavily impacted the Ansaback divisional profits in the second half of the year as the contact centre grappled with adjusting staffing levels and costs to match the changing revenues.

CallScripter sales improved and, when non-core dialler licence resales are excluded, were 40% higher than last year.

The Group achieved a profit before taxation for the year to June 2011 of £39,356 (2010: £102,613), on a turnover of £5,246,070 (2010: £4,604,409).

During the year ended 30th June 2011 the Group purchased Ancora Solutions and invested in a new disaster recovery facility. The closing net cash of £191,966 and current banking facilities are sufficient for the Group's ongoing purposes.

ACQUISITION OF ANCORA SOLUTIONS

On 21st 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 30th November 2009, the latest accounts available, 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 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. The division also provides specialist removal services. Richard Clement, who has been the lead executive director for the past two years, joined the Group bringing with him 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 broadens 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.

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 contact centre to take client requests and sales enquiries, 24 hours a day, will also provide a differentiator from its competitors.

DISASTER RECOVERY FACILITY

A new Disaster Recovery and Data Centre facility was set up to provide improved continuity and resilience to the Group should the existing contact centre become disrupted or inaccessible. We plan to offer these disaster recovery services to other regional businesses that require a similar backup facility which will help defray the running costs and one client has already signed up for these additional services.

BOARD CHANGES

In January we welcomed Bernie Waldron to the Board as a non-executive director. 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.

DIVIDEND

The Company will not be declaring a dividend.

PEOPLE

I would like to thank all of the directors and employees for their efforts during the past year. Their commitment, loyalty and support are appreciated and are vital to achieving further positive progress.

OUTLOOK

Whilst the outlook remains challenging, the directors remain confident about the future prospects for the Group.

Philip Dayer
2nd September 2011

BUSINESS REVIEW

BUSINESS SUMMARY

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

The Group trades under four trading styles namely CallScripter, Ansaback, Ancora Solutions 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 and advanced reporting software into their organisations. 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 order lines, overflow and out of hours call handling, emergency cover, dedicated phone resource, non-geographic, low call and Freephone telephone facilities as well as disaster recovery lines and other ancillary telecommunication services.

Ancora Solutions 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.

IP3 Telecom is the telephony services arm of the Ansaback 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.

THE MARKET

Despite continued turbulence in the UK economy, and more widely in the international marketplace, contact centres remain an important characteristic of the modern business enterprise. The Ansaback contact centre, operating a 24/7 bureau service, is well placed as it has a broad range of clients requiring services across multiple market sectors. The vitality of the UK market is further confirmed by the recent announcement that Santander are relocating their contact centre back to the United Kingdom.

Contact centre technology continues to evolve and the options available to the prospective clients are ever changing with the recent trend being to opt for some dedicated fixed seats and then spill over into the bureau thereby maximising the time of the dedicated agents.

The diversity of clients using CallScripter software does however provide a cushion from being too sector specific. Our contact centre, which operates as a 24/7 bureau service, is also well positioned as its broad range of clients require different services which again provides a similar degree of insulation from movements in specific markets.

Contact centres handling a myriad of client contacts, via phone, e:mail and text, continue to emerge throughout the world and CallScripter software now provides systems in 26 countries. In addition, further additional opportunities are possible with contact centres that adapt their existing style but still require a unified dashboard and controlled instructions for the agent positions. CallScripter fills this niche requirement and continues to capitalise on this continuing trend.

RISKS

PRINCIPAL BUSINESS RISKS AND UNCERTAINTIES

The principal risks facing the Group and discussed by the Board relate broadly to its acquisition strategy, intellectual property, the marketplace and competitive environment, dependence on key people and information technology.

Acquisitions: The Group's strategy includes seeking acquisitions of companies or businesses that are complementary to its businesses. As a consequence there is a risk that management's attention may be diverted and the Group's ongoing business may be disrupted or the Group may fail to retain key acquired personnel, or encounter difficulties in integrating acquired operations. The directors remain aware of this disruption and plan to ensure that the main business is not affected.

Intellectual property rights ("IPR"): The Group is reliant on IPR surrounding its internally generated and licensed-in software. Whilst it relies upon IPR protections including patents, copyrights and contractual provisions, it may be possible for third parties to obtain and use the Group's intellectual property without its authorisation. Third parties may also challenge the validity and/or enforceability of the Group's IPR, although the directors do not envisage this risk to be significant. In addition, the directors are aware of the supply risk of losing key software partners. As these are not a significant part of the core products, this would only have a short-term impact on the Group as it sought to identify and then train staff in alternative products.

Marketplace and competition: The sector in which the Group's CallScripter division operates in and/or routes to market may undergo rapid and unexpected changes or not develop at a pace in line with the directors' expectations. It is also possible that competitors will develop similar products; the Group's technology may become obsolete or less effective; or that consumers use alternative channels of communications, which may reduce demand for the Group's products and services. In addition, the Group's success depends upon its ability to develop new, and enhance existing, products on a timely and cost-effective basis, that meet changing customer requirements and incorporate technological advancements. The directors review the market movements, client requirements and competitive suppliers to ensure that the current portfolio is as required. The Ansaback and Ancora markets are wide and diverse, and while other competitors may enter the arena,

BUSINESS REVIEW

divisional success rests with the sales team. The directors ensure that the team are properly directed, trained and motivated to address this issue.

Key personnel: The Group depends on the services of its key technical, operations, sales and management personnel. The loss of the services of any one or more of these persons could have a material adverse effect on the Group's business. The Group maintains an active policy to identify, hire, train, motivate and retain highly skilled personnel in key functions.

Information technology: Data security and business continuity pose inherent risks for the Group. The Group invests in and keeps under review formal data security and business continuity policies which are independently audited.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The principal financial instruments used by the Group, from which financial risk arises, are trade receivables, cash at bank and trade and other payables. The Group has no significant net foreign currency monetary assets or liabilities nor any significant hedged transactions or positions. The Board has overall responsibility for the determination of the Group's financial risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for the designing, operating and reporting thereof to the Group's finance function. The overall objective is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

Credit risk: Credit risk is the risk of financial loss to the Group if a customer or a counterparty to a financial instrument fails to meets it contractual obligations. The Group is mainly exposed to credit risk from credit sales. It is Group policy to assess the credit risk of new customers before entering contracts and it has a frequent and proactive collections process. The concentration of credit risk is limited due to the large and unrelated customer base comprising mainly blue chip companies and public sector organisations. Credit risk also arises from cash and cash equivalents and deposits with banks and financial institutions. At the year-end the Group's cash at bank was held with two major UK clearing banks.

Market risk: The directors consider that exposure to market risk, arising from the Group's use of interest-bearing and foreign currency financial instruments, is not significant. This is assessed in note 24 to these financial statements.

Liquidity risk: Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The directors review an annual 12 month cash flow projection as well as information regarding cash balances on a monthly basis.

At the balance sheet date, liquidity risk was considered to be low given the fact the Group is cash generative and cash and cash equivalents are thought to be at acceptable levels.

The risks to the CallScripter division remain unchanged — principally the ability of our sales team and the partner resellers to achieve market penetration. The channels to market, be they via OEM (Original Equipment Manufacturer) arrangements or integrated with a dialler as part of a tailored call handling solution, need constant attention to preserve existing market share.

The main risk within Ansaback is the exposure to the failure of a major client, as the top 20 clients represent 62% of turnover. However, no individual client accounts for more than 10% of the total turnover. Continued vigilance is taken with credit control to minimise this exposure, with bad debts remaining at a low level in the year.

Additional risks include the technology utilised in the contact centre and we have a modern telephone switch. This switch includes fail-over systems to further increase our business continuity/disaster recovery readiness whilst also enabling us to offer additional services to clients. It is also split across two locations to further reduce the risk of failure.

To reduce the operational risks we have opened a Disaster Recovery and Data Centre facility at an office five miles away from the main building. This office can accommodate 30 agents and has independent telephone lines, phone switch and computer data systems synchronised to the main building that can automatically fail-over in the event of a major incident occurring. Looking at other risks within the contact centre, to lower our susceptibility to power outages, we have a standby generator in case of power cuts, while our main computer systems have been upgraded to improve their resilience and minimise any down time should a problem arise.

The risk to Ancora Solutions is mainly within the archiving component of the division. This risk is a combination of the impact of a loss of a significant customer and the inability to replace such a customer quickly. Digital storage solutions and document scanning are becoming more prevalent as a means of document storage and the division is mindful that it needs to further develop its digital offering. Legislation changes affecting document record retention dates may affect the number of records held and the division needs to ensure that it complies with all relevant data protection requirements. Security of records, the pulping of these records and compliance with current legislation may force changes in working practice.

IP3 Telecom uses a network telephony platform with triple redundancy (sites in London, Birmingham and Manchester), but could be affected if there was a major carrier breakdown affecting the entire network.

REVIEW OF OPERATIONS

In a challenging year for UK businesses, we are pleased to announce continued growth in turnover from the Group. A summary of the operational highlights in the year to June 2011 follows.

CALLSCRIPTER

CallScripter sales improved and, when dialler licence resales are excluded, were 40% higher than last year.

The market remains challenging, and contracts are slow to close, but our revitalised team have struck a new ISV (Integrated Software Vendor) distributor agreement and reseller agreement in the United States, which is expected to add momentum to move the product into the larger deal arena.

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.

Pleasingly CallScripter 4.5 has achieved AVAYA compliance approval for use with their "Proactive Contact 4 customer contact solution" and this will add further sales impetus and opportunities.

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's latest release was also launched at the NEC UK Contact Centre Expo during September 2010. 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 is a useful source of new business for the division.

The OEM (Original Equipment Manufacturer) collaboration with Interactive Intelligence Inc. (ININ) has seen them successfully develop their sales in a number of territories.

Part of CallScripter's channel to market is the network hosted ASP (Application Service Provider) route now commonly referred to as SaaS (Software as a Service). This allows businesses to use the product on a "needs basis" without either complex licensing or in-house technical support. Clients who use this method have access to a low cost entry model which suits a number of organisations where internal IT resources are limited.

PROFESSIONAL SERVICES

Using proven methodologies our highly experienced team of consultants provide the guidance and expertise to ensure a successful implementation. We are committed to expediting a rapid return on investment for the clients buying our solution by offering a comprehensive range of services that help them achieve results.

EDUCATIONAL SERVICES

CallScripter provides dedicated classroom and on-site training as well as optional customised training courses that can be developed to meet the client's specific business users' requirements.

SUPPORT & MAINTENANCE

CallScripter offers a range of support packages, providing fast, efficient and comprehensive support designed to match the particular needs of our clients' organisation and complement their existing skills and resources.

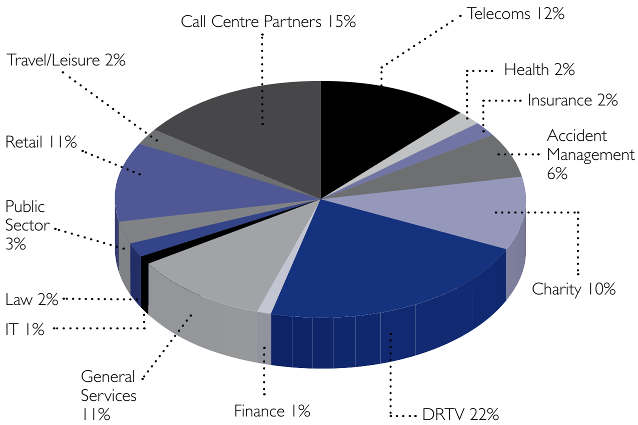
OUTLOOK

The market continues to be highly competitive and users remain slow to conclude contracts. However, once the client is on board and they and their agents see the benefits of CallScripter, it is rare for them to migrate to other providers.

ANSABACK

Turnover increased from £3,795,716 to £3,948,184 in the year.

Our market sectors continue to be diverse as shown below:



Ansaback Market Sectors

In the six months to December billable minutes, our main Key Performance Indicator, were 5.5% higher than the previous year. However, the second half brought significant volatility to the market with a substantive drop in call volumes being spread across all sectors. This caused manning issues as the agent levels were reduced to match the sales levels.

However, the outlook for new business remains positive, allowing us to continue growing the division. New contracts, along with the retention of our Blue Chip client base, are also key to this continued progress. Referral business, alongside our specialisation in the DRTV, charity and telecoms sectors, remains strong and despite specialisation in several sectors we continue to have a wide diversity of clients. We continue to provide clients with detailed data and Ansaback is monitored and controlled on the actual and predicted billable minutes.

BUSINESS REVIEW

This Key Performance Indicator, as well as the number of agent call minutes per hour, is reviewed on a daily basis to ensure the correct levels of staff efficiencies within the contact centre. We also scrutinise our Grade of Service and Percentage of Calls Answered to maintain our contracted Service Level Agreements of answering 80% of calls presented within 20 seconds.

The demand for both outbound and dedicated services has increased year on year, with changes in client requirements evident as the contact centre capacity grows and brings larger prospective business within range. This type of service offering is expected to grow, bringing new management challenges as well as a different cost structure based on hourly income as opposed to the current main Key Performance Indicator of billable minutes.

IP3 TELECOM

IP3 Telecom has had a year of consistent improvement with the addition of several prestigious clients. The range of network-based interactive call services and the ability of the platform to allow fast and efficient configuration of services with detailed logging for reviewing changes makes for a compelling proposition.

The services are hosted across resilient platforms with triple redundancy for location, infrastructure and service providers. Web access allows remote management from anywhere in the world, without any proprietary software requirements. Clients have the ability to monitor call traffic in real time or have periodic reports sent via email.

ANCORA SOLUTIONS

Ancora Solutions' first five months within the Group have started well and are in line with the directors' expectations. The business comprises five components:

- Document Archiving
- Confidential Destruction & Shredding
- Removals
- Library Moves
- Storage (Industrial, Scientific and Medical)

The principal activity of Document Archiving, currently serving over 60 clients, is a process that utilises 40,000 square feet of rented warehouse space. Archive boxes and bankers' boxes are catalogued by an expert team of archivists to provide "easy pick" and collect services for document retrieval. Document Storage, with highly accurate records management, is vital for the legal, financial services, transport and medical professions that use the service.

The other components of the division comprise:

- Confidential Destruction — Documents are securely destroyed on site and then the shredded paper is sent for recycling. Ancora is a licensed waste carrier and provides certificates of destruction.
- Specialist Removals & Storage — Using the existing team and resources, this service is offered to the scientific, medical and industrial sectors operating both nationally and internationally.
- Library moves — Using the existing staff, who have considerable experience in the cataloguing and moving of libraries, providing a bespoke solution to fulfil each business brief. Enquiries for moves and consolidation of libraries have been increasing, with the current austerity measures driving cost saving reviews.
- Storage — Ancora also offers a general storage facility.

The prospects of increasing the services offered to the new and existing client base are encouraging. The current premises have considerable space still to be racked out and full occupation will enhance the profitability of the division as the key metric is density of boxes per square foot.

EMPLOYEE RELATIONS AND SOCIAL RESPONSIBILITIES

The Group is delighted that, in addition to its Investor in People award, it has subsequently achieved the Health and Well-Being award. This review further praised the work environment and highlighted the strong culture towards healthy staff.

The Group encourages car sharing, bus usage and the cycle to work initiative.

The Group was awarded a Carbon Champions certification for its ecological and green initiatives regarding technology.

During the year the Group embarked on an Apprenticeship Scheme which was open to all staff. Eight agents are undertaking the NVQ Level 2 Customer Services Apprenticeship while a further three are taking the NVQ Level 2 Management and Team Leader Apprenticeship. These courses are close to completion and have been very well received by all concerned.

The Group's employees support a designated charity every year and raised £1,075 for the East Anglian Air Ambulance.

SUMMARY AND OUTLOOK

The Group has made progress in 2011 despite adverse circumstances and, given its broader business base, looks forward to reporting further progress.

William A Catchpole
2nd September 2011

DIRECTORS AND ADVISERS

Company registration number:	3869545
Registered office:	Melford Court The Havens Ransomes Europark Ipswich Suffolk IP3 9SJ
Directors:	Philip John Dayer Bernard Joseph Waldron William Alexander Catchpole Geoffrey Forsyth Robert Stuart McWhinnie Gordon
Secretary:	Robert Stuart McWhinnie Gordon BA FCMA
Bankers:	National Westminster Bank PLC Barclays Bank PLC
Solicitors:	Fasken Martineau LLP
Auditors:	Grant Thornton UK LLP
Nominated Advisers and Brokers:	Brewin Dolphin Limited
Registrars:	Capita Registrars Limited
Financial statements are available at:	http://www.ipplusplc.com

DIRECTORS' REPORT

The directors present their report together with the financial statements for the year to 30th June 2011.

1. PRINCIPAL ACTIVITY

The Company (company number 3869545) operates principally as a holding company. The main subsidiaries are engaged in the provision of a 24 hours a day, 7 days a week out of hours and overflow telephony service, the development and sale of contact centre call relationship management software and the provision of secure storage and destruction of documents.

2. RESULTS, DIVIDENDS, FUTURE PROSPECTS

The trading results of the Group are set out in the annexed accounts and are summarised as follows:

	2011 £	2010 £
Revenue	**5,246,070**	4,604,409
Profit before taxation	**39,356**	102,613

The Chairman's Statement and Business Review contain a full explanation of developments during the year, key performance indicators, principal risks and uncertainties and the Group's future prospects, which are requirements of the Directors' Report.

The directors do not recommend payment of a dividend (2010: £nil).

3. DIRECTORS

The present membership of the Board is set out below.

The beneficial and other interests of the directors and their families in the shares of the Company at 30th June 2011 and 1st July 2010 were as follows:

	30th June 2011 Ordinary shares of 1p each	1st July 2010 Ordinary shares of 1p each
W A Catchpole	**1,798,645**	1,773,645
G Forsyth	**821,324**	746,324
R S M Gordon	**763,122**	763,122
P J Dayer (non-executive)	**293,619**	293,619
S J Allen (non-executive) (resigned 31st December 2010)	**—**	—
B J Waldron (non-executive) (appointed 1st January 2011)	**—**	—

The above interests include 33,220 (2010: 33,220) ordinary shares held by or on behalf of Mr Catchpole's wife.

The directors' remuneration was as shown below.

2010/11	**Salary £**	**Benefits £**	**Payment in lieu £**	**Total £**	**Pension £**
W A Catchpole	**146,985**	**3,238**	**—**	**150,223**	**13,365**
R S M Gordon	**111,885**	**1,877**	**—**	**113,762**	**10,139**
G Forsyth	**104,759**	**2,108**	**—**	**106,867**	**9,515**
P J Dayer (non-executive)	**28,750**	**—**	**—**	**28,750**	**—**
S J Allen (non-executive)	**11,250**	**—**	**5,625**	**16,875**	**—**
B J Waldron (non-executive)	**10,312**	**—**	**—**	**10,312**	**—**

2009/10	Salary £	Benefits £	Payment in lieu £	Total £	Pension £
W A Catchpole	146,084	2,595	—	148,679	12,092
R S M Gordon	110,022	2,325	—	112,347	8,869
G Forsyth	104,878	1,575	—	106,453	8,745
P J Dayer (non-executive)	24,375	—	—	24,375	—
S J Allen (non-executive)	20,531	—	—	20,531	—
P M Brown (non-executive)	5,625	—	—	5,625	—

On 12th September 2002, directors were granted options to subscribe for ordinary shares in the Company as follows:

	Number of shares	Exercise price (pence)
W A Catchpole	1,000,000	12.36
R S M Gordon	1,000,000	12.36
G Forsyth	1,000,000	12.36

These options can be realised on the following formula between three and ten years from their grant:

If the share price is at or above	Percentage of options realisable
25p	25%
40p	50%
65p	75%
100p	100%

4. SHARE PRICE AND SUBSTANTIAL SHAREHOLDINGS

During the year, the share price fluctuated between 5.5 pence and 10.75 pence and closed at 9.375 pence on 30th June 2011.

The beneficial and other interests of other substantial shareholders and their families in the shares of the Company at 30th June 2011 and 1st July 2010 were as follows:

	30th June 2011 Ordinary shares of 1p each	1st July 2010 Ordinary shares of 1p each
P Wildey	**5,700,000**	5,650,000
A Catchpole	**2,410,000**	2,410,000
P M Brown	**2,129,779**	2,129,779

5. DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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 Group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and Company financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to give a true and fair view of the state of affairs of the Group and parent Company and of the profit or loss of the Group 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 Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements
- 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 adequate 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 2006. 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 each of the directors is aware:

- there is no relevant audit information of which the Company's Auditors are 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 Auditors are aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

6. QUALIFYING THIRD PARTY INDEMNITY PROVISION

During the financial year, a qualifying third party indemnity provision for the benefit of the directors was in force.

7. RESEARCH AND DEVELOPMENT

The Group continues to develop CallScripter, a web-based workflow management software suite for modern contact centres.

DIRECTORS' REPORT

8. PAYMENT PRACTICE

It is the Company's policy to settle the terms of payment with suppliers when agreeing the terms of the transaction, to ensure that suppliers are aware of the terms and to abide by them. Trade payables at the year-end amount to 43 days (2010: 46 days) of average supplies for the year.

9. EMPLOYEE POLICY

The Group operates a policy of non-discrimination in respect of ethnicity, sexual orientation, gender, religion and disability and encourages the personal and professional development of all persons working within the Group by giving full and fair consideration for all vacancies in accordance with their particular aptitudes and abilities.

10. CORPORATE GOVERNANCE

The Group recognises the requirement for high standards of corporate governance but is restricted by having a small Board of directors, 40% of whom are non-executive directors.

As an AIM listed company, we are not obliged to comply with the Combined Code on Corporate Governance, but we do acknowledge the overall importance of the guidelines and apply as many of the principles therein as appropriate to a Group of our size and nature.

Internal financial control

The Board is responsible for establishing and maintaining the Group's system of internal control and reviewing its effectiveness. Internal control systems are designed to meet particular needs of the Group concerned and the risks to which it is exposed and by their nature can provide reasonable, but not absolute, assurance against misstatement or loss. The directors confirm that they have established such procedures as necessary to implement the Group's internal controls.

The full Board meets on at least six occasions each year to review trading performance and discuss strategy and policy issues. Budgets are approved annually and management accounts are produced on a monthly basis. All directors review these accounts. The executive Board meets on a regular basis to discuss the Group's performance, inviting input from the non-executive directors as appropriate. The Group reports to shareholders twice a year. The Board considers that a separate internal audit function is not justified having regard to the size of the Group.

The Chairman, who carries out his duties on a part-time basis, is primarily responsible for running the Board. The chief executive is responsible for the day-to-day running of the Group and for implementing Group strategy.

All directors are aware of their right to seek independent professional advice at the Company's expense to assist them in their duties and to have access to the services of the Company Secretary.

Audit Committee

Whilst the Audit Committee formally consists of Philip Dayer and Bernard Waldron, due to the size of the Group, any business relating to the audit has been considered by the full Board.

Our Auditors can however raise any issues and request a meeting of the Committee if it is felt that any governance or other issues need to be discussed without the executive directors' attendance.

Remuneration Committee

The Remuneration Committee consists of Bernard Waldron and Philip Dayer.

The Committee is responsible for setting the terms and conditions of employment for the executive directors and met on two occasions during the year. The current policy is to set remuneration in accordance with market conditions in order to attract, retain and motivate the executive Board. The Committee reviews Group performance and, arising from those reviews, may determine performance related bonuses.

No director is involved in deciding his or her own remuneration level or performance related bonuses.

The fees for non-executive directors are set at smaller turnover AIM quoted market rates to attract individuals with the necessary experience and ability to make a substantial contribution to the Group's affairs and its continued development.

11. FINANCIAL RISK MANAGEMENT

The financial risk management policies and objectives are disclosed in note 24, along with information regarding exposure to credit risk, interest rate risk and liquidity risk.

12. GOING CONCERN

After making enquiries and preparing forecasts, which took a conservative view of the future growth prospects, the directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. In addition, during the year, cash was utilised for the purchase of Ancora Solutions, but a loan of £150,000 was also received which offset a large proportion of the cash outlay. For these reasons, the directors continue to adopt the going concern basis in preparing the accounts.

13. AUDITORS

Grant Thornton UK LLP have expressed willingness to continue in office. In accordance with S489 (4) of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP as Auditors will be proposed at the Annual General Meeting to be held on 14th October 2011.

Melford Court
The Havens
Ransomes Europark
Ipswich, Suffolk
IP3 9SJ

BY ORDER OF THE BOARD

R S M Gordon
Secretary
2nd September 2011

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF IPPLUS PLC

We have audited the financial statements of IPPlus PLC for the year ended 30th June 2011 which comprise the consolidated statement of financial position and parent Company balance sheet, the consolidated statement of comprehensive income, the consolidated statement of cash flows, the consolidated statement of changes in equity and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent Company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 Auditor's 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 AUDITORS

As explained more fully in the Directors' Responsibilities Statement set out on page 9, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

SCOPE OF THE AUDIT OF THE FINANCIAL STATEMENTS

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

OPINION ON FINANCIAL STATEMENTS

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent Company's affairs as at 30th June 2011 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

OPINION ON OTHER MATTER PRESCRIBED BY THE COMPANIES ACT 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Mark Handley
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Ipswich
2nd September 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 30th June 2011

	Note	2011 £	2010 £
Revenue		**5,246,070**	4,604,409
Cost of sales		**(3,023,705)**	(2,634,201)
Gross profit		**2,222,365**	1,970,208
Administrative expenses		**(2,184,277)**	(1,868,199)
Operating profit		**38,088**	102,009
Finance income	6	**2,957**	764
Finance expenditure	7	**(1,689)**	(160)
Profit before taxation	5	**39,356**	102,613
Income tax credit/(expense)	11	**27,558**	(3,183)
Profit and total comprehensive income attributable to equity holders of the parent Company		**66,914**	99,430
Basic and diluted earnings per share	10	**0.22p**	0.33p

All activities of the Group are classed as continuing.

The accompanying accounting policies and notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30th June 2011

	Note	2011 £	2010 £
ASSETS			
Non-current assets			
Land	14	52,832	—
Plant and equipment	13	408,078	193,292
Other intangible assets	12	558,163	249,271
Investment in associate company	20	40	40
Deferred taxation	19	280,000	280,000
Non-current assets		1,299,113	722,603
Current assets			
Inventory	15	3,636	—
Trade and other receivables	16	964,916	965,994
Cash and cash equivalents		321,133	375,015
Current assets		1,289,685	1,341,009
Total assets		2,588,798	2,063,612
LIABILITIES			
Current liabilities			
Trade and other payables	17	(723,923)	(584,203)
Current portion of long-term borrowings	17	(58,551)	—
Current liabilities		(782,474)	(584,203)
Non-current liabilities			
Long-term borrowings	18	(147,301)	—
Deferred taxation	19	(71,410)	(67,410)
Non-current liabilities		(218,711)	(67,410)
Total liabilities		(1,001,185)	(651,613)
Net assets		1,587,613	1,411,999
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	23	317,212	297,908
Share premium		89,396	—
Other reserves		18,396	18,396
Profit and loss account		1,162,609	1,095,695
Total equity		1,587,613	1,411,999

The accompanying accounting policies and notes form an integral part of these financial statements.

The Board of directors approved and authorised the issue of the financial statements on 2nd September 2011.

W A Catchpole
Director

R S M Gordon
Director

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 30th June 2011

	2011 £	2010 £
Cash flows from operating activities		
Profit after taxation	**66,914**	99,430
Adjustments for:		
Depreciation	**100,372**	76,237
Amortisation of intangible assets	**130,264**	116,357
Interest income	**(2,957)**	(764)
Interest expense	**1,303**	78
Interest element of finance leases	**386**	82
Income taxes received	**(31,558)**	—
Deferred tax provision	**4,000**	3,183
Loss/(profit) on sale of fixed assets	**390**	(225)
Decrease/(increase) in trade and other receivables	**1,078**	(114,839)
Increase/(decrease) in trade and other payables	**127,520**	(33,263)
Increase in inventories	**(2,936)**	—
Cash generated from operations	**394,776**	146,276
Income taxes received	**31,558**	—
Interest paid	**(1,303)**	(78)
Interest element of finance leases	**(386)**	(82)
Net cash generated from operating activities	**424,645**	146,116
Cash flows from investing activities		
Purchase of property, plant and equipment	**(185,258)**	(64,670)
Acquisition of Ancora business	**(289,000)**	—
Capitalisation of development costs	**(123,656)**	(124,718)
Interest received	**2,957**	764
Investment in associate company	**—**	(40)
Proceeds from sale of fixed assets	**363**	225
Net cash used in investing activities	**(594,594)**	(188,439)
Cash flows from financing activities		
Repayment of borrowings	**(20,833)**	—
Shares issue costs	**(2,300)**	—
Loan received	**150,000**	—
Capital element of finance lease rentals	**(10,800)**	(3,781)
Net cash received from/(used in) financing activities	**116,067**	(3,781)
Net decrease in cash	**(53,882)**	(46,104)
Cash and cash equivalents at beginning of year	**375,015**	421,119
Net decrease in cash	**(53,882)**	(46,104)
Cash and cash equivalents at end of year	**321,133**	375,015

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30th June 2011

	Share capital £	Share premium £	Other reserves £	Profit and loss account £	Total equity £
Balance at 1st July 2009	297,908	—	18,396	996,265	**1,312,569**
Profit and total recognised income and expense for the year	—	—	—	99,430	**99,430**
Balance at 30th June 2010	297,908	—	18,396	1,095,695	**1,411,999**
Shares issued	19,304	91,696	—	—	**111,000**
Share issue expenses	—	(2,300)	—	—	**(2,300)**
Profit and total recognised income and expense for the year	—	—	—	66,914	**66,914**
Balance at 30th June 2011	317,212	89,396	18,396	1,162,609	**1,587,613**

The accompanying accounting policies and notes form an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2011

1. AUTHORISATION OF FINANCIAL STATEMENTS

The Group's consolidated financial statements (the "financial statements") of IPPlus PLC (the "Company") and its subsidiaries (together the "Group") for the year ended 30th June 2011 were authorised for issue by the Board of directors on 2nd September 2011 and the Chief Executive William Catchpole and the Chief Financial Officer R Stuart Gordon signed the balance sheet.

2. NATURE OF OPERATIONS AND GENERAL INFORMATION

IPPlus PLC is the Group's ultimate parent Company. It is a public limited company incorporated and domiciled in the United Kingdom. IPPlus PLC's shares are quoted and publicly traded on the AIM division of the London Stock Exchange. The address of IPPlus PLC's registered office is also its principal place of business.

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

3. STATEMENT OF COMPLIANCE WITH IFRS

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

The principal accounting policies adopted by the Group are set out in note 4. The accounting policies have been applied consistently throughout the Group for the purposes of preparation of these financial statements.

Changes in accounting policies

New standards and interpretations currently in issue but not effective for accounting periods commencing on 1st July 2010 are:

- IFRS 9 Financial Instruments (effective 1st January 2013)
- IFRS 10 Consolidated Financial Statements (effective 1st January 2013)
- IFRS 11 Joint Arrangements (effective 1st January 2013)
- IFRS 12 Disclosure of Interests in Other Entities (effective 1st January 2013)
- IFRS 13 Fair Value Measurement (effective 1st January 2013)
- IAS 24 (Revised 2009) Related Party Disclosures (effective 1st January 2011)
- IAS 19 Employee Benefits (Revised June 2011) (effective 1st January 2013)
- IAS 27 (Revised) Separate Financial Statements (effective 1st January 2013)
- IAS 28 (Revised) Investments in Associates and Joint Ventures (effective 1st January 2013)
- Improvements to IFRS issued May 2010 (Note: some changes are effective 1st July 2010, though not yet EU-adopted; others effective 1st January 2011)
- Disclosures — Transfers of Financial Assets — Amendments to IFRS 7 (effective 1st July 2011)
- Deferred Tax: Recovery of Underlying Assets — Amendments to IAS 12 Income Taxes (effective 1st January 2012)

The directors anticipate that the adoption of these standards and interpretations in future periods will have no material effect on the financial statements of the Group.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2011

4. PRINCIPAL ACCOUNTING POLICIES

a) Basis of preparation

The financial statements have been prepared on a going concern basis in accordance with the accounting policies set out below. These are based on the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board in issue as adopted by the European Union (EU).

The financial statements are presented in pounds sterling (£), which is also the functional currency of the parent Company, and under the historical cost convention.

b) Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings (see note 22) drawn up to 30th June 2011. A subsidiary is a company controlled directly by the Group and all of the subsidiaries are 100% owned by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of the investee entity to obtain benefits from its activities.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Unrealised gains on transactions between the Group and its subsidiaries are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group has utilised the exemption (within IFRS 1) not to apply IFRS to pre-transition business combinations. The results of IPPlus (UK) Limited are consolidated using merger accounting principles. All other subsidiaries are accounted for using the acquisition method.

c) Revenue

Revenue is measured by reference to the fair value of consideration received or receivable by the Group for goods supplied and services provided, excluding VAT and trade discounts. Revenue is recognised upon the performance of services or the transfer of risk to the customer.

Contact centre turnover is recognised based on billable minutes in the month, along with standing monthly charges and any specific supplementary service charges.

Software turnover is recognised at the point of sale for contracts sold in perpetuity, as it is at this point that the Group has performed all of its obligations. Turnover from annual software licences and maintenance contracts may be received in a single amount or in monthly instalments. Such turnover is recognised over the period to which it relates, reflecting the fact that customers could cancel the maintenance contract if there were any disputes.

Ancora turnover is recognised based on the services provided in the month, along with standing monthly charges and any specific supplementary service charges.

d) Significant judgements and estimates

The Group makes estimates concerning the future in assessing the carrying amounts of capitalised development costs. To substantiate the carrying amount the directors have applied the criteria of IAS 38 and considered the future economic benefit likely as a result of the investment.

Careful judgement by the directors is applied when deciding whether the recognition requirements for development costs have been met. This is necessary as the economic success of any product development is uncertain and may be subject to future technical problems at the time of recognition. Judgements are based on the information available at each balance sheet date. In addition, all internal activities related to the research and development of new software products are continuously monitored by the directors.

The calculation of the deferred tax asset involved the estimation of future taxable profits.

4. PRINCIPAL ACCOUNTING POLICIES continued

Detailed calculations were undertaken to value the assets acquired during the purchase of Ancora Solutions. These calculations used the following:

a) future sales and costs
b) estimates of a 3.5% annual inflation rate
c) estimates of a 10% attrition rate, and
d) a Weighted Average Cost of Capital of 13.2%.

These calculations and estimates gave rise to valuations of goodwill, customer relationships and royalties which are further explained in note (e).

During the year the Group submitted a Research and Development claim to HMRC relating to the year ended June 2010. Whilst the Group expects this to be settled, the directors feel that there is a risk that this may not transpire and, accordingly, have treated the claim as a Contingent Asset.

e) Intangible assets

Goodwill

Goodwill was created on the purchase of Ancora Solutions. This Goodwill is not amortised but is subject to regular impairment review to ensure the value is reasonable.

Customer contracts

Customer contracts are included at cost, and cost less estimated residual amount is amortised on a straight-line basis over their useful economic lives. The amortisation charge is shown within administrative expenses. The rate generally applicable is:

- Customer contracts 20%
- Ancora client relationships 10%
- Ancora brand 10%

Research and development

Expenditure on research (or the research phase of an internal project) is recognised as an expense in the period in which it is incurred.

Development costs incurred are capitalised when all of the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
- the Group intends to complete the intangible asset
- the Group is able to use or sell the intangible asset
- the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits
- there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset
- the expenditure attributable to the intangible asset during the development can be measured reliably

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2011

4. PRINCIPAL ACCOUNTING POLICIES continued

e) Intangible assets continued

Research and development continued

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Directly attributable costs include development engineer's salary and on-costs incurred on software development. The cost of internally generated software developments are recognised as intangible assets and are subsequently measured in the same way as externally acquired software. However, until completion of the development project, the assets are subject to impairment testing only.

Amortisation commences upon completion of the asset, and is shown within administrative expenses in the statement of comprehensive income. Amortisation is calculated to write down the cost less estimated residual value of all intangible assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

- Development Costs 33%

Ancora Customer Relationships

Upon review of the Ancora Solutions business the directors' opinion was that the Client Sales Relationships, once won, were likely to remain for the long term due to:

a) Once the boxes were put into storage and not on view to the client, the services tended to roll along.

b) A majority of the clients have long-term storage requirements (legal and health records) which require documents to be retained and then called out of storage as required.

c) There are not insignificant costs in moving the boxes to another storage unit and as such customers are more likely to start using another supplier while maintaining the existing operation.

The sales and ongoing costs of the existing operation were forecast and were discounted back using the Group's Weighted Average Cost of Capital. This gave a valuation of £280,000, which is amortised over ten years on a straight-line basis, being the estimated life of these assets. The amortisation charge is shown within administrative expenses.

Ancora Solutions Brand Valuation

The relief from royalty valuation method assumes that if a business did not own the Ancora Solutions brand it would have to pay a royalty to the owners of the brand for its use. The value of the brand is the capitalised value of the royalties that the owner is relieved from paying as a result of the ownership of the asset. The Royalty attributed to the purchase was valued using a similar basis to the Customer Relationships and applying a 0.25% Royalty rate. This gave a valuation of £3,000, which is amortised over ten years on a straight-line basis, being the estimated life of these assets. The amortisation charge is shown within administrative expenses.

f) Plant and equipment

Plant and equipment is stated at cost, net of depreciation and any provision for impairment. Leased plant is included in plant and equipment only where it is held under a finance lease.

Disposal of assets

The gain or loss arising on disposal of an asset is determined as the difference between the disposal proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. PRINCIPAL ACCOUNTING POLICIES continued

Depreciation

Depreciation is calculated to write down the cost less estimated residual value of all plant and equipment assets by equal annual instalments over their expected useful lives. The rates generally applicable are:

● Land	not depreciated
● Motor vehicles	33%
● Fixtures and fittings	20% to 50%
● Plant	20% to 50%
● Computer equipment	33%

Material residual value estimates are updated as required, but at least annually.

g) Impairment testing of goodwill, other intangible assets, plant and equipment

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Goodwill and intangible assets not yet available for use are tested for impairment at least annually. All other individual assets or cash-generating units are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's or cash-generating unit's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less cost to sell, and value in use based on an internal discounted cash flow evaluation. Any impairment loss is first applied to write down goodwill to nil and then is charged pro rata to the other assets in the cash-generating unit. With the exception of goodwill, all assets are subsequently reassessed for indications that an impairment loss previously recognised no longer exists.

h) Leased assets

In accordance with IAS 17, the economic ownership of a leased asset is transferred to the lessee if the lessee bears substantially all the risks and rewards related to the ownership of the leased asset. The related asset is recognised at the time of inception of the lease at the fair value of the leased asset or, if lower, the present value of the minimum lease payments plus incidental payments, if any, to be borne by the lessee. A corresponding amount is recognised as a finance leasing liability.

The interest element of leasing payments represents a constant proportion of the capital balance outstanding and is charged to profit or loss over the period of the lease.

All other leases are regarded as operating leases and the payments made under them are charged to profit or loss on a straight-line basis over the lease term. Lease incentives are spread over the term of the lease.

i) Taxation

Current tax is the tax payable based on the profit for the year.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor the initial recognition of an asset or liability, unless the related transaction is a business combination or affects tax or accounting profit. In addition, tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2011

4. PRINCIPAL ACCOUNTING POLICIES continued

Deferred tax liabilities are provided in full, with no discounting. Deferred tax assets are recognised to the extent that it is probable that the underlying deductible temporary differences will be able to be offset against future taxable income. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the statement of comprehensive income, except where they relate to items that are charged or credited directly to equity in which case the related tax charge is also charged or credited directly to equity.

j) Dividends

Dividend distributions payable to equity shareholders are included in "other short-term financial liabilities" when the dividends are approved in general meeting prior to the balance sheet date.

k) Inventory

Inventory is created as a by-product of the shredding process and is held for future sale. Inventory is valued at the lower of the cost of creating the inventory and the net realisable value.

l) Financial assets and liabilities

The Group's financial assets comprise cash and trade and other receivables, which under IAS 39 are classed as "loans and receivables". Financial assets are recognised on inception at fair value plus transaction costs. Loans and receivables are non-derivative financial liabilities and assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured subsequent to initial recognition at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in profit or loss in the year.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows.

As the Group has not entered into any derivative contracts it does not have any financial liabilities, which are carried at fair value through profit or loss. The Group has a number of financial liabilities including trade and other payables and bank borrowings. These are classed as "other financial liabilities" in IAS 39. These financial liabilities are carried on inception at fair value net of transaction costs, and are thereafter carried at amortised cost under the effective interest method.

m) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

n) Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Other reserves" represents the Merger Reserve resulting from the demerger from KDM International PLC in November 1999 and represents the difference between the value of the shares acquired (nominal value plus related share premium) and the nominal value of shares issued
- "Profit and loss account" represents retained profits

4. PRINCIPAL ACCOUNTING POLICIES continued

o) Contribution to defined contribution pension schemes

The pension costs charged against profits represent the amount of the contributions payable to the schemes in respect of the accounting period.

p) Foreign currencies

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the balance sheet date.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in the profit or loss in the period in which they arise.

q) Share options

The directors do not consider that the amounts involved are material and therefore no charge has been recognised.

r) Capital management

The capital structure of the Group consists of debt, cash, loans and equity. The Group's objective when managing capital is to maintain the cash position to protect the future ongoing profitable growth which will reflect in shareholder value.

At 30th June 2011 the Group had a closing cash balance of £321,133 and an outstanding loan balance of £129,167.

5. PROFIT BEFORE TAXATION

Profit on ordinary activities is stated after:

	2011 £	2010 £
Auditors' remuneration		
Fees payable to the Company's Auditors for the audit of the Company's annual accounts	**7,000**	6,000
Fees payable to the Group's Auditors for other services		
The audit of the Company's subsidiaries pursuant to legislation	**10,950**	9,850
Taxation services	**7,000**	3,350
All other services	**2,525**	1,385
Depreciation and amortisation — charged in administrative expenses		
Intangible assets	**130,264**	116,357
Plant and equipment — owned	**99,451**	72,846
Plant and equipment — leased	**921**	3,391
Acquisition costs of Ancora Solutions	**18,716**	—
Rents payable	**122,725**	112,434
Foreign exchange cost	**6,917**	2,918
(Profit)/loss on sale of fixed asset	**(390)**	225

6. FINANCE INCOME

	2011 £	2010 £
Bank interest receivable	**2,957**	764

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2011

7. FINANCE EXPENDITURE

	2011 £	2010 £
Interest on bank borrowings	**1,303**	78
Finance charges in respect of finance leases	**386**	82
	1,689	160

8. DIRECTORS AND EMPLOYEES

Staff costs of the Group, including the directors who are considered to be key management personnel, during the year were as follows:

	2011 £	2010 £
Wages and salaries	**3,512,767**	3,110,236
Social security costs	**320,635**	273,058
Other pension costs	**49,269**	29,715
	3,882,671	3,413,009

	2011 Heads	2010 Heads
Average number of employees during the year	**223**	208

Remuneration in respect of directors was as follows:

	2011 £	2010 £
Emoluments	**426,789**	418,010
Pension contributions to money purchase pension schemes	**33,019**	29,706
	459,808	447,716

During the year three (2010: three) directors participated in money purchase pension schemes.

The amounts set out above include remuneration in respect of the highest paid director as follows:

	2011 £	2010 £
Emoluments	**150,233**	148,679
Pension contributions to money purchase pension schemes	**13,365**	12,092

A detailed breakdown of the Directors' Emoluments, in line with the AIM rules, appears in the Directors' Report.

Key management compensation:

	2011 £	2010 £
Short-term employee benefits	**479,549**	471,228
Post-employee benefits	**33,019**	29,706
	512,568	500,934

9. SEGMENTAL INFORMATION

IPPlus PLC operates three business sectors, Ansaback, CallScripter and Ancora. These divisions are the basis on which the Group reports its segment information. IP3 Telecom is the telecoms division of Ansaback and is not significant enough to be treated as a separate segment. The inter-segment sales are insignificant. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated assets comprise items such as cash and cash equivalents, taxation and borrowings. All liabilities are unallocated. Segment capital expenditure is the total cost incurred during the year to acquire segment assets that are expected to be used for more than one period.

2011	**Ansaback £**	**CallScripter £**	**Ancora £**	**Unallocated £**	**Total £**
Revenue	**3,948,184**	**955,775**	**342,111**	**—**	**5,246,070**
Segment result	**264,677**	**(240,342)**	**13,753**	**—**	**38,088**
Finance income					**2,957**
Finance costs					**(1,689)**
Profit before tax					**39,356**
Taxation					**27,558**
Profit for the year from continuing operations					**66,914**
Segment assets	**910,150**	**442,290**	**596,292**	**640,066**	**2,588,798**
Segment liabilities	**—**	**—**	**—**	**(1,001,185)**	**(1,001,185)**
Other segment items:					
Capital Expenditure					
— Plant and Equipment	**156,274**	**6,667**	**152,970**	**—**	**315,911**
— Intangible Assets	**—**	**123,656**	**315,500**	**—**	**439,156**
Depreciation (note 13)	**80,312**	**1,874**	**18,186**	**—**	**100,372**
Amortisation of intangible assets (note 12)	**3,008**	**117,823**	**9,433**	**—**	**130,264**

2010	Ansaback £	CallScripter £	Ancora £	Unallocated £	Total £
Revenue	3,795,716	808,693	—	—	4,604,409
Segment result	499,211	(397,202)	—	—	102,009
Finance income					764
Finance costs					(160)
Profit before tax					102,613
Taxation					(3,183)
Profit for the year from continuing operations					99,430
Segment assets	780,174	599,922	—	683,516	2,063,612
Segment liabilities	—	—	—	(651,613)	(651,613)
Other segment items:					
Capital Expenditure					
— Plant and Equipment	53,987	—	—	—	53,987
— Intangible Assets	—	124,718	—	—	124,718
Depreciation (note 13)	74,905	1,332	—	—	76,237
Amortisation of intangible assets (note 12)	3,008	113,349	—	—	116,357

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 30th June 2011

9. SEGMENTAL INFORMATION continued

Revenue can be split by location of customers into the following geographical segments:

	2011 £	2010 £
Ansaback		
United Kingdom	**3,914,579**	3,641,663
United States	**9,325**	134,249
Ireland	**11,837**	14,453
Other countries	**12,443**	5,351
	3,948,184	3,795,716
Ancora		
United Kingdom	**342,111**	—
	342,111	—
CallScripter		
United Kingdom	**627,294**	650,969
United States	**234,528**	106,895
Australia	**42,756**	18,185
Kenya	**—**	11,088
Luxembourg	**11,928**	—
Hungary	**10,170**	—
Denmark	**9,370**	—
Cyprus	**5,668**	12,990
Other countries	**14,061**	8,566
	955,775	808,693
	5,246,070	4,604,409

No single external customer generates more than 10% of the Group's revenues.

10. 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. Details of potential share options are disclosed in note 23.

	12 months ended 30th June 2011	12 months ended 30th June 2010
Profit after taxation added to reserves	**£66,914**	£99,430
Weighted average number of ordinary shares in issue during the period	**30,646,984**	29,790,743
Basic earnings per share	**0.22p**	0.33p

11. TAXATION

	2011 £	2010 £
Analysis of charge in the year		
Current tax:		
In respect of the year:		
UK Corporation tax based on the results for the year at 27.5% (2010: 28%)	**—**	—
Adjustments in respect of prior periods	**31,558**	—
Total current tax credited	**31,558**	—
Deferred tax:		
Origination and reversal of temporary differences	**—**	—
Liability on capitalised intangibles	**(4,000)**	(3,183)
Credit/(charge)	**27,558**	(3,183)

Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year was lower than the standard rate of corporation tax in the UK of 27.5% (2010: 28%).

	2011 £	2010 £
Profit on ordinary activities before tax	**39,356**	102,613
Profit on ordinary activities multiplied by standard		
rate of corporation tax in the UK of 27.5% (2010: 28%)	**10,823**	28,732
Expenses not deductible for tax purposes	**4,365**	3,535
Depreciation in excess of/(less than) capital allowances for the year	**12,555**	(20,256)
Research and Development claim received	**(31,558)**	—
Utilisation of tax losses	**(32,793)**	(14,713)
Other	**5,050**	2,702
Liability on capitalised intangibles	**4,000**	3,183
Total tax (credit)/charge for the year	**(27,558)**	3,183

The Research and Development claim received relates to a claim for the years 2007/08 and 2008/09.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2011

12. INTANGIBLE ASSETS

2011

Cost	Goodwill £	Purchased intangibles £	Internally generated R&D £	Total £
Goodwill	—	—	—	—
Customer contracts	—	15,038	—	15,038
Ancora brand	—	—	—	—
Ancora client relationships	—	—	—	—
CallScripter	—	—	524,019	524,019
Cost at 1st July 2010	—	15,038	524,019	539,057
Goodwill	32,500	—	—	32,500
Customer contracts	—	—	—	—
Ancora brand	—	3,000	—	3,000
Ancora client relationships	—	280,000	—	280,000
CallScripter	—	—	123,656	123,656
Additions	32,500	283,000	123,656	439,156
Goodwill	32,500	—	—	32,500
Customer contracts	—	15,038	—	15,038
Ancora brand	—	3,000	—	3,000
Ancora client relationships	—	280,000	—	280,000
CallScripter	—	—	647,675	647,675
Cost at 30th June 2011	32,500	298,038	647,675	978,213

12. INTANGIBLE ASSETS continued

2011

Amortisation (included within administrative expenses):	Goodwill £	Purchased intangibles £	Internally generated R&D £	Total £
Goodwill	—	—	—	—
Customer contracts	—	6,517	—	6,517
Ancora brand	—	—	—	—
Ancora client relationships	—	—	—	—
CallScripter	—	—	283,269	283,269
Amortisation at 1st July 2010	—	6,517	283,269	289,786
Goodwill	—	—	—	—
Customer contracts	—	3,008	—	3,008
Ancora brand	—	100	—	100
Ancora client relationships	—	9,333	—	9,333
CallScripter	—	—	117,823	117,823
Charge for the year	—	12,441	117,823	130,264
Goodwill	—	—	—	—
Customer contracts	—	9,525	—	9,525
Ancora brand	—	100	—	100
Ancora client relationships	—	9,333	—	9,333
CallScripter	—	—	401,092	401,092
Amortisation at 30th June 2011	—	18,958	401,092	420,050
Net book amount				
Goodwill	32,500	—	—	32,500
Customer contracts	—	5,513	—	5,513
Ancora brand	—	2,900	—	2,900
Ancora client relationships	—	270,667	—	270,667
CallScripter	—	—	246,583	246,583
Net book amount at 30th June 2011	32,500	279,080	246,583	558,163

The directors have considered the carrying value of the goodwill at the year-end by reference to discounted future forecast cash flows and consider the carrying value to be reasonable. As such no impairment charge is considered necessary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2011

12. INTANGIBLE ASSETS continued

2010

Cost	Customer contracts £	Internally generated R&D £	Total £
Customer contracts	15,038	—	15,038
CallScripter	—	478,491	478,491
Cost at 1st July 2009	15,038	478,491	493,529
Customer contracts	—	—	—
CallScripter	—	124,718	124,718
Additions	—	124,718	124,718
Customer contracts	—	—	—
CallScripter	—	(79,190)	(79,190)
Disposals	—	(79,190)	(79,190)
Customer contracts	15,038	—	15,038
CallScripter	—	524,019	524,019
Cost at 30th June 2010	**15,038**	**524,019**	**539,057**

2010

Amortisation (included within administrative expenses):	Customer contracts £	Internally generated R&D £	Total £
Customer contracts	3,509	—	3,509
CallScripter	—	249,110	249,110
Amortisation at 1st July 2009	3,509	249,110	252,619
Customer contracts	3,008	—	3,008
CallScripter	—	113,349	113,349
Charge for the year	3,008	113,349	116,357
Customer contracts	—	—	—
CallScripter	—	(79,190)	(79,190)
Disposals	—	(79,190)	(79,190)
Customer contracts	6,517	—	6,517
CallScripter	—	283,269	283,269
Amortisation at 30th June 2010	6,517	283,269	289,786
Net book amount			
Customer contracts	8,521	—	8,521
CallScripter	—	240,750	240,750
Net book amount at 30th June 2010	**8,521**	**240,750**	**249,271**

13. PLANT AND EQUIPMENT

2011	Plant £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost:					
At 1st July 2010	—	26,763	268,132	297,228	592,123
Acquisitions through business combinations	111,800	9,000	—	25,200	146,000
Additions	10,189	—	91,453	68,269	169,911
Disposals	—	—	(5,698)	(36,456)	(42,154)
At 30th June 2011	121,989	35,763	353,887	354,241	865,880
Depreciation (included within administrative expenses):					
At 1st July 2010	—	17,125	134,312	247,394	398,831
Charge in year	9,718	4,304	48,155	38,195	100,372
Disposals	—	—	(4,945)	(36,456)	(41,401)
At 30th June 2011	9,718	21,429	177,522	249,133	457,802
Net book amount at 30th June 2011	112,271	14,334	176,365	105,108	408,078

2010	Plant £	Motor vehicles £	Fixtures and fittings £	Computer equipment £	Total £
Cost:					
At 1st July 2009	—	22,050	264,863	364,600	651,513
Additions	—	9,913	4,453	39,621	53,987
Disposals	—	(5,200)	(1,184)	(106,993)	(113,377)
At 30th June 2010	—	26,763	268,132	297,228	592,123
Depreciation (included within administrative expenses):					
At 1st July 2009	—	20,821	99,025	316,125	435,971
Charge in year	—	1,504	36,471	38,262	76,237
Disposals	—	(5,200)	(1,184)	(106,993)	(113,377)
At 30th June 2010	—	17,125	134,312	247,394	398,831
Net book amount at 30th June 2010	—	9,638	133,820	49,834	193,292

Included within the net book amount of £408,078 (2010: £193,292) is £30,316 (2010: £Nil) relating to assets held under finance leases. The depreciation charged to the financial statements in the year in respect of such assets amounted to £921 (2010: £3,391).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2011

14. LAND

Cost and net book value	2011 £	2010 £
Cost and net book value at 1st July 2010	—	—
Additions	52,832	—
Cost and net book value at 1st July 2011	52,832	—

15. INVENTORY

	2011 £	2010 £
Goods for resale	3,636	—

Inventory consists of shredded paper which is capable of being sold.

16. TRADE AND OTHER RECEIVABLES

	2011 £	2010 £
Trade receivables	791,885	737,542
Other receivables	—	81,075
Prepayments and accrued income	173,031	147,377
Trade and other receivables	964,916	965,994

All amounts fall due within one year and therefore the fair value is considered to be approximately equal to the carrying value. All of the Group's trade and other receivables are denominated in pounds sterling. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group holds £15,973 (2010: £15,560) of deposits as security against certain accounts.

Other receivables include £Nil (2010: £81,075) relating to a rent deposit falling due within one year. This amount was repaid when the lease was renegotiated.

Trade receivables have been reviewed for indicators of impairment and a provision has been recorded as follows:

	2011 £	2010 £
Opening provision at 30th June 2010	4,203	504
Charged to income	15	3,699
Closing provision at 30th June 2011	4,218	4,203

In addition some of the non-impaired trade receivables are past due at the reporting date:

	2011 £	2010 £
0–30 days past due	20,700	6,209
30–60 days past due	2,910	7,749
Over 60 days past due	7,851	36,241
	31,461	50,199

Amounts which are past due but not impaired are considered to be recoverable at their carrying value. The over 60 days past due balance includes £7,250 (2010: £15,480) which has had the term renegotiated.

17. CURRENT LIABILITIES

	2011 £	2010 £
Trade payables	**196,268**	172,329
Social security and other taxes	**280,373**	221,306
Other payables	**247,282**	190,568
Trade and other payables	**723,923**	584,203
Bank loans (note 18)	**50,000**	—
Amounts due under finance leases	**8,551**	—
Current portion of long-term borrowings	**58,551**	—
Current liabilities	**782,474**	584,203

Amounts due under finance leases are secured on the related assets.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	2011 £	2010 £
Bank loans	**79,167**	—
Amounts due under finance leases	**18,134**	—
Other payables	**50,000**	—
	147,301	—

Borrowings

Bank loans are repayable as follows:

Within one year	**50,000**	—
After one year and within two years	**50,000**	—
After two and within five years	**29,167**	—
	129,167	—

On 21st January 2011 the Group obtained an unsecured loan of £150,000 repayable over 36 months in equal monthly instalments of £4,427. Interest on the loan is payable at 3.5% above the bank base rate.

Amounts due under finance leases are secured on the related assets.

Interest on the bank loan falls due as follows:

Within one year	**4,083**	—
After one year and within two years	**2,083**	—
After two and within five years	**300**	—
	6,466	—

Amounts due under finance leases fall due as follows:

Within one year	**10,890**	—
After one year and within two years	**10,890**	—
After two and within five years	**9,075**	—
	30,855	—

The above table includes interest of £2,339 due within one year, £1,421 due after one year but within two years and £410 due after two years but within five years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2011

19. DEFERRED TAXATION

Deferred taxation is calculated at a rate of 26% (2010: 28%).

	Tax losses £	Capitalised intangibles £	Total £
Opening balance at 1st July 2009	280,000	(64,227)	215,773
Charged through the statement of comprehensive income in the year	—	(3,183)	(3,183)
At 30th June 2010	280,000	(67,410)	212,590
Charged through the statement of comprehensive income in the year	—	(4,000)	(4,000)
At 30th June 2011	280,000	(71,410)	208,590

	2011 £	2010 £
Unprovided deferred tax assets		
Accelerated capital allowances	**34,000**	59,000
Trading losses	**265,000**	257,000
	299,000	316,000

The deferred tax asset of £280,000 in respect of carried forward tax losses has been recognised on the basis that the directors believe that it is more likely than not to be realised against future taxable profits of the Group.

The unprovided deferred tax assets are calculated at a rate of 26%. The unprovided deferred tax assets attributable to losses should be recoverable against future profits.

20. INVESTMENT IN ASSOCIATE COMPANY

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 derives income for contact centre and directorial services as well as any dividends that are declared. The Group's share of the results of Commercial Finance Brokers (UK) Limited has not been included in the consolidation on the grounds of immateriality.

21. ACQUISITION OF ANCORA SOLUTIONS

On 21st January 2011 the Group acquired, via its main operating subsidiary IPPlus (UK) Limited, the business, assets and goodwill of Ancora Solutions Limited for a consideration of £474,000 (fair value £462,000).

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

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.

The acquisition of Ancora extends the Group 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.

21. ACQUISITION OF ANCORA SOLUTIONS continued

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 contact centre to take client requests and sales enquiries, 24 hours a day, will also provide a differentiator from its competitors.

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

The fair values of assets acquired and liabilities assumed were as follows:

	£
Inventories	700
Property, plant and equipment	146,000
Intangible assets	315,500
	462,200
Satisfied by cash	289,000
Deferred cash	74,000
Non-cash	111,000
Effect of discounting	(11,800)
	462,200

Acquisition costs of £21,016 were incurred in the purchase of Ancora Solutions, with £18,716 being charged within administrative expenses and £2,300 being charged to the Share Premium account as these related to the issue of new shares.

Recognised amounts of identifiable assets

	£
Customer relationships	280,000
Purchase of plant and equipment	146,000
Royalty	3,000
Stock	700
Identifiable net assets	429,700
Goodwill on acquisition	32,500
Total	**462,200**

Goodwill on acquisition reflects the synergies and benefits that Ancora Solutions will derive from the Group, which include 24 hours a day access to the call centre, complementary technical, administrative and marketing skills, back office services and management and financial expertise.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2011

22. GROUP UNDERTAKINGS

At 30th June 2011, the Group included the following subsidiary undertakings, which are included in the consolidated accounts:

Name	Country of incorporation	Class of share capital held	Proportion held	Nature of business
IPPlus (UK) Limited	England	Ordinary	100%	Out of hours and overflow telephony services, document storage and destruction and software company
CallScripter Limited	England	Ordinary	100%	Software reseller
CallScripter (U.K.) Limited	England	Ordinary	100%	Dormant
EasyScripter Limited	England	Ordinary	100%	Dormant
Ansaback Limited	England	Ordinary	100%	Dormant
IP3 Telecom Limited	England	Ordinary	100%	Dormant
Eco Repair Services Limited	England	Ordinary	100%	Dormant
Vital Contact (UK) Limited	England	Ordinary	100%	Dormant
Ancora Solutions Limited (formerly County Contact Centres Limited)	England	Ordinary	100%	Dormant
The Number Experts (formerly County Contact Centres (UK) Limited)	England	Ordinary	100%	Dormant
IPPlus Nominees Limited	England	Ordinary	100%	Dormant

23. SHARE CAPITAL

Group

	2011 Number	**2011 £**	2010 Number	2010 £
Authorised:				
Ordinary shares of 1p each	**100,000,000**	**1,000,000**	100,000,000	1,000,000
Allotted called up and fully paid:				
Ordinary shares of 1p each	**31,721,178**	**317,212**	29,790,743	297,908

During the year 1,930,435 ordinary 1p shares in the Company were issued at a price of 5.75p per share as part of the settlement for the purchase of Ancora Solutions.

Contingent rights to the allotment of shares

The Group has granted the following share options, in respect of ordinary shares of 1p each, which were still valid and unexercised at 30th June 2011.

Date of grant	Number of shares	Exercise price	Period exercisable
12th September 2002	3,326,000	12.36p	See below*
1st February 2004	200,000	12.36p	See below*
1st May 2005	500,000	12.36p	See below*
1st July 2005	400,000	12.36p	See below*
1st March 2006	500,000	12.36p	See below*

During the year, the share price fluctuated between 5.5 pence and 10.75 pence and closed at 9.375 pence on 30th June 2011.

* These options can be realised on the following formula between three and ten years from their grant:

If the share price is at or above	Percentage of options realisable
25p	25%
40p	50%
65p	75%
100p	100%

The fair value of the share options granted after 7th November 2002 and not vested at 1st July 2006 has been assessed in accordance with IFRS 2. The directors do not consider that the amounts involved are material and therefore no charge has been recognised.

The Weighted Average Exercise Price of share options outstanding at 30th June 2010 and 30th June 2011 was 12.7p, with a weighted average life of two years (2010: three years).

	2011 Share options	2010 Share options
Amounts exercisable at beginning	**4,976,000**	5,276,000
Expirations in period	**50,000**	300,000
Amounts exercisable at year end	**4,926,000**	4,976,000

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2011

24. FINANCIAL INSTRUMENTS

The Group uses various financial instruments including cash, trade receivables, trade payables, other payables, loans and leasing that arise directly from its operations. The main purpose of these financial instruments is to maintain adequate finance for the Group's operations. The existence of these financial instruments exposes the Group to a number of financial risks, which are described in detail below. The directors do not consider price risk to be a significant risk. The directors review and agree policies for managing each of these risks, as summarised below, and these remain unchanged from previous years.

Financial risk management and objectives

The Group seeks to manage financial risk to ensure sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably. The directors achieve this by regularly preparing and reviewing forecasts based on the trends shown in the monthly management accounts.

Interest rate risk

The total loan balance at 30th June 2011 is £129,167 (2010: Nil). Interest is payable at 3.5% above the bank's base rate (note 18).

The Group finances its operations through a mixture of cash and loans and has some risk to interest rate movements which are not deemed significant in the short term.

Credit risk

The Group's principal financial assets are cash and trade receivables, with the principal credit risk arising from trade receivables. In order to manage credit risks the Group conducts third party credit reviews on all new clients, takes deposits where this is deemed necessary and collects payment by direct debit on all new Ansaback and Ancora accounts, limiting the exposure to a build-up of a large outstanding debt. The Group also conducts third party credit reviews on CallScripter accounts, which also have an agreed payment plan tailored to the risk of the individual client.

Liquidity risk

The Group aims to mitigate liquidity risk by closely monitoring cash generation and expenditure. Cash is monitored daily and forecasts are regularly prepared to ensure that the movements are in line with the directors' strategy.

Trade payables and loans fall due as follows:

2011	**Less than one year £**	**One to two years £**	**Two to five years £**	**Total £**
Trade payables	**196,268**	**—**	**—**	**196,268**
Other payables	**247,282**	**—**	**—**	**247,282**
Lease capital and interest	**10,890**	**10,890**	**9,075**	**30,855**
Loans	**54,083**	**52,083**	**25,300**	**131,466**
At 30th June 2011	**508,523**	**62,973**	**34,375**	**605,871**

2010	Less than one year £	One to two years £	Two to five years £	Total £
Trade payables	172,329	—	—	172,329
Other payables	190,568	—	—	190,568
At 30th June 2010	362,897	—	—	362,897

24. FINANCIAL INSTRUMENTS continued

Foreign currencies

During the year exchange differences of £6,917 (2010: £2,920) have arisen and at the year-end £72 (2010: £62) was held in foreign currency bank accounts. It is the Group's policy to hold limited amounts in foreign currency in order to reduce exposure to currency risk. The Group does not sell or buy any currency forward or enter into any hedging contracts.

Transactions in foreign currencies are translated at the exchange rate ruling at the date of the transaction and monetary assets and liabilities in foreign currencies are translated at the rates ruling at the balance sheet date. At present foreign exchange is minimal and hedging and risk management is not deemed necessary.

Financial assets by category

2011	Loans and receivables £	Non-financial assets £	Balance sheet £
Cash at bank	321,133	—	321,133
Trade receivables — current	791,885	—	791,885
Prepayments	—	173,031	173,031
	1,113,018	173,031	1,286,049

2010	Loans and receivables £	Non-financial assets £	Balance sheet £
Cash at bank	375,015	—	375,015
Trade receivables — current	818,617	—	818,617
Prepayments	—	147,377	147,377
	1,193,632	147,377	1,341,009

The fair values of loans and receivables are considered to be approximately equal to the carrying values.

Financial liabilities by category

2011	Financial liabilities measured at amortised cost £	Other financial liabilities £	Non-financial liabilities £	Balance sheet £
Trade payables	—	196,268	—	196,268
Accruals	—	222,972	—	222,972
Other payables	—	310	—	310
VAT and tax payable	—	—	280,373	280,373
Deferred payments	—	—	24,000	24,000
Loans	50,000	—	—	50,000
Leases	—	—	8,551	8,551
	50,000	419,550	312,924	782,474

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30th June 2011

24. FINANCIAL INSTRUMENTS continued

Liquidity risk continued

Financial liabilities by category

2010	Other financial liabilities £	Non-financial liabilities £	Balance sheet £
Trade payables	172,329	—	172,329
Accruals	190,568	—	190,568
VAT and tax payable	—	221,306	221,306
	362,897	221,306	584,203

The fair values of financial liabilities are considered to be approximately equal to the carrying values.

25. CAPITAL COMMITMENTS

The Group has no capital commitments at 30th June 2011 or 30th June 2010.

26. CONTINGENT ASSETS

At 30th June 2011, a Research and Development tax credit claim for £27,044 in respect of the 12 month period to 30th June 2010 had been submitted to HMRC. In view of the uncertainty at the year end and as to whether the claim would be accepted by HMRC, this amount has been treated as a contingent asset at 30th June 2011.

27. CONTINGENT LIABILITIES

The Group has no other contingent liabilities at 30th June 2011 or 30th June 2010.

28. OPERATING LEASE COMMITMENTS

Total future lease payments:	**2011 £**	2010 £
Less than one year	**142,619**	—
After one and within two years	**142,619**	—
After two and within five years	**205,442**	—

Operating lease commitments relate to the lease of buildings at Ipswich, Martlesham, Tuddenham, and Bentwaters which expire in May 2020 (with a break clause in July 2015), January 2016, June 2014 and January 2014 respectively.

29. TRANSACTIONS WITH DIRECTORS

There were no transactions with directors in the year to June 2011 or June 2010.

30. TRANSACTIONS WITH ASSOCIATES

During the year the Group invoiced Commercial Finance Brokers (UK) Limited £14,011 (2010: £28,062) for services provided. At the year end £5,402 (2010: £22,331) was outstanding in relation to these transactions. This amount is within the agreed terms.

COMPANY BALANCE SHEET

As at 30th June 2011

	Note	2011 £	2010 £
Fixed assets			
Investments	3	**201,649**	201,649
		201,649	201,649
Current assets			
Debtors	4	**192,534**	106,732
Cash at bank and in hand		**7,146**	12,732
		199,680	119,464
Creditors: amounts falling due within one year	5	**(23,996)**	(6,486)
Net current assets		**175,684**	112,978
Total assets less current liabilities		**377,333**	314,627
Capital and reserves			
Share capital	7	**317,212**	297,908
Share premium account	8	**89,396**	—
Profit and loss account	8	**(29,275)**	16,719
		377,333	314,627

The Board of directors approved the financial statements on 2nd September 2011.

W A Catchpole
Director

R S M Gordon
Director

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2011

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements of the Company have been prepared in accordance with applicable United Kingdom law and accounting standards (United Kingdom Generally Accepted Accounting Practice) and under the historical cost convention.

The principal accounting policies of the Company are set out below, and are unchanged from the previous year.

The directors have continued to adopt the going concern basis in preparing the financial statements.

Merger relief

The Company is entitled to merger relief offered by the Companies Act, and the shares issued when the subsidiary undertaking, IPPlus (UK) Limited, was acquired are shown at their nominal value.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured on an undiscounted basis using rates of tax that have been enacted or substantively enacted by the balance sheet date.

Investments

Shares in subsidiary undertakings are included at original cost less any amounts written off for permanent diminution in value.

Share options

The Company policy is the same as the policy detailed in Group accounting policies, as IFRS 2 is the same as FRS 20.

2. PROFIT/(LOSS) FOR THE FINANCIAL YEAR

The Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The loss for the Company for the year was £45,994 (2010: £44,235).

3. FIXED ASSETS — INVESTMENTS

	Subsidiary undertakings £	Associate companies £	Total £
Cost at 1st July 2010	201,609	40	201,649
Additions	—	—	—
Cost at 30th June 2011	201,609	40	201,649
Cost at 30th June 2010	201,609	40	201,649

The Company has 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 is exempt from the requirements of FRS 8 to disclose transactions between wholly owned members of the Group.

4. CURRENT ASSETS

	2011 **£**	2010 £
Other debtors	**3,050**	2,492
Amount owed by Group undertaking	**185,434**	100,265
Prepayments and accrued income	**4,050**	3,975
	192,534	106,732

5. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2011 **£**	2010 £
Trade creditors	**17,160**	—
Accruals and deferred income	**6,836**	6,486
	23,996	6,486

6. DEFERRED TAXATION

Deferred tax assets are calculated at a rate of 26% (2010: 28%).

	2011 **£**	2010 £
Provided — trading losses	**—**	—
Unprovided — trading losses	**109,417**	106,735
	109,417	106,735

The unprovided deferred tax asset attributable to losses should be recoverable against future profits.

7. SHARE CAPITAL

	2011 **Number**	**2011** **£**	2010 Number	2010 £
Authorised:				
Ordinary shares of 1p each	**100,000,000**	**1,000,000**	100,000,000	1,000,000
Allotted called up and fully paid:				
Ordinary shares of 1p each	**31,721,178**	**317,212**	29,790,743	297,908

Contingent rights to the allotment of shares

The Company has granted options, in respect of ordinary shares of 1p each, which were still valid and unexercised at 30th June 2011, which are detailed in Group note 23.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30th June 2011

8. RESERVES

	Share premium account £	Profit and loss account £
At 1st July 2010	—	16,719
Shares issued in the year	91,696	—
Share issue costs	(2,300)	—
Loss for the year	—	(45,994)
At 30th June 2011	89,396	(29,275)

9. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	2011 £
At 1st July 2010	**314,627**
Share capital	**19,304**
Share premium	**91,696**
Share issue costs	**(2,300)**
Loss for the year	**(45,994)**
At 30th June 2011	**377,333**

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