COMS PLC

Annual Report 2015

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Financial indicators

	2015	2014
	£000	£000
Revenue	**45,954**	14,003
Growth in revenue	**228%**	763%
Adjusted (LBITDA)/EBITDA*	**(3,448)**	1,045
Operating (loss)/profit	**(14,653)**	826
Total (loss)/profit for the year	**(15,070)**	1,014
Net (overdraft)/cash balances	**(386)**	999
Consolidated net assets	**8,978**	15,991
(Loss)/earnings per share - basic	**(1.57p)**	0.24p
(Loss)/earnings per share - diluted	**(1.57p)**	0.22p

* Before net finance costs, depreciation, amortisation, integration costs and transactional items, impairment charge and share based payments.

Dear Shareholder

This past year has proved to be an exceedingly difficult year for the Group. Having seen rapid change through the previous year and into 2014/15, through a number of acquisitions, the expectations for the business were high, however, over the course of the year, and despite several attempts to integrate the telecoms assets which the Company had acquired, the management team was not able to secure the necessary anticipated savings.

With the continued poor trading, in addition to the losses which we identified in the trading update at the end of February, we have also had to recognise the impairment of most of the goodwill, intangible and fixed assets and certain other assets associated with the Telephony Services division as none of the investments made in telecoms assets have generated any value for the Company. The costs associated with the closure of the Brentwood office have also been recognised as integration and transactional items. The operating loss before integration and transactional items and impairment costs amounted to £4.7m and the impairment charges, integration and transactional items amounted to a further £10.0m of write downs. Further detail is provided in the Strategic report.

Board matters

Dave Breith resigned as CEO in March 2015 and since his departure the Non-Executive Directors have been responsible for running the Company, with myself leading the business and Diana Dyer Bartlett working full-time as interim Chief Financial Officer. We were also very fortunate to secure the services of Mark Braund and Guy van Zwanenberg as new Non-Executive Directors in March 2015 at a time when the Company was facing difficult financial decisions. As announced on 14 July 2015, Mark Braund has now agreed to be appointed Chief Executive of the Company and Spencer Dredge will be appointed Chief Financial Officer. Having had the benefit of working with Mark as a Non-Executive Director, and Spencer as Interim Finance Director supporting Diana, over the last few months, I am delighted that both Mark and Spencer are taking over the operational management of the business. I am confident that, with the Board's support, the Company's recent problems will soon be put behind us.

Dave Breith has intimated to the Company that he is intending to make an employment claim against the Company. The Board is additionally looking at what sums are owed to the Group by Mr Breith and companies associated with Mr Breith. Further information is set out in the Strategic report.

Sale of the Telephony Services division

After a detailed review of the finances of the Telephony Services business, the Board concluded that the Telephony Services overhead structure was such that it would take significant further investment and considerable management focus for the business to achieve profitability. The Company did not have the capital required to achieve this and, in any case, the risk involved in such a process was such that the Board did not think it wise to continue with such investment. As a consequence, a decision was taken to sell the Telephony Services businesses and we announced the sale of their trade and assets to Timico Limited on 26 May 2015. Timico has assumed some of the liabilities of the Telephony Services businesses but we are left to deal with certain other liabilities, in particular, the two leasehold properties - at Brentwood and Stokenchurch. Further information concerning the disposal is contained in the Strategic report.

The Group's future

Following the disposals of the telecoms assets, the Group now comprises Redstone's infrastructure business and Darkside Studios. It is the Board's intention to focus our efforts on growing our core infrastructure business, Redstone, by developing our leading Smart Buildings product offering and expanding further our successful managed services business. The Board intends to capitalise on accelerating growth in the construction industry and, in particular, the fast growing Smart Buildings sector where Redstone has already delivered solutions to a number of landmark projects. The Board believes that there is significant potential in these markets as they go through both structural and technological change. Redstone is well positioned to service this opportunity and our focus is to develop this capability through a combination of product development, organic growth and acquisitions. One of the new management team's jobs will be to rebrand the organisation to reflect the focus, going forward, on Redstone's business.

To assist the Company in developing this new strategy and to provide some additional working capital to the business, the Company announced a placing and open offer on 29 May 2015 which raised £2.0m net of expenses.

The losses incurred by the Telephony Services division continued until the end of May and, as a consequence, we will report another operating loss for the first half of 2016. However, the Board anticipates that the Group's trading will improve thereafter.

With additional capital injected into the business, the disposal of all of the Group's loss-making businesses and the appointment of a new management team, my Board colleagues and I are confident that the Group is now better placed to embark on a more successful period of stability and growth.

I would like to take this opportunity to thank all the staff who have worked tirelessly to get us through what has been a very difficult period. I would like to thank my fellow Non-Executive Directors for their support and commitment and those shareholders who have continued to support us.

Frank Beechinor
Chairman

Strategy, business model, risks and KPIs

Strategy

The focus of Coms Group is based around its Redstone business which aims to be a leader in infrastructure, Smart Buildings and IT Managed Services. This business is currently based in the UK but has also operated in some overseas locations to support existing clients. Key priorities to develop Redstone's business include:

- To maintain Redstone's reputation as a market leader for service excellence and technical competence in its field. We will focus on continuing to provide high quality services to Redstone's clients by employing expert staff who are well versed in the Company's products and our clients' needs and continuing to maintain our multiple ISO and vendor accreditations.
- To grow the Smart Buildings offering through a combination of organic growth and acquisition.
- To focus on developing technology led intellectual property. The Group has already delivered exciting solutions in a number of landmark projects and has successfully productised some of its offerings.
- To grow the already successful Managed Services business through a combination of organic growth and, where possible, acquisition.
- To grow the annuity revenue in the business.
- To deliver improving profitability and cash generation.

Darkside Studios was acquired by the Group with a view to promoting the services which the Telephony Services business was able to provide to its resellers and thereby assist in growing that business. It currently also undertakes some internal work for Redstone and the Board will review how best to create value through this business in the coming months, now that the Telephony Services businesses have been sold.

Business model and risk profile

The Group's business model is to generate a return by providing an excellent service to its customers primarily in the UK but also in certain circumstances in overseas locations to support UK clients. Redstone's business focuses on higher value added products and services and to this end, it maintains the highest manufacturer accreditations. Redstone's main activities are:

Managed Services: Around 45% of Redstone's revenue is derived from Managed Services. Managed Services encompasses the provision of outsourcing services spanning network infrastructure management, Smart Buildings support services, desktop and data centre support services and move, add and change services. Staff are normally based permanently on a client site. Contracts are generally on a long-term basis which allows services to be tailor-made and continuity of service in what are key support functions for our clients. Services are generally invoiced monthly in arrears.

Implementation: This comprises Smart Buildings and Cabling which contributes 55% of Redstone's revenues. Smart Buildings, at 6%, is small but has the potential for significant growth. The services range from adhoc intelligent solutions such as lighting projects to control energy costs to a full holistic integrated platform that offers better economic, social and environmental performance for buildings and their occupants. Systems incorporated may include LAN, One Space (Redstone branded desk utilisation and power management system), Energy Management, BIM, CCTV, ACS, Pull Printing, Cashless vending and intelligent lighting. Cabling involves design and installation of structured cabling systems and intelligent infrastructure management systems. Cabling has historically been the mainstay of Redstone's business and in 2015 accounted for some 49% of its revenue. As with Smart Buildings, revenue is project based and revenue recognition and invoicing tends to be on a staged basis.

The Group's business gives rise to various operational risks which are described in the Risk management section below.

KPI's

There are a number of KPI's which the Board uses to measure the Group's progress against the business plan:

- Growth in revenue and gross margin performance
- Proportion of revenue which is recurring income
- EBITDA
- Cashflow generated by operations and by the Group as well as the net cash/overdraft position.

The KPI's above are discussed in the Strategic report.

Risk management

The senior management is responsible for managing risk and assessing how this might prevent the Company from delivering its strategy. During 2014/15, the Board requested the production of a risk matrix by senior management to ensure that all material risks had been identified and were being managed. This exercise was not completed during the last financial year but has since been completed by the Non-Executive Directors with the assistance of Redstone management. The key risks faced by the Group will continue to be reviewed at Board level in future to ensure risk management is monitored and implemented effectively. The policy is to identify the key risks which could affect the Group and to assess the appropriate mitigation, including use of insurance policies.

The Group could potentially be affected by a number of uncertainties and risks that are not wholly within its control. Some of the key risks and uncertainties are as follows:

- Potential deterioration of the UK economy
- Regulatory changes
- Maintaining and ensuring that the Group continues to attract and retain the right calibre of staff
- Controlling projects within their budgets including delivering the services in accordance with the project specifications and to the required standards
- Maintaining ISO and vendor accreditations
- Maintaining robust health and safety procedures to safeguard staff and clients
- Maintaining proper accounting and fiscal records to ensure the business is properly controlled
- Managing the Group's working capital requirements on big construction projects.

Operational review

The Coms Group now comprises Redstone and Darkside Studios, each of which developed their respective businesses during the course of the year ended 31 January 2015, referred to throughout this report as financial year 2015 or 2015. An overview of the Telephony Services business and the reasons why it was unable to stem its losses and was sold is also set out below.

Redstone

Redstone had a busy year in its first year of Group ownership and saw considerable investment by the Group both in terms of specialist cable testing equipment and fitting out the new office to which it relocated in June 2014 (which it shares with Darkside Studios). Despite the uncertainties surrounding the Group as a result of the trading difficulties in the Telephony Services business, Redstone nevertheless made creditable progress in securing new contracts. Below are just a few of the contracts won in 2015 which give a flavour of both scale and breadth of Redstone's product offering:

- February 2014: £1.5 million contract for the design, and delivery of an integrated building for a leading insurer;
- March 2014: £0.8m contract with a leading university for the design, and delivery of a new mission critical data centre;
- April 2014: £1.1m contract to deliver structured cabling for a major sporting venue;
- May 2014: £0.5m contract to deliver structured cabling for a leading online retailer across Europe;
- June 2014: £6.0m 3 year contract with a major international financial services client to provide managed services across critical IT infrastructure throughout the UK;
- August 2014: £0.5m contract to deliver ICT services to a major commercial property company;
- November 2014: £1.8m contract with a leading international financial services client for the design, and delivery of a new mission critical data centre;
- January 2015: £0.8m one year contract with a major petroleum client to provide managed services across IT infrastructure throughout the UK.

The Smart Buildings offering in 2015 was slow to develop but towards the end of the year, a large contract was secured which will be implemented during 2016. This landmark project will no doubt help Redstone market further Smart Buildings projects.

Darkside Studios

With its motto of "Come over to the Darkside", Darkside is a world-class animation studio, producing beautifully crafted, computer generated, moving imagery. Character animation is the studio's main specialism and the business has talented animators creating a wide range of CGI, 3D and 2D animation projects for cinema, television and corporate clients, working for, amongst others, the BBC, Sky and Disney.

Having been acquired in December 2013 as part of a strategy to work with Coms' telecoms reseller customers to promote the Telephony Services business, Darkside Studios has re-established its market and towards the end of the year secured some substantial external contracts with TV and corporate clients and built a pipeline of new business.

Telephony Services

The division's story for 2015 is one of unfulfilled promise. Fundamentally there was investment in infrastructure predicated on a much larger business, which the division was unable to support. Much of this investment was undertaken in the 2014 financial year but the problems were further exacerbated during 2015. The Group invested a significant amount of capital in the division, nearly all of which will be written off in connection with the sale of the division's business and assets to Timico. The impairment charges, integration costs and transactional items in 2015 totalled some £10.0m.

The Telephony Services division comprised three main elements:

- An Indirect channel which provided services to wholesale telecoms distributors and resellers largely supplying small businesses. It also included Premium O which was a business supplying non-geographic and premium numbers to business users;
- The Direct channel, created with the acquisition of the Actimax companies in February 2014, serving larger corporates directly; and
- A Mobile offering which had a variety of product delivery channels including retail and "MVNO" whereby Coms Mobile was a mobile operator rather than a supplier.

The Indirect channel was part of the original Coms business and although it grew its revenues by 444% per cent in 2015, it nevertheless lacked the scale to cover its overheads. This was exacerbated by the investments in financial year 2014 on a new broadband network.

The Direct channel was formed in February 2014 following the acquisition of the Actimax companies from administrators for a cash consideration of £2.4m. The £1.0m contingent consideration payable in respect of the following twelve months' trading, was not paid as the business did not meet its targets. Having emerged from administration, Actimax had suffered from a period of instability and it suffered considerable attrition in its customer base soon after acquisition. However, this stabilised in the second half until the announcement of the restructuring and closure of the Brentwood office in early 2015. The business had an impressive client base of medium sized companies for whom it provided and maintained VOIP phone systems.

Having acquired Actimax, the Board expected there to be a consolidation of the Telephony Services division's business to reduce costs. However, management was of the view that this was not appropriate, given the different nature of the Direct and Indirect channels. As a consequence, management relocated the Actimax business to a new office in Brentwood in April 2014, closing the business's existing offices. A ten year lease was taken out on the Brentwood office along with investment of capital expenditure of £0.3m. With the restructuring and closure announced in January 2015, this investment was impaired.

At the same time as the new Brentwood offices were being taken on, management also signed a 5 year lease on an office in Stokenchurch. This building was, with hindsight, too large for the business at this stage of its development and although it had always been expected that acquisitions of further businesses would be made, there was no certainty that they would have needed new offices. The offices were in good order but a further £0.2m was invested in furniture and setting up a specialist facility to facilitate the testing of equipment to be installed by Redstone at customer sites. Along with the Brentwood property this lease also needs to be disposed of, once Timico have relocated the Telephony Services business to their own facilities.

In addition to setting up offices in preparation for expansion, the Group also established telecoms infrastructure to handle large volumes of business. In anticipation of securing what was hoped would be a significant trading relationship with MITIE, a new broadband network was built. A relationship was entered into with TFM Networks in June 2013 to provide a network capable of handling 20,000 users with the capability of expanding this to 250,000 users. As part of this relationship, an asset purchase agreement was signed and £0.5m shares issued to fund the purchase of equipment as the basis for the network. In addition, Dave Breith transferred a further £0.2m assets to the Group in consideration for which 6.7m shares were issued to him. These additional network assets were to provide a third line of resilience to cope with expected very large volumes of business. There is currently a dispute with TFM Networks as to whether title to the assets passed to the Telephony Services division at the time that they were paid for or whether a multi-year support contract (which was never signed) with TFM Networks had to be completed before the Group was entitled to the assets for which it had expended over £0.5m. Since installation of the network, the Group incurred charges totalling £1.2m with TFM Networks relating to the network. Because there were only 5,000 users on the network, this is one of the reasons why the division was unable to achieve profitability. Broadband customers which had generated a profit for the business while being managed on a smaller platform, generated losses as soon as the new platform was set up. The anticipated MITIE business never materialised and indeed the total revenue generated by that relationship amounted to £51,000. The Group paid an introduction fee of £0.2m
plus VAT in May 2013 to an intermediary in connection with the MITIE contract and accordingly steps are to be taken to recover this money.

The Mobile business had a variety of product offerings encompassing a wide range of different markets. Before the sale of its trade and assets to Timico, this business focused on developing as a mobile operator, using one of the national networks. Although it had formed relationships with a number of prospective customers, the pricing was such that no customer contracts could be signed until a new supplier agreement had been signed with the network operator, as existing supplier agreements would have resulted in considerable losses. The proposed new network contract had onerous guarantees and commitments and as such the Board concluded that it could not be signed in light of the trading difficulties in the Telephony Services division. As a consequence, this division, in the absence of the new contract with the network operator, would not have been viable. In total Coms invested over £1.0m in the Mobile business including funding losses and acquiring businesses to give it scale. Most of this investment has been written off following the disposal to Timico.

The sale of the business and assets of all of the Telephony Services subsidiaries to Timico Limited at the end of May 2015 brings to a close the Group's activities in the telecoms sector. The Group is left to wind up the operating companies and deal with the property leases and certain other liabilities. Nevertheless, in the circumstances, the sale represents a good solution for the Group's stakeholders, including its customers, suppliers and staff.

Disputes and potential litigation

The Company has been notified of a number of potential claims and disputes, all of which relate to the Telephony Services division. The Board has considered the basis for these claims and made provision, where appropriate, for such sums, if any, which it believes might be payable.

Outstanding issues between the Company and Dave Breith and companies associated with Dave Breith

There are a number of unresolved issues between the Company and its former CEO, Dave Breith and between the Company and parties associated with Mr Breith, which the Company is attempting to resolve. In this context "Company" includes the parent company and any of the Company's subsidiaries. The outstanding issues include:

- An employment related claim threatened by Mr Breith, which the Company disputes.
- A further claim for payments under a consultancy agreement, offered to Mr Breith by the Company, the terms of which were not agreed & no material work has been completed, although the Company did pay Mr Breith the first monthly payment of £20,000 under the draft agreement.
- A claim by Mr Breith in respect of office furniture and equipment, which he claims are his personal property.
- A claim by Blabbermouth Marketing Limited, a company in which Mr Breith is believed to have a minority shareholding, claiming monies under a terminated contract.
- A claim by Mr Breith in relation to the payment of a deposit to the Company made by Sugar Cube Animation, a company in which Mr Breith is believed to be a shareholder, in connection with an ongoing project for Sugar Cube Animation.
- A claim by the Company relating to payments made to develop the AskMerlin Telephony Services billing platform understood to be owned by Mr Breith.
- A claim by the Company to recover moneys from The Payment Centre, a company of which Mr Breith is the chief executive. The Payment Centre has withheld moneys collected on the Company's behalf from Telephony Services customers.
- A claim by the Company seeking repayment of moneys expended on Mr Breith's car.

The Board believes the settlement of the above issues will result in moneys being recovered by the Company of approximately £0.1m.

Financial review

Set out below is an overview of the trading results for the year ended 31 January 2015, This includes the results of the Telephony Services companies whose business and assets were sold at the end of May 2015, following continuing losses throughout the period under review.

Revenue and gross margin

The revenue and gross margin generated by the Group's three principal activities was as follows:

		2015		**2014**
	%	**£000**	%	£000
Revenue				
Redstone		**29,468**		8,020
Darkside Studios		**1,099**		60
Telephony Services		**15,387**		5,923
		45,954		14,003
Gross contribution				
Redstone	**17.5**	**5,158**	27.9	2,241
Darkside Studios	**42.1**	**463**	35.0	21
Telephony Services	**21.4**	**3,300**	42.1	2,493
	19.4	**8,921**	34.0	4,755

Redstone

Redstone was acquired in November 2013 and accordingly only three months trading were included in 2014. Redstone's 2014 results also benefited from the reversal of provisions made on amounts recoverable on contracts which were deemed to be at risk at the time of Redstone's acquisition. This resulted in an improvement in the gross contribution of £0.6m, equivalent to 8 percentage points. Excluding this adjustment, Redstone's gross margin for 2014 would have been 20.5%. During 2015 one of the matters for which the provision was released in 2014 was not resolved as management had anticipated, and as result a charge of £0.2m in relation to a pre-acquisition contract was made. Year on year there is a small decline in gross margin which is attributable to a higher proportion of revenue being generated by the lower value added cabling installation projects and the charge in relation to the pre-acquisition contract.

Darkside Studios

Darkside Studios was acquired in December 2013 and accordingly only one month's trading results are included in the comparative information. Darkside is a high value added business which enjoys higher gross margins than other parts of the business. However, it also has to invest significant funds in IT and studio equipment to stay at the cutting edge of its industry. As reported in the Operational review, the business was originally acquired to supply services primarily to Coms' customers but this strategy was changed midway through the year. Although Darkside Studios reported a creditable revenue and gross margin performance, at the operating level it produced a small profit of £0.1m. This was largely thanks to overheads taken on to refocus the business on external sales. It has, nevertheless, built a solid pipeline of new business which, it is hoped, will allow Darkside Studios to generate an improved operating profit in 2016.

Telephony Services

The Telephony Services division revenue in financial year 2015 developed through a combination of organic growth and acquisition. In 2015 two new businesses were acquired: the Actimax companies were acquired in February 2014 and contributed £8.2m to revenue and Smarter Mobile UK was acquired in March 2014 and contributed £0.1m to revenue.

The divisional margin was impacted by the exceptionally low margin Coms Carrier business referred to below, the costs associated with the new networks acquired during financial year 2014 but only operational in financial year 2015 (and which led to a gross loss on the broadband activities of £0.2m compared with a gross contribution of £0.2m in 2014). Premium O's profitability also declined significantly in 2015, as reported below. Actimax margins were lower than the divisional reported margins in 2014, thus also contributing to the decline in gross margins as a percentage of revenue.

Mobile's results include £1.2m revenue generated by the Coms Carrier Services business which the Group commenced in October 2014. This was a new business and Coms Carrier Services was identified as an immediate problem. Although it was expected to generate a very low gross margin of some 3%, it involved some unanticipated risks and operational problems which meant that it lost approximately £0.1m in the brief time that it operated. This business was terminated at the end of November 2014.

Premium O, which was acquired in May 2013, had a poor year. Having generated revenue of £3.0m in the 8 months post its acquisition in financial year 2014 (a run rate of some £4.5m per annum), its revenue dropped to £1.6m for the year to 31 January 2015 and its gross margin fell from 34% in 2014 to 19% in 2015. This trend continued into financial year 2016 such that in the last month before the business was sold, its revenue was less than £20,000. Income from non-geographic numbers is variable but this business was never integrated into the Group which contributed to its poor performance.

Operating costs

As reported in the Operational review, although there were cost reductions, there was little or no integration of any of the Group's businesses during 2015 and accordingly limited cost savings on overheads were secured following the various acquisitions. Overheads as a percentage of revenue amounted to 26% in 2015 compared with 28% in 2014, although 2014 benefited from the profit on sale of fixed assets so 2014 overheads were actually running at 30% of revenue. The 2015 operating costs included £0.9m costs associated with the offices occupied by the Telephony Services division and as reported in the Operational review above, the Group now needs to exit the leases on the Telephony Services offices. They also included £0.5m charges in relation to the broadband network (2014: £0.1m).

Depreciation and amortisation

The charges for depreciation and amortisation, together £1.2m (2014: £0.3m) were the result of the significant investments made in 2014 and 2015 on leasehold improvements, Redstone's specialist testing equipment as well as the intangible assets acquired with the Actimax companies. In addition to these in-use charges, the Company impaired a substantial proportion of the investments in the Telephony Services division made in 2014 and 2015 (other than the Actimax intangible asset).

Net finance costs

The net finance costs for the year of £0.2m (2014: £0.4m net income) comprised interest which accrued on utilisation of the Group's bank facilities and the unwinding of the discount related to the deferred consideration on the acquisition of Redstone. In 2014 the net income related to the release of an accrual held in Redstone's balance sheet on acquisition in respect of interest owed to former affiliated companies.

Integration costs, transactional items and impairment charges

The following integration costs, transactional items and impairment charges have been recognised in the 2015 financial statements:

	2015
	£000
Integration and transactional items	
Integration costs	2,252
Transactional items	(977)
	1,275
Impairment charges	
Goodwill	6,907
Other intangible assets	1,360
Property, plant and equipment	416
	8,683

Integration costs: During 2015, as previously reported, the Group carried out some cost reduction initiatives in the Telephony Services division following the various acquisitions. This initially largely involved consolidating management of the various businesses and culminated in January 2015 with the announcement of the proposed closure of the Brentwood office. The integration costs include the redundancy costs associated with these exercises and provisions for onerous contracts.

Transactional items: Included within transactional items is a £1.0m gain recognised in the Consolidated income statement relating to the release of the provision for contingent consideration in relation of the acquisition of the Actimax companies. The expectation that no performance related contingent consideration would be payable in relation to the Actimax companies was reported at the interim stage and confirmed following completion of the performance period at the end of February 2015.

Impairment charges

There were a number of impairment charges in 2015, all of which related to the Telephony Services division.

Goodwill: The Group had goodwill balances at the prior year end of £12.9m. During the year following the acquisition of the Actimax companies and Smarter Mobile UK the Group added £3.7m of goodwill. At the year end the Group recorded a £6.9m impairment charge as a consequence of the performance of the Telephony Services division.

Other intangible assets: Included on the Group balance sheet were the following intangible assets:

- Database and customers of World Telecom, acquired from Dave Breith for £50,000 in February 2013
- Network assets of £480,000 acquired from TFM Networks Limited in June 2013
- Other network assets amounting to £200,000 acquired from Dave Breith in June 2013
- ADSL broadband customer base acquired in May 2013 from So Purple Limited for a consideration of £800,000

At the year end, the Board concluded that none of these assets would generate any value for the Group and agreed that they should all be written down to nil.

Property, plant & equipment: As reported in the Operational review, management took out leases on new offices for the Telephony Services division and incurred £0.4m in leasehold improvements and furniture and fittings. Some of this expenditure was depreciated during the course of 2015 and a £0.4m impairment charge was recorded in light of the proposed closure of these offices.

Taxation

The losses incurred by the Telephony Services division have been available to relieve any profits made by Redstone and Darkside Studios. As a consequence, there is no corporation tax charge in respect of 2015 (2014: £0.1m). Redstone has the benefit of brought forward trading losses in its ICT business amounting to approximately £7.0m which will be available to relieve future profits in that business. Although the Telephony Services division had substantial losses brought forward, all of these will be lost following the sale of the business and assets of the Telephony Services division to Timico.

The £0.3m taxation charge in 2015 (2014: £0.2m credit) related to the reversal of a deferred tax asset in the Mobile business which related to trading losses which will also not be utilised.

Cash flow statement

During the year the Group had a net outflow of £1.4m (2014: £0.8m inflow) giving rise to a net overdraft at the end of the year of £0.4m (2014: net cash of £1.0m). The £1.0m brought forward balance plus £8.0m of cash raised from share issues was spent on funding operations (£3.4m) and investing in subsidiary companies and fixed assets (£5.9m).

The Loss before tax of £14.9m (2014: profit of £1.2m) translated into an operational cash outflow of £3.4m (2014: £0.4m). Some £8.7m of the 2015 operating loss related to the impairment of assets in the Telephony Services division prior to its sale to Timico in May 2015 and accordingly this did not relate to the movement of cash. Similarly in 2014, there were a number of fair value adjustments and provision unwinds which did not involve cash. The operating cash outflow therefore reflects the fact that the Group was trading at a loss in both years.

During the year, the Group spent £5.9m cash in acquiring businesses and fixed assets. Some £2.2m was spent on property, plant and equipment, £0.4m of which related to fitting out the offices in Stokenchurch and Brentwood which have now been impaired following the sale of the business and assets of the Telephony Services division. £1.1m was also spent on leasehold improvements, furnishings and office equipment in Redstone's new Holborn office and £0.7m replacing specialist testing equipment used by Redstone.

Approximately £3.8m cash (net of cash acquired) was also expended on the acquisition of Actimax, Smarter Mobile UK Limited and deferred consideration in respect of Redstone. With regard to Redstone, the sum due had been £1.8m but this was reduced to £1.6m by settling the sums due early and by settling a number of potential claims. A further £0.2m deferred cash consideration in respect of Redstone is due to be settled in 2016.

The share issues comprised:

- The placing of 138,333,333 shares at 6p per share at the time of the acquisition of the Actimax companies raising £7.9m net of expenses in February 2014; and
- 13,130,952 shares in relation to the exercise of warrants and share options which raised £0.1m.

Diana Dyer Bartlett

Diana Dyer Bartlett
Director
31 July 2015

Frank Beechinor (Chairman)

Frank was appointed Chairman of the Board on 11 July 2014 and is Chairman of the Nominations Committee. He has significant corporate experience, particularly of IT and Software services and is also currently Non-Executive Chairman of dotDigital Group plc and CEO of Cadence Performance Limited. Frank was previously founder and CEO of OneClick HR plc from 1997 to 2011.

Diana Dyer Bartlett (Non-Executive Director, acting Chief Financial Officer and Company Secretary)

Diana was appointed to the Board in October 2013 and is a member of the Audit and Nominations Committees.

With 30 years' experience in accountancy, investment banking and finance, Diana has an impressive track record in investments, mergers and acquisitions, corporate governance and business transformation in publicly quoted, venture capital and private equity backed companies. Her recent roles include Company Secretary for Tullett Prebon plc, Finance Director of Pelamis Wave Power Limited and Chairman and Honorary Treasurer for BreastCancer Haven.

Diana is an Associate of the Institute of Chartered Accountants in England and Wales.

Mark Braund (Non-Executive Director)

Mark joined the Board on 9 March 2015 and is Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominations Committee. He is a former director of IBM (EMEA) and an experienced technology and business services executive with a proven ability to turn around and grow businesses. He founded, developed and then sold Barker Personnel Services to Carlisle Holdings plc and subsequently led the turnarounds of TAC Europe, Lorien plc and First Advantage Inc., all of which saw rapid increases in market share and profitability before being sold to private investors.

Mark joined InterQuest Group plc as Chief Executive Officer in April 2011; since then he has transformed the Company into one of the leading digital technology contract services and recruitment specialists in the UK.

Guy van Zwanenberg (Non-Executive Director)

Guy joined the Board on 9 March 2015 and is Chairman of the Audit Committee and a member of the Remuneration Committee and the Nominations Committee. Guy has 40 years' experience in industry and practice. He qualified as a Chartered Accountant with Grant Thornton and then spent three years working with James Gulliver. Guy subsequently moved to become UK Finance Director of an American computer accessory company which was taken public in 1989. In 1991, he established his own interim financial management business and has since been involved in a number of SME businesses providing strategic and financial help.

Guy joined Gamingking PLC in 1998 on a part time basis as Finance Director and became Company Secretary and Non-Executive Director in 2006, remaining until May 2013. He joined Quixant plc as a Non-Executive in March 2013 as part of the float team.

Guy is both a Fellow of The Institute of Chartered Accountants in England and Wales and a Chartered Director.

Registered office

Beacon House
Stokenchurch Business Park
Ibstone Road
Stokenchurch
Buckinghamshire
HP14 3FE

Coms plc Company Number

5332126

Company advisers

Nominated adviser and broker

Charles Stanley
131 Finsbury Square
London
EC2A 1NT

Auditors

KPMG LLP
Chartered Accountants & Statutory Auditors
Arlington Business Park
Theale
Reading
Berkshire
RG7 4SD

Registrars

Share Registrars Ltd
Craven House
West Street
Farnham
Surrey
GU9 7EN

Bankers

Barclays Bank plc
1 Churchill Place
London
E14 5HP

The Directors submit this report together with the accounts of Coms plc ('the Company') and its subsidiary undertakings (together 'the Group') for the year ended 31 January 2015.

Principal activities

During the year the Group's principal activities were infrastructure services (Redstone), animation and CGI special effects services provided by Darkside Studios and the development and commercialisation of telecommunication services. In May 2015 the Company announced that it had sold the business and assets of all of its telecommunication subsidiaries and accordingly the Group now comprises Redstone and Darkside Studios.

Results and dividend

The results for the year are set out in the Consolidated income statement on page 25. The Directors do not recommend payment of a dividend (2014: nil).

Review of the business

A review of the business of the Group, together with comments on future developments is given in the Strategic report.

Directors and their interests

The Directors who held office during the year were as follows:

Frank Beechinor	Chairman (appointed 11 July 2014)
Dave Breith	Chief Executive Officer (resigned 1 March 2015)
Diana Dyer Bartlett	Non-Executive Director, currently acting Chief Financial Officer
Stephen Foster	Non-Executive Director (resigned 29 May 2015)
Iain Ross	Chairman (resigned 11 July 2014)
Sue Alexander	Finance Director (resigned 11 July 2014)
Graham Herring	Non-Executive Director (resigned 16 April 2014)

Since the year end Mark Braund and Guy van Zwanenberg were appointed Directors of the Company on 9 March 2015. On 14 July 2015, it was further announced that Mark Braund would be appointed Chief Executive of the Company as soon as he could leave his current executive role and that Spencer Dredge had been appointed Chief Financial Officer.

The remuneration of the Directors who held office during the year was as follows:

Directors' remuneration			Share based payment charge	
	2015	**2014**	**2015**	**2014**
	£	£	**£**	£
Frank Beechinor (1)	**30,000**	-	**126**	-
Dave Breith	**190,000**	200,769	**1,921**	1,921
Diana Dyer Bartlett	**71,500**	7,414	**4,041**	4,041
Stephen Foster	**45,800**	61,996	**31**	31
Iain Ross (2)	**109,400**	39,000	**126**	1,211
Sue Alexander (2)	**33,333**	53,333	**1,921**	3,010
Graham Herring (3)	**7,250**	8,333	**(4,041)**	4,041

(1) Appointed 11 July 2014
(2) Resigned 11 July 2014
(3) Resigned 16 April 2014

The interests of those Directors serving during the year ended 31 January 2015, as at the year end or the date of resignation, all of which are beneficial, in the share capital of the Company, were as follows:

Director	Ordinary shares of 0.1p each 2015	2014
	No.	No.
Frank Beechinor (1)	**-**	-
Dave Breith	**138,876,454**	138,856,455
Diana Dyer Bartlett	**-**	-
Sue Alexander (2)	**-**	-
Iain Ross (2)	**2,331,550**	2,331,550
Stephen Foster	**-**	-
Graham Herring (3)	**-**	-

(1) Appointed 11 July 2014
(2) Resigned 11 July 2014
(3) Resigned 16 April 2014

Since the year end Frank Beechinor and Diana Dyer Bartlett subscribed for 9,000,000 shares and 4,000,000 shares respectively in the placing undertaken on 29 May 2015. Mark Braund and Guy van Zwanenberg, who were appointed as Directors since the year end, also subscribed for 4,000,000 and 3,000,000 ordinary shares in the placing and open offer of 29 May 2015. Dave Breith has notified the Company that he no longer holds a notifiable interest in the Company's shares.

The beneficial holdings include, where applicable, the holdings of connected parties.

Directors' share warrants and options

As at 31 January 2015 the Company had granted the following warrants and share options to Directors and past Directors of the Company which remained outstanding at the year end or at the date of resignation:

Director	Instrument	Number of ordinary shares of 0.1p each	Exercise price	Grant date
Frank Beechinor	Warrant	1,000,000	6p	10/07/2014
	Warrant	3,000,000	7p	10/07/2014
Dave Breith	Share option	4,000,000	0.825p	20/03/2013
Diana Dyer Bartlett	Warrant	2,000,000	5p	30/09/2013
Stephen Foster	Warrant	1,000,000	5p	10/06/2013
Iain Ross	Warrant	2,380,952	0.84p	25/02/2013
	Warrant	4,000,000	5p	10/06/2013
Sue Alexander	Share option	4,000,000	0.825p	20/03/2013

Mr Ross exercised a warrant granted to him subsequent to his resignation over 2,380,952 ordinary shares at an exercise price of 0.84p per share in November 2014.

None of the Directors had any beneficial interest in the shares of any subsidiary companies.

Share capital

Details of the Company's share capital are disclosed in note 22 to the financial statements.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are disclosed in note 26 to the financial statements.

Statement to auditor

So far as the Directors are aware, there is no relevant audit information (as defined by section 418 of the Companies Act 2006) of which the Company's auditor is unaware, and each Director has taken all the steps that he/she ought to have taken as a Director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Corporate governance

Achieving good governance is key to the long term success of the business. It ensures we remain a responsible Company and underpins our culture and reputation as an organisation. As a Board we are conscious of our obligations to think deeply, thoroughly and on a continuing basis regarding our duties.

Coms plc has Non-Executive Board members with extensive experience in areas critical to the long term future success of the Company, covering a deep understanding of technology, corporate strategy, finance and investment.

This experience enables the Non-Executives to add entrepreneurial leadership, with open and rigorous debate that provides a valuable external and balanced perspective to the proceedings. We believe that our Board complement each other, delivering a broad and appropriate balance of skills.

In the absence of a Chief Executive and Finance Director, Frank Beechinor and Diana Dyer Bartlett have been required to take on responsibility for the leadership of the business and oversight of its finances until the new senior management take office, after which time both Directors will resume their more normal duties.

Board of Directors

At the year end the Board consisted of a Chairman, Chief Executive and two Non-Executive Directors. Since the year end the Board has consisted of a Chairman and three Non-Executive Directors, although Diana Dyer Bartlett has assumed executive responsibility on an interim basis. Once the new Chief Executive and Chief Financial Officer take up their appointments it is expected that the Board will comprise a Chairman, two Executive Directors and two Non-Executive Directors.

The Board meets on a regular basis and the agenda of matters discussed and approved consists of matters concerned with the future direction of the business.

Remuneration Committee

The Remuneration Committee agrees the terms and conditions, including annual remuneration, of Executive Directors and reviews such matters for other senior personnel including their participation in long term incentive schemes.

Audit Committee

The Audit Committee recommends the appointment, scope and fees of the external auditor, discusses issues that arise from the audit, reviews reports of the external auditors and internal control procedures and considers any financial statements before their publication. The auditor also attends meetings of the Audit Committee as required by the Committee to consider any issues arising from the audit and their work.

Nominations Committee

The Nominations Committee makes recommendations to the Board for all Board appointments and succession planning.

Employees

The Group has continued to give full and fair consideration to applications made by disabled persons, having regard to their respective aptitudes and abilities, and to ensure that they benefit from training and career development programmes in common with all employees. The Group has continued its policy of employee involvement by making information available to employees through the medium of frequent staff meetings, together with personal appraisals and feedback sessions.

Share options

The Company's policy is to reward and provide long-term incentives to employees by granting them share options.

Substantial shareholdings

As at the year end and 29 July 2015, being the latest practicable date before the signing of these accounts, the following interests in 3% or more of the issued ordinary share capital had been notified to the Company:

Shareholder	31 January 2015		29 July 2015	
Dave Breith	138,876,454	14.3%	N/A	N/A
Helium Special Situations Fund	87,025,000	8.9%	177,025,000	12.7%

Post balance sheet events

On 26 May 2015 the Company announced that it had agreed to sell the business and assets of all its Telephony Services companies to Timico Limited for an initial cash consideration of £2.5m, with a further payment of up to £1.0m depending on performance in the period to 30 November 2015.

Further details of post-balance sheet events are disclosed in note 28 to the financial statements.

On 29 May 2015 the Company announced a placing and open offer of ordinary shares at 0.5p per share. The open offer was oversubscribed by 50% and the gross proceeds received by the Company amounted to £2.1m.

Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements, the Directors' report in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. Under that law they have elected to prepare both the group and the parent company financial statements in accordance with IFRSs as adopted by the EU and applicable law. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements on the same basis.

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss. In preparing each of the group and parent company 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 they have been prepared in accordance with IFRSs as adopted by the EU; and
- 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 are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Listing

The Company's ordinary shares have been traded on London's AIM Market since 6 September 2006. Charles Stanley are the Company's Nominated Advisor and Broker. The closing mid-market share price at 31 January 2015 was 0.52p (31 January 2014: 9.5p).

Publication of financial statements

The Company's financial statements will be made available on the Company's website www.comsplc.com. The maintenance and integrity of the website is the responsibility of the Directors. The Directors' responsibility also extends to the financial statements contained therein.

Going concern

The Group's business activities and performance, and the financial position of the Group, its cash flows and borrowing facilities, together with the factors likely to affect its future development, performance and position, are explained in the Strategic report. Analysis of the Group's key risks is also set out in the Strategic report. Further information regarding the assessment of going concern is in note 1 to the financial statements.

After making appropriate enquiries, the Directors consider that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. For this reason they continue to adopt the going concern basis in preparing the financial statements.

Auditor

In accordance with section 485 of the Companies Act 2006, a resolution proposing that KPMG LLP be re-appointed as auditor will be put to the Annual General Meeting.

The Report of the Directors was approved by the Board on 31 July 2015 and signed on its behalf by:

Diana Dyer Bartlett

Diana Dyer Bartlett
Director
31 July 2015

Independent Auditor's report to the Members of Coms Plc

We have audited the financial statements of Coms Plc for the year ended 31 January 2015 set out on pages 25 to 58. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 21, 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 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 Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

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 31 January 2015 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and 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.

Derek McAllan
(Senior Statutory Auditor)
for and on behalf of KPMG LLP
Chartered Accountants & Statutory Auditors

Arlington Business Park
Theale
Reading
Berkshire
RG7 4SD

31 July 2015

Consolidated income statement

For the year ended 31 January 2015

	Note	2015	2014
		£000	£000
Revenue	5	**45,954**	14,003
Cost of sales		**(37,033)**	(9,247)
Gross profit		**8,921**	4,756
Administrative expenses		**(12,369)**	(3,711)
Adjusted (LBITDA)/EBITDA*		**(3,448)**	1,045
Integration and transactional costs included within administrative expenses	6	**(1,275)**	-
Depreciation	8	**(820)**	(81)
Amortisation	8	**(373)**	(111)
Share based payment charge	8	**(54)**	(27)
Impairment charge	7	**(8,683)**	-
Operating (loss)/profit	8	**(14,653)**	826
Net finance costs	10	**(245)**	415
(Loss)/profit before tax		**(14,898)**	1,241
Taxation	11c	**(172)**	118
(Loss)/profit for the year after tax		**(15,070)**	1,359
Discontinued operations		**-**	(345)
(Loss)/profit for the year		**(15,070)**	1,014
Total comprehensive (loss)/income for the year attributable to equity holders		**(15,070)**	1,014
Basic and diluted (loss)/earnings per share			
Continuing operations - Basic	12	**(1.57p)**	0.24p
Discontinued operations - Basic	12	**-**	(0.06p)
Total	12	**(1.57p)**	0.18p
Continuing operations - Diluted	12	**(1.57p)**	0.22p
Discontinued operations - Diluted	12	**-**	(0.05p)
Total	12	**(1.57p)**	0.17p

* Result for the year from continuing operations before net finance costs, depreciation, amortisation, integration and transactional items, impairment charges and share based payment charge.

The (loss)/profit for the period equates to the Comprehensive (expense)/income for the year.

The notes on pages 32 to 58 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 January 2015

	Note	2015	2014
		£000	£000
ASSETS			
Non-current assets			
Goodwill	13	**9,651**	12,885
Other Intangible assets	14	**1,718**	1,851
Property, plant and equipment	15	**1,798**	1,031
Deferred tax asset		**-**	204
		13,167	15,971
Current assets			
Inventories	16	**305**	364
Trade and other receivables	17	**10,658**	8,704
Cash and cash equivalents	18	**492**	999
		11,455	10,067
Total assets		**24,622**	26,038
EQUITY and LIABILITIES			
Capital and reserves attributable to equity shareholders			
Share capital	22	**3,015**	2,864
Share premium	22	**27,816**	19,965
Merger reserve	22	**1,911**	1,911
Reverse acquisition reserve		**(4,236)**	(4,236)
Accumulated deficit		**(19,528)**	(4,513)
Total equity		**8,978**	15,991
Current liabilities			
Overdraft	18	**878**	-
Trade and other payables	19	**13,603**	9,996
Provisions	20	**878**	-
		15,359	9,996
Non-current liabilities			
Deferred tax	21	**285**	51
Total liabilities		**15,644**	10,047
Total equity and liabilities		**24,622**	26,038

The financial statements were approved by the Board of Directors and authorised for issue on 31 July 2015.

They were signed on its behalf by:

Diana Dyer Bartlett

Diana Dyer Bartlett
Director
31 July 2015
Company Number: 5332126

Consolidated statement of cash flows

For the year ended 31 January 2015

	Note	2015	2014
		£000	£000
Cash flows from operating activities			
(Loss)/profit before taxation		**(14,898)**	896
Depreciation		**820**	117
Amortisation		**373**	146
Share based payment charge		**54**	27
Release of deferred consideration		**(1,294)**	-
Net finance costs		**245**	(415)
Intangible asset impairment	7	**1,360**	-
Property, plant and equipment impairment	7	**416**	-
Goodwill impairment	7	**6,907**	-
Movement in provisions		**878**	(594)
Loss/(profit) on sale of fixed assets		**21**	(225)
Operating cashflows before movements in working capital		**(5,118)**	(48)
Decrease/(increase) in inventories		**101**	(63)
Increase in receivables		**(325)**	(940)
Increase in payables		**1,944**	675
Net cash used in operating activities		**(3,398)**	(376)
Cash flows from investing activities			
Acquisition of subsidiaries (net of cash acquired)		**(3,770)**	(7,309)
Acquisition of intangible assets		**(15)**	(312)
Proceeds from sale of property, plant and equipment		**54**	-
Acquisition of property, plant and equipment		**(2,206)**	(470)
Net cash used in investing activities		**(5,937)**	(8,091)
Cash flows from financing activities			
Proceeds from issues of share capital (net of issue costs)		**8,003**	9,358
Net finance costs		**(53)**	(63)
Repayment of finance leases		**-**	(1)
Net cash from financing activities		**7,950**	9,294
Net (decrease)/increase in cash and cash equivalents		**(1,385)**	827
Cash and cash equivalents at start of year		**999**	172
Cash and cash equivalents at end of year		**(386)**	999

Cash and cash equivalents comprise cash at bank and other short-term highly liquid investments with maturity of three months or less, as adjusted for any bank overdrafts.

Consolidated statement of changes in equity

Attributable to equity holders of the Company

	Note	Share capital	Share premium/ merger reserve	Reverse acquisition reserve	Accumulated deficit	Total
		£000	£000	£000	£000	£000
At 1 February 2013		2,363	9,497	(4,236)	(5,553)	2,071
Profit for the year		-	-	-	1,014	1,014
Total comprehensive income for the year		-	-	-	1,014	1,014
Transactions with the owners:						
Proceeds from shares issued		501	12,877	-	-	13,378
Share issue costs		-	(499)	-	-	(499)
Share based payment charge		-	-	-	27	27
At 31 January 2014		2,864	21,875	(4,236)	(4,512)	15,991
At 1 February 2014		2,864	21,875	(4,236)	(4,512)	15,991
Loss for the year		-	-	-	(15,070)	(15,070)
Total comprehensive loss for the year		-	-	-	(15,070)	(15,070)
Transactions with the owners:						
Proceeds from shares issued	22	151	8,267	-	-	8,418
Share issue costs		-	(415)	-		(415)
Share based payment charge		-	-	-	54	54
At 31 January 2015		**3,015**	**29,727**	**(4,236)**	**(19,528)**	**8,978**

Company statement of financial position

As at 31 January 2015

	Note	2015	2014
		£000	£000
ASSETS			
Non-current assets			
Investment in subsidiaries	27	**9,247**	11,947
Intangible assets	14	**-**	58
Amounts due from subsidiaries	17	**-**	5,064
		9,247	17,069
Current assets			
Trade and other receivables	17	**2,876**	60
Cash and cash equivalents	18	**5**	85
		2,881	145
Total assets		**12,128**	17,214
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity shareholders			
Share capital	22	**3,015**	2,864
Share premium		**27,816**	19,965
Merger reserve		**1,911**	1,911
Accumulated deficit		**(21,303)**	(9,366)
Total equity		**11,439**	15,374
Current liabilities			
Trade and other payables	19	**689**	1,840
Total equity and liabilities		**12,128**	17,214

The financial statements were approved by the Board of Directors and authorised for issue on 31 July 2015.

They were signed on its behalf by:

Diana Dyer Bartlett

Diana Dyer Bartlett
Director
31 July 2015
Company Number: 5332126

Company statement of cash flows

For the year ended 31 January 2015

	2015	2014
	£000	£000
Cash flows from operating activities		
Loss before taxation	**(11,992)**	(649)
Depreciation and amortisation	**58**	46
Impairment provision	**2,700**	-
Gain on deferred consideration	**(219)**	-
Share based payment charge	**54**	27
Net finance costs	**203**	63
Operating cashflow before working capital movement	**(9,196)**	(513)
Increase in receivables	**(231)**	(2,865)
Increase in payables	**2,738**	1,683
Net cash used in operating activities	**(6,689)**	(1,695)
Cash flows from investing activities		
Acquisition of subsidiary (net of cash acquired)	**(1,385)**	(7,650)
Net cash used in investing activities	**(1,385)**	(7,650)
Cash flows from financing activities		
Proceeds from issues of share capital (net of issue costs)	**8,003**	9,358
Net finance costs	**(9)**	(62)
Repayment of loan	**-**	10
Net cash from financing activities	**7,994**	9,306
Net decrease in cash and cash equivalents	**(80)**	(39)
Cash and cash equivalents at start of year	**85**	124
Cash and cash equivalents at end of year	**5**	85

Company statement of changes in equity

Attributable to equity holders of the Company

	Note	Share capital	Share premium/ merger reserve	Accumulated deficit	Total
		£000	£000	£000	£000
At 1 February 2013		2,363	9,497	(8,743)	3,117
Loss for the year		-	-	(649)	(649)
Total comprehensive loss for the year		-	-	(649)	(649)
Transactions with the owners:					
Proceeds from shares issued		501	12,877	-	13,378
Share issue costs		-	(499)	-	(499)
Share based payment charge		-	-	27	27
At 31 January 2014		2,864	21,875	(9,365)	15,374
At 1 February 2014		2,864	21,875	(9,365)	15,374
Loss for the year				(11,992)	(11,992)
Total comprehensive loss for the year				(11,992)	(11,992)
Transactions with the owners:					
Proceeds from shares issued	22	151	8,267	-	8,418
Share issue costs		-	(415)	-	(415)
Share based payment charge		-	-	54	54
At 31 January 2015		**3,015**	**29,727**	**(21,303)**	**11,439**

Notes to the financial statements

1 General information

Coms plc is a company incorporated in England and Wales under the Companies Act 2006 and listed on the AIM market. The address of the registered office is given on page 17. The nature of the Group's operations and its principal activities are set out in the Directors' report and in the Operational review in the Strategic report.

These financial statements are presented in pounds sterling as that is the currency of the primary economic environment in which the Group operates. There are no foreign subsidiaries in the Group.

Going concern

As detailed in the Directors' report, the Directors consider that the Company and the Group have adequate resources to continue in existence for the foreseeable future. In assessing the outlook for the Company and Group, the Board took account of the Group's new £2.0m overdraft facility and certain events after the balance sheet date which have materially strengthened the financial position:

- The disposal of the loss-making Telephony Services division in May 2015 for £2.5m in cash, with the potential of up to another £1.0m cash, conditional on required levels of revenue at a future date.
- The completion in June 2015 of a placing and open offer, raising a further £2.1m in cash before expenses. The open offer to existing shareholders, was more than 50% oversubscribed.

The Directors have assessed the Group's current forecasts, taking into account reasonable changes in trading performance. The assessment considered stress tests and mitigating actions available to the Group. On the basis of this review, the Directors believe that the Group will continue to operate within the resources currently available to it. The Directors accordingly continue to adopt the going concern basis in preparing these financial statements.

2 Basis of preparation and significant accounting policies

The consolidated financial statements of Coms plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS's as adopted by the EU), IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period ended 31 January 2014 as described in those annual financial statements.

Standards, amendments to and interpretation of existing standards not yet effective

At the date of approval of these financial statements, the following standards, interpretations and amendments were issued but not yet mandatory for the Group and early adoption has not been applied:

International Financial reporting Standards (IFRS)

- IFRS 2 Share based payment amendments
- IFRS 3 Business combinations amendments
- IFRS 8 Operating segments amendments
- IFRS 13 Fair value measurement amendments
- IAS 16 Property, plant and equipment amendments
- IAS 19 Employee benefits amendments
- IAS 24 Related party disclosures amendments
- IAS 38 Intangible assets amendments
- IAS 40 Investment property amendments

All other amendments to existing standards are not yet endorsed by the EU at the date of approval of these financial statements.

It is considered that the above mentioned standards, amendments and interpretations will not have a significant effect on the results of the Group.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31 January each year. Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill.

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

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group.

Reverse acquisition accounting

The acquisition of Coms.com Limited in the year ended 31 January 2007 was accounted for as a reverse acquisition of Coms plc by Coms.com Limited. The consolidated financial statements prepared following the reverse takeover were issued in the name of Coms plc, but they are a continuance of the financial statements of Coms.Com Limited. Therefore the assets and liabilities of Coms.Com Limited were recognised and measured in the consolidated financial statements at their pre-combination carrying values. The financial statements reflect the continuance of the financial statements of Coms.com Limited.

The retained earnings and other equity balances recognised in these consolidated financial statements at the time of the acquisition were the retained earnings and other equity balances of Coms.Com Limited immediately before the business combination.

Under reverse acquisition accounting:

- an adjustment within shareholders' funds is required to eliminate the cost of acquisition in the issuing Company's books, and introduce a notional cost of acquiring the smaller issuing Company based on the fair value of its shares.
- an adjustment is required to show the share capital of the legal parent in the consolidated balance sheet rather than that of the deemed acquirer.

Both adjustments have been included in the reverse acquisition reserve.

Merger reserve

The merger reserve is used when a share issue is undertaken and merger relief is available.

The conditions for merger relief are when the consideration for shares in another company includes issued shares of the acquirer and on completion of the transaction, the company issuing the shares will have secured at least 90% equity holding in the acquiree.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and can be reliably measured. Revenue is measured at the fair value of the consideration received, net of discounts, VAT and other sales duty. The following specific recognition criteria must also be met before revenue is recognised:

Services – the Group provides a number of services including provision of telephony calls and minutes; revenue is recognised as services are performed.

Maintenance – the Group provides maintenance to corporate customers. Revenue is recognised evenly over the maintenance contract.

Hardware – revenue is recognised on the delivery of goods.

Consultancy – consultancy is typically invoiced based on a daily value, revenue is recognised as the consultancy services are delivered.

Installation – revenue is recognised at the point of installation.

Projects – revenue from fixed price contracts is recognised on the percentage of completion method, to the extent that the level of completion for a contract can be reliably measured. Where the percentage of completion cannot be reliably measured, revenue is recognised when specified contractual milestones are met or on project completion. When it is probable that total contract costs will exceed total revenue, the expected loss is recognised immediately. Revenue relating to contracted maintenance is recognised evenly over the period of the agreement.

Where costs incurred plus recognised profits less recognised losses exceed progress billings, the balance is shown as "amounts recoverable on contracts" within trade and other receivables. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as deferred income within creditors.

Property, plant and equipment

Property, plant and equipment are stated at cost of acquisition less accumulated depreciation and impairment losses. Depreciation is provided on a straight-line basis at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life. The residual value is the estimated amount that would currently be obtained from disposal of the asset if the asset were already of the age and in the condition expected at the end of its useful life.

Depreciation

Property, plant and equipment are depreciated using the straight-line method based on estimated useful lives.

The annual rates of depreciation for each class of depreciable asset across the Company are:

Fixtures and fittings – 20-25% straight line
Office equipment – 25-33.3% straight line
Leasehold improvements – 20% straight line

The carrying value is assessed annually and any impairment is charged to the income statement.

Financial assets

The Group classifies its financial assets into one of the categories below, depending on the purpose for which the asset was acquired.

Trade receivables and other debtors: These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment. A provision for impairment is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables.

Cash and cash equivalents: These include cash in hand, deposits held at call with banks and bank overdrafts. The Company had an overdraft facility of £3m with its main bank at the year end, which was reduced to £2m following the disposal of the trade and assets of the Telphony Services division in May 2015.

Financial liabilities

The Group's financial liabilities are trade payables and other financial liabilities.These are initially recognised at fair value and subsequently carried at amortised cost using the effective interest rate method.

Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects the current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

Corporation tax

The tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the year when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Other intangible assets

All intangible assets excluding goodwill are stated at cost less accumulated amortisation and any accumulated impairment losses.

Goodwill

Goodwill represents the amount by which the fair value of the cost of a business combination exceeds the fair value of net assets acquired. Goodwill is not amortised and is stated at cost less any accumulated impairment losses.

The recoverable amount of goodwill is tested for impairment annually or when events or changes in circumstance indicate that it might be impaired. Impairment charges are deducted from the carrying value and recognised immediately in the income statement. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash generating units expected to benefit from the synergies of the combination. If the recoverable amount of the cash generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Research and development

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

An internally-generated intangible asset arising from the development of the Group's VOIP system, the Company's core technology, is recognised only if all of the following conditions are met:

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.
- an intention to complete the intangible asset and use or sell it, and
- ability to use or sell the intangible asset, and
- the availability of adequate technical financial and other resources to complete the development and to use or sell the intangible asset.

Acquired intangible assets

Following business combinations (see note 4) the assets acquired are classified into tangible and intangible assets and fair values applied using the principles of IFRS 3. This leads to creation of intangible assets recognised on the balance sheet.

Amortisation

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives of 10 years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

Impairment of tangible and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. An intangible asset with an indefinite useful life is tested for impairment annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset/ cash-generating unit in prior years. A reversal of an impairment loss is recognised as income immediately, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

Share based payments

Where share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at the balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Fair value is measured using an appropriate option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where equity instruments are granted to persons other than employees, the consolidated income statement is charged with the fair value of goods and services received.

Foreign currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each entity are expressed in pounds sterling which is also the presentation currency for the consolidated and Company financial statements. The functional currency of the Company is pounds sterling.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are re-translated at the rates prevailing at the balance sheet date.

Exchange differences arising on the settlement of monetary items and on the re-translation of monetary items are included in the income statement.

Investments in subsidiaries

Investments in subsidiaries are stated at cost less, where appropriate, provisions for impairment.

Leases

Assets held under finance leases are initially recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are treated as a reduction of the lease obligation on the remaining balance of the liability. Finance expenses are recognised immediately in the income statement, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rental leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement.

3 Critical accounting estimates and judgements

The Group makes estimates and assumptions concerning the future, which may differ from the actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are set out below.

Revenue recognition

Revenue and expenses on fixed price contracts are recognised using the percentage-of-completion method. Revenue, expenses, and ultimately profit are therefore recognised over the life of the activity of the contract. When the outcome of a contract cannot be reliably estimated then revenue can only be recognised to the extent that it is recoverable. When total expected costs exceed the total contract value the expected loss is recognised immediately.

As revenue is therefore recognised on a percentage-of-completion basis which will be based on management's best estimate of expected total contract revenue and expected total contract costs it is an area that requires critical estimation and judgement.

Impairment of goodwill

The Group is required to test goodwill for potential impairment on an annual basis. The recoverable amount of goodwill relating to continuing activities is determined based on the value in use calculations which require the estimation of future cash flows and the selection of a discount rate. Actual outcomes of this calculation may vary, further information concerning issues affecting the carrying values is given in note 7.

Acquired intangible assets

On acquisition of a business, the Group is required to value the assets acquired and recognise intangible assets on the balance sheet. The valuation of these assets relies on various assumptions, including future revenues and costs derived from those assets and the selection of an appropriate discount rate in order to calculate the present values of those cash flows. Further information concerning intangible assets acquired during the year is given in note 4.

Provisions

The Group has made a number of provisions in the financial statements to deal with claims, disputes and onerous contracts. The actual outcome of such matters may differ from the Directors' assessment of the likely outcome.

4 Business combinations

On 7 February 2014 Coms acquired certain subsidiaries of Actimax Acquisitions Limited for initial cash consideration of £2.4m. The cash consideration was funded by the Company placing 138,333,333 new ordinary shares at 6p per share, with certain institutional and other investors to raise £7.9m net of expenses.

Further consideration of up to £1.0m in cash was payable 13 months from completion of the acquisition, conditional upon the billings achieved for the 12 months following completion, exceeding £7.6m. The performance target was not met and accordingly no further consideration was payable. This resulted in a gain of £1.0m being recognised on the release of the provision for contingent consideration.

The Actimax acquisition consists of a number of related companies, servicing approximately 800 customers, delivering managed network, unified communications and data services.

On 10 March 2014 Coms acquired 100% of the issued share capital of Smarter Mobile UK Limited for a total cash consideration of £0.2m. Smarter Mobile UK Ltd is a mobile service provider, specialising in a family mobile offering.

Both acquisitions were a continuation of the then strategy to build a Telephony Services provider of scale, building on prior year related acquisitions. During the period these acquisitions contributed £8.3m revenue and £0.4m loss before tax, which is also equivalent to the full year result had the Group owned both businesses since 1 February 2014.

Goodwill recognised on these acquisitions has been impaired at the year end see note 7.

Actimax and Smarter Mobile UK Limited	Book values	Fair value adjustments	Fair values
	£000	£000	£000
Intangible assets	167	1,417	1,584
Property, plant and equipment	621	-	621
Current assets	2,332	(414)	1,918
Current liabilities	(5,712)	1,858	(3,854)
Deferred tax liability	-	(317)	(317)
	(2,592)	2,544	(48)
Net assets acquired			(48)
Goodwill			3,673
Total consideration			3,625
Satisfied by:			
Cash			2,625
Contingent consideration			1,000
			3,625
Less cash acquired			(240)
Total cash consideration			2,385

Included within the fair value adjustments is a reduction in current liability of £1.9m which reflects the waiving of Actimax Group intercompany balances. On the acquisition of Actimax and Smarter Mobile UK Ltd, all aspects were fair valued and customer contracts and relationships were recognised as intangible assets. The customer contracts and relationships were valued on an income basis. The value is the present value of projected cash flows in excess of returns on contributory assets during the life of the relationship with customers. Management assessed that these customer contracts and relationships would have a useful economic life of at least ten years and therefore the intangible assets recognised would be amortised over this period.

5 Segmental reporting

In the opinion of the Directors the Group's activities comprise three material business segments which reflect the profiles of the risks, rewards and internal reporting structures within the Group.

These are as follows:

- Redstone
- Darkside Studios
- Telephony Services

All activities were conducted within the United Kingdom and it is the opinion of the Directors that this represents one geographical segment.

Revenue	2015	2014
	£000	£000
Redstone	**29,468**	8,020
Darkside Studios	**1,099**	60
Telephony Services	**15,387**	5,923
	45,954	14,003

(Loss)/profit for the year	2015	2014
	£000	£000
Redstone	**246**	1,537
Darkside Studios	**51**	(115)
Telephony Services	**(13,597)**	586
Central administration costs	**(1,770)**	(649)
Discontinued operations	**-**	(345)
	(15,070)	1,014

Balance Sheet analysis by segment	2015		2014	
	Assets	**Liabilities**	Assets	Liabilities
	£000	**£000**	£000	£000
Redstone	**17,458**	**(8,259)**	8,053	(6,351)
Darkside Studios	**944**	**(303)**	151	(80)
Telephony Services	**5,923**	**(6,646)**	8,894	(1,721)
Central administration costs	**297**	**(436)**	8,928	(1,839)
Discontinued operations	**-**	**-**	12	(56)
	24,622	**(15,644)**	26,038	(10,047)

Included in the above table are non-current assets of £9,781,000 (2014: 711,000) for Redstone, £655,000 (2014: 108,000) for Darkside Studios, and £2,731,000 (2014: 6,165,000) for Telephony Services.

6 Integration and transactional items

	2015	2014
	£000	£000
Integration costs	**2,252**	-
Transactional items	**(977)**	-
	1,275	-

The integration costs include both employee and other restructuring costs such as provisions in respect of onerous contracts. Employee costs include salary, redundancy and other exit costs.

Included in transactional items is the £1,000,000 release of the provision for the Actimax contingent consideration. The performance conditions for the Actimax contingent consideration were not met and accordingly no consideration was paid.

7 Impairment charge

The impairment charge comprises the following:

	Note	2015	2014
		£000	£000
Goodwill	13	**6,907**	-
Other intangible assets	14	**1,360**	-
Property, plant and equipment	15	**416**	-
		8,683	-

Goodwill

Goodwill has been impaired as a consequence of the performance of the Telephony Services division, which was sold on 31 May 2015 to Timico Ltd.

Other intangible assets

During the year, the Board conducted a review of the carrying value of the Group's other intangible assets. As a result, the Group recorded a £1,360,000 impairment charge for the period, specific to the following:

- ADSL 24, a retail customer base acquired in May 2013 for £800,000, was fully written down generating an impairment charge of £794,000. The impairment charge was recognised as the customer base was loss making with no expectation of future profits.
- World Telecom, a corporate customer base, acquired in February 2013 for £50,000 was fully written down, generating an impairment charge of £46,000. The impairment charge was recognised as the customer base was loss making with no expectation of future profits.
- The network assets purchased in June 2013 from TFM Networks Ltd for £480,000 were fully written down in the period, generating an impairment charge of £480,000. The cost of running the network far exceeds the profitability of the 'on network' customer traffic and therefore the Directors took the view that there is no value in this investment.
- In August 2013 the Group made an investment of £40,000 to obtain a G-Cloud license (UK Government procurement). Since obtaining the licence, the Group has failed to sign any significant customers and therefore the Board has taken the decision to impair the asset in full, generating an impairment charge in the period of £40,000.

Property, plant and equipment

During the year, the Directors concluded a review of the carrying value of the Group's property, plant and equipment, specifically in light of the Board's decision to vacate certain Group office locations. An impairment charge of £416,000 has been recorded in the consolidated income statement in the period and relates to £264,000 of leasehold improvements and £152,000 of other office equipment.

8 Operating (loss)/profit

Operating (loss)/profit from continuing operations is arrived at after charging:

	Group	
	2015	**2014**
	£000	£000
Cost of Inventory is recognised as an expense	**15,526**	3,845
Amortisation of intangibles	**373**	117
Depreciation of property, plant and equipment	**820**	146
Loss/(profit) on disposal of property, plant and equipment	**21**	(225)
Loss on disposal of intangible asset	**-**	36
Staff costs (see note 9)	**16,542**	4,616
Share based payment charge	**54**	27
Loss/(gain) on foreign exchange	**40**	-
Rentals under operating leases	**673**	233
Impairment charge (see note 7)	**8,683**	-
Integration and transactional costs (see note 6)	**1,275**	-
Audit fees		
-audit of the Company's financial statements	**52**	40
-audit of the Company's subsidiaries pursuant to legislation	**20**	5

The analysis of administrative expenses in the consolidated income statement by nature of expense is as follows:-

- Administrative staff costs £7,295,000 (2014: £2,264,000)
- Operating leases - £673,000 (2014: £233,000)
- Depreciation and amortisation - £1,193,000 (2014: £263,000)
- Other operating expenses - £3,208,000 (2014: £950,000)

9 Staff costs

The average number of employees was:

	Group	
	2015	**2014**
	No.	No.
Sales	**29**	12
Technical support	**274**	65
Administrative	**56**	31
	359	108
	£000	£000
Their aggregate remuneration comprised:		
Wages and salaries	**14,908**	4,075
Social security costs	**1,229**	485
Pension costs	**405**	56
	16,542	4,616

£9,518,000 (2014: £2,253,000) of the above staff costs were included in cost of sales in the consolidated income statement.

10 Net finance costs

	Group	
	2015	**2014**
	£000	£000
Net finance costs	**245**	(415)

Included within net finance costs is an amount of £189,000 (2014: £63,000) relating to the unwinding of the discount on the deferred consideration for Redstone. The credit in 2014 relates to a write back of an interest accrual in relation to the Redstone acquisition.

11a Taxation

The Group tax charge for the year can be reconciled to the loss as disclosed in the statement of comprehensive (loss)/income as follows:

	Group	
	2015	**2014**
	£000	£000
(Loss)/profit before taxation	**(14,898)**	1,241
Tax at the UK corporation tax rate of 21.33% (2014: 23.75%)	**(3,178)**	295
Discontinued operations	**-**	(82)
Depreciation in excess of capital allowances	**469**	54
Items not deductible for tax purposes	**18**	20
Capital allowances/profit on disposal	**(98)**	(176)
Utilisation of losses brought forward	**-**	(109)
Losses carried forward	**2,789**	60
Tax charge for period	**-**	62
Deferred taxation	**172**	(180)
Taxation	**172**	(118)

At 31 January 2015 the Group had estimated tax losses of £16,648,000 (2014: £5,228,000) to carry forward against future profits. These losses have not been recognised as a deferred tax asset owing to the Directors' assessment of recoverability in the short term.

A reduction in the UK corporation tax rate from 24% to 23% (effective 1 April 2013) was substantively enacted on 3 July 2012. Further reductions to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. In the Budget on 8 July 2015, the Chancellor announced additional planned reductions to 18% by 2020. This will reduce the Company's future current tax charge accordingly. The deferred tax liability at 31 January 2015 has been calculated based on the rate of 20% substantively enacted at the balance sheet date.

11b Deferred taxation

The analysis of deferred tax assets and deferred tax liabilities is as follows:-

	Group	
	2015	**2014**
	£000	£000
Deferred tax assets	**-**	204
Deferred tax liabilities	**(285)**	(51)
Deferred tax (liability)/asset	**(285)**	153
Deferred tax assets comprised of:		
Trading losses carried forward	**-**	204

The 2015 deferred tax liability of £285,000 relates to the intangible asset acquired during the year.

11c Taxation charge

The taxation charge for the year of £172,000 (2014: credit of £118,000) includes a write down of the £204,000 deferred tax asset which was recognised in 2014. The Directors believe that this is not recoverable in light of current trading forecasts. This has been offset by a credit of £32,000 relating to the unwinding of the deferred tax liability recognised on the acquisition of Actimax.

12 Earnings per share

Earnings per share data is based on the Group (loss)/profit for the year and the weighted average number of ordinary shares in issue.

	2015	2014		
	Continuing operations	Continuing operations	Discontinued operations	Total
Basic (loss)/profit per share	**(1.57p)**	0.24p	(0.06p)	0.18p
Diluted (loss)/profit per share	**(1.57p)**	0.22p	(0.05p)	0.17p
(Loss)/profit for the year attributable to owners of the parent company (£000)	**(15,070)**	1,359	(345)	1,014

	2015	**2014**
Number of shares	**No.**	No.
Weighted average number of ordinary shares in issue	**957,474,129**	559,408,855
Weighted average number of potentially dilutive ordinary shares in issue	**957,474,129**	612,427,892

Warrants and employee share options are non-dilutive in loss making periods.

13 Goodwill

	Group	
	Note	
Cost		£000
At 1 January 2013		1,952
Additions		10,933
At 31 January 2014		12,885
Additions	4	3,673
At 31 January 2015		**16,558**
Accumulated impairment charge		
At 1 January 2013 and 2014		-
Impairment charge		6,907
At 31 January 2015		**6,907**
Carrying value at 31 January 2015		**9,651**
Carrying value at 31 January 2014		12,885
Carrying value at 31 January 2013		1,952
	2015	**2014**
Carrying value of goodwill is allocated as follows:	**£000**	£000
Redstone	**8,724**	8,724
Darkside Studios	**350**	-
Telephony Services	**577**	4,161
	9,651	12,885

During the year the Group acquired 100% of the issued share capital of Actimax and Smarter Mobile UK which gave rise to goodwill of £3,673,000.

At the year end the Group recorded an impairment charge in relation to goodwill of £6,907,000. The Impairment charge relates to the Telephony Services division, which was sold post year end on 31 May 2015 to Timico Ltd.

Goodwill reported in 2014 included Darkside Studios in Telephony Services. Following the review of strategy Darkside is no longer only used for internal Group purposes, generating its own independent cashflows therefore goodwill is separately identified.

Fair value

Goodwill on consolidation has been allocated for impairment testing purposes to three cash-generating units ("CGUs"). The CGUs are Redstone, Darkside Studios and the Telephony Services division. The recoverable amount of the Redstone and Darkside Studios CGUs is based on value in use calculations using cash flow projections approved by the Directors covering a three year period. The recoverable amount for the Telephony Services has been based on the post year end disposal of this business unit allowing for post year end losses.

The projections for Redstone and Darkside Studios are based on the assumption that the Group can realise projected sales. If the projected sales do not materialise there is a risk that the total value of the intangible assets shown above would be impaired. The Company, in its prudent approach has based its projections on key assumptions of annualised incremental growth in revenue and cost of sales of 5% with 2% attributed to administrative costs. The calculation of residual value has utilised 2% growth rates. Sensitivity analysis indicates that if revenues declined by 10% or administrative expenses increased by 10%, this would not give rise to an impairment charge.

Each CGU has its own pre-tax discount rate: 12% has been used for Redstone and 15% for Darkside Studios. These rates take into consideration the Group's cost of capital, the expected rate of return and various risks relating to the relevant CGU. At the year end, based on these assumptions there is no indication of impairment in the value of the remaining goodwill.

14 Other intangible assets

	Group			Company
	Development costs	Other intangible assets	Total	Other intangible assets
	£000	£000	£000	£000
Cost or valuation				
At 1 February 2013	216	138	354	138
Additions	222	1,570	1,792	-
At 31 January 2014	438	1,708	2,146	138
Additions	-	16	16	-
Acquisition of subsidiaries	-	1,584	1,584	-
At 31 January 2015	**438**	**3,308**	**3,746**	**138**
Accumulated amortisation and impairment				
At 1 February 2013	150	34	184	35
Charge for the year	55	56	111	45
At 31 January 2014	205	90	295	80
Charge for the year	128	245	373	58
Impairment (see note 7)	-	1,360	1,360	-
At 31 January 2015	**333**	**1,695**	**2,028**	**138**
Carrying value				
At 31 January 2015	**105**	**1,613**	**1,718**	**-**
At 31 January 2014	233	1,618	1,851	58
At 31 January 2013	66	104	170	103

During the year, the Board conducted a review of the carrying value of the Group's intangible assets. As a result, the Group recorded a £1,360,000 impairment charge for the period, as detailed in note 7.

15 Property, plant and equipment

Group	Plant & machinery	Leasehold improvements	Fixtures & fittings	Computer equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 1 February 2013	136	-	29	85	250
Acquisition of subsidiaries	13	633	86	1,724	2,456
Additions	84	34	84	661	863
Disposals	-	-	-	(488)	(488)
At 31 January 2014	233	667	199	1,982	3,081
Acquisition of subsidiaries	231	27	114	249	621
Additions	69	961	101	324	1,455
Disposals	(177)	(656)	(53)	(2)	(888)
At 31 January 2015	**356**	**999**	**361**	**2,553**	**4,269**
Accumulated depreciation and impairment					
At 1 February 2013	108	-	25	86	219
Acquisition of subsidiaries	10	598	62	1,568	2,238
Charge for the year	23	20	13	25	81
Disposals	-	-	-	(488)	(488)
At 31 January 2014	141	618	100	1,191	2,050
Charge for the year	212	171	52	385	820
Impairment (see note 7)	-	264	152	-	416
Disposals	(104)	(656)	(53)	(2)	(815)
At 31 January 2015	**249**	**397**	**251**	**1,574**	**2,471**
Carrying value					
At 31 January 2015	**107**	**602**	**110**	**979**	**1,798**
At 31 January 2014	92	49	99	791	1,031
At 31 January 2013	28	-	4	-	32

During the year, the Directors concluded a review of the Group's property, plant and equipment carrying values, specifically in light of the Board's decision to vacate certain Group office locations. An impairment charge £416,000 has been recorded in the consolidated income statement in the period and relates to leasehold improvements (£264,000) and fixtures & fittings (£152,000).

16 Inventories

	Group	
	2015	2014
	£000	£000
Finished goods	305	364

17 Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
Current	£000	£000	£000	£000
Financial assets				
Trade receivables	5,617	4,255	-	-
Amounts recoverable on contracts	2,773	2,981	-	-
Other receivables	423	568	201	14
Amounts due from subsidiaries less impairment provisions	-	-	2,585	-
Taxes and social security costs	96	42	54	41
Accrued income	523	121	-	-
	9,432	7,967	2,840	55
Non-financial assets - prepayments	1,226	737	36	5
	10,658	8,704	2,876	60
Non-current				
Amounts due from subsidiaries less impairment provisions	-	-	-	5,064

The Directors consider that the carrying amount of trade and other receivables equals their fair value.

Included within other debtors is an amount of £nil (2014: £401,000) that comprises monies secured against an operating lease. The amounts owed by subsidiary companies are non-interest bearing and repayable on demand.

Amounts recoverable on contracts includes contract costs plus recognised profits of £9,239,000 (2014: £8,402,000) less progress billings of £6,869,000 (2014: £5,885,000) and retention monies.

18 Cash and cash equivalents

	Group		Company	
	2015	2014	2015	2014
	£000	£000	£000	£000
Bank current account	492	999	5	85
Bank current account - overdraft	(878)	-	-	-
	(386)	999	5	85

The carrying amount of these assets approximates their fair value. The Group's banking arrangements are secured by a debenture over the assets of the principle operating businesses and cross guarantees. Interest is variable and payable on demand.

19 Trade and other payables

	Group		Company	
	2015	**2014**	**2015**	**2014**
Current	**£000**	£000	**£000**	£000
Financial liabilities				
Trade payables	**5,957**	3,148	**177**	-
Social security and other taxes	**2,030**	1,296	**-**	-
Other payables	**405**	656	**-**	1,661
Accruals	**3,207**	2,806	**87**	179
Deferred consideration	**171**	1,661	**171**	-
Amounts owed to subsidiary company	**-**	-	**254**	-
	11,770	9,567	**689**	1,840
Non-financial liabilities				
Deferred income	**1,833**	429	**-**	-
	13,603	9,996	**689**	1,840

The amounts owed to subsidiary companies are non-interest bearing and repayable on demand. The Directors consider that the carrying amount of trade and other payables equals their fair value. During the year a further £1,385,000 deferred consideration was paid to settle the outstanding consideration payable in respect of Redstone which generated a gain of £298,000, leaving £172,000 outstanding at the year end .

20 Provisions

	Group	
	2015	**2014**
Current	**£000**	£000
Onerous contracts	**400**	-
Other provisions	**478**	-
	878	-

The Directors have made provision for certain Group offices where the lease is deemed to be onerous, negotiations are on going, however, the Board has made provision for £400,000 as a best estimate. Other provisions relate to customers and supplier issues where the Directors believe that there is a likely cash outflow.

21 Deferred tax liability

	Group	
	2015	**2014**
Non-current	**£000**	£000
Deferred tax liability	**285**	51
	285	51

22 Share capital and reserves

The Company's share capital comprises:

	2015	2014	2015	2014
	Number	Number	**£000**	£000
Allotted, called up and fully paid:				
Ordinary shares of 0.1p each	**973,254,149**	821,789,864	**973**	822
Deferred shares of 1p each	**127,144,044**	127,144,044	**1,271**	1,271
Deferred shares of 0.1p each	**770,714,046**	770,714,046	**771**	771
			3,015	2,864

Movements in issued and fully paid ordinary shares capital	Number	Issue price	Share capital	Share premium	Merger reserve	Total
			£000	£000	£000	£000
Placing	138,333,333	6p	138	8,162	-	8,300
Placing fee	-	-	-	(415)	-	(415)
EMI Share exercise	10,250,000	0.825p	10	74	-	84
Warrant Exercise	500,000	2.7p	1	13	-	14
MI Share exercise	2,380,952	0.84p	2	18	-	20
Total movement In the year	151,464,285		151	7,852	-	8,003
At 31 January 2014	821,789,864		822	19,964	1,911	22,697
At 31 January 2015	**973,254,149**		**973**	**27,816**	**1,911**	**30,700**

The share premium account comprises the amount subscribed for share capital in excess of nominal value.

The merger reserve arose where equity shares were allotted on the acquisition of subsidiaries and represents the difference between the fair value attributed to the share allotment in excess of the nominal value of the shares allotted.

The reverse acquisition reserve arose on the acquisition of Coms.com Limited which was accounted for as a reverse acquisition. Under IFRS the consolidated accounts of Coms plc are treated as though they are a continuation of the consolidated accounts of Coms.com Limited. The reverse acquisition reserve represents the difference between the initial equity share capital of Coms plc and the share capital and share premium of Coms.com Limited at the date of acquisition.

The accumulated deficit represents the cumulative loss of the Group attributable to equity shareholders of Coms plc.

23 Retirement benefit schemes

The Group operates a defined contribution company pension scheme for the Directors and employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the income statement. For the period, pension costs incurred were £405,000 (2014: 56,000) with £293,000 (2014: £35,000) being included in cost of sales.

24 Related-party transactions

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Remuneration of key management personnel

During the year there were a number of transactions between the Company and its Directors.

Directors' fees

Director's fees of £91,000 (2014: £39,000) were paid to Gladstone Consultancy Partnership, of which Iain Ross is a partner, in respect of services provided by Iain Ross; £18,000 (2014: £9,000) was outstanding at the year end. Director's fees of £49,000 (2014: £7,000) were paid to Warspite Limited, a company connected to Diana Dyer Bartlett, in respect of services provided by Diana Dyer Bartlett; £23,000 (2014: £2,000) was outstanding at the year end. Director's fees of £43,000 (2014: £62,000) were paid to Iridian Consulting Services Limited, a company connected to Stephen Foster, in respect of services provided by Stephen Foster; £3,000 (2014: £2,000) was outstanding at the year end. Graham Herring provided services totalling £7,000 (2014: £8,000) during the year; at the year end nil was outstanding (2014: £2,000).

Directors' transactions

Products and services

During the year the Company entered into the following trading activities with companies or partnerships connected with Dave Breith:

- The Group utilised the billing platform, Ask Merlin, and the associated direct debit services provided by Payment Centre for which it paid licence fees of £105,000 (2014: £63,000). In addition, the Group incurred £304,000 (2014: £157,000) maintenance and development costs in relation to Ask Merlin.
- The Group sourced hardware from Vitrx Limited on arm's-length terms. During the year, purchases amounting to £135,000 (2014: £118,000) were made and the balance outstanding at 31 January 2015 to Vitrx was £36,000 (2014: £2,000).
- The Group purchased marketing and website services from Blabbermouth Marketing Limited on arm's length terms. During the year services provided amounted to £158,000 (2014: £53,000) and the amount due to Blabbermouth at the period end was £15,000 (2014: £2,000).
- During the year the Group supplied services to Sugar Cube Animation amounting to £92,000 (2014: £nil). At the year end the Group held a deposit from Sugar Cube Animation of £108,000 (2014: £nil).

25 Commitments

a) Capital commitments

There were no capital commitments at 31 January 2015 (2014: £nil).

b) Operating lease commitments

The Group leases office buildings and warehousing under licences/leases to occupy.

Lease 1 – has a life of 57 months terminating in September 2018.

Lease 2 – has a life of 5 years terminating in September 2018.

Lease 3 – has a life of 10 years terminating in June 2024.

Future minimum lease payments under non-cancellable operating leases are as follows:	2015 Property	2015 Vehicles	2014 Property	2014 Vehicles
	£000	**£000**	£000	£000
Within one year	**263**	**99**	245	73
After one year but not more than 5 years	**1,901**	**103**	1,701	59
After 5 years	**848**	**-**	-	-
	3,012	**202**	1,946	132

26 Financial instruments

Financial instruments

In common with other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

The significant accounting policies regarding financial instruments are disclosed in the section 'Financial assets and liabilities in note 2'.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

		Group		Company	
	Note	2015	2014	2015	2014
		£000	£000	**£000**	£000
Financial assets	17	**9,432**	7,967	**2,840**	55
Financial liabilities	19	**11,770**	9,567	**689**	1,840

There were no material differences between the fair value and the carrying amounts of the Group's financial instruments.

Financial risk management

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function.

The overall objective of the Board is to set polices 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 that a counterparty to a transaction with the Group fails to discharge its obligations in respect of the instrument. The Group's credit risk arises on (i) transactions with customers in connection with delivery of products or services (ii) cash and cash equivalents placed with banks and financial institutions

Management focuses strongly on working capital management and the collection of due invoices. Regular reports of overdue invoices are circulated amongst senior management and the Board reviews debtor days each month as part of the monthly reporting cycle. The risk with any one customer is limited by constant review of debtor balances and amounts receivable on contracts and action to resolve any issues preventing discharge of obligations.

As at 31 January 2015 the ageing analysis of trade receivables of the Group is as follows:

	Total	Not yet due	0-60 days	60-90 days	>90 days
	£000	£000	£000	£000	£000
2015	**5,617**	**2,197**	**2,004**	**620**	**796**
2014	4,255	1,907	1,457	432	459

Credit risk on cash and cash equivalents is reduced by placing funds with banks with high credit ratings.

Liquidity risk

Liquidity risk is the risk that the Group cannot meet financial liabilities when they fall due. The Group's policy for managing liquidity risk is to ensure that the business has enough financial resources to carry out its day-to-day activities at any point in time. Management believes that the cash resources on hand, together with the profits of the business, more than cover the resources needed to meet the financial liabilities of the Group.

Interest rate risk

The Group has no interest-bearing liabilities in the form of long-term bank borrowings and accordingly there is no associated interest rate risk.

There is no significant interest rate risk in respect of temporary surplus funds invested in deposits and other interest-bearing accounts with financial institutions as the operations of the Group are not dependent on the finance income received. However it is the Group's policy to manage the interest rate risk over the cash flows on its invested surplus funds by using only substantial financial institutions when such funds are invested.

Capital

The Group considers its capital to comprise its ordinary share capital, deferred share capital, share premium, merger reserve, reverse acquisition reserve and accumulated retained deficit as its capital reserves. A summary of the amounts of capital in each of these categories is shown in the consolidated statement of changes in equity on page 28.

In managing its capital, the Group's primary objective is to provide a return for its equity shareholders through capital growth. Going forward the Group will seek to maintain a gearing ratio that balances risks and returns at an acceptable level and also to maintain a sufficient funding base to enable the Group to meet its working capital and strategic investment needs. In making decisions to adjust its capital structure to achieve these aims, either through new share issues or the issue of debt, the Group considers not only its short-term position but also its long-term operational and strategic objectives.

There have been no other significant changes to the Group's management objectives, policies and processes in the year nor has there been any change in what the Group considers to be capital.

Currency risk

The Group occasionally provides services in markets outside the UK. All material equity and financial liabilities are contracted in Sterling and hence there is no significant currency risk.

27 Fixed asset investments

Details of the Company's subsidiaries at 31 January 2015 are as follows:

	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Nature of business
Subsidiary		%	%	
Comunica Holdings Limited	England	100	100	Holding company
Redstone Converged Solutions Limited [3]	England	100	100	Infrastructure
Coms Media Limited [6]	England	100	100	Media
CloudXL Limited [6]	England	100	100	Telecommunications
CloudXL Networks Limited [6]	England	100	100	Telecommunications
CloudXL Support Limited [6]	England	100	100	Telecommunications
Coms.Com Limited	England	100	100	Telecommunications
Coms Enterprise Limited	England	100	100	Telecommunications
Coms Mobile Ltd	England	100	100	Telecommunications
Premium O Limited [5]	England	100	100	Telecommunications
Superline Telecommunications Limited [1]	England	100	100	Telecommunications
Smarter Mobile UK Limited [7]	England	100	100	Telecommunications
Systems Online Limited [6]	England	100	100	Telecommunications
Actimax 1 Limited [6]	England	100	100	Dormant
Universal Office Automation Limited [6]	England	100	100	Dormant
Network Resource Limited [6]	England	100	100	Dormant
Network Resource Group Limited [6]	England	100	100	Dormant
Darkside Animation Limited [2]	England	100	100	Dormant
Clicks Media Limited [2]	England	100	100	Dormant
Cominica Group Limited [4]	England	100	100	Dormant

[1] Superline Telecommunications Limited is a wholly-owned subsidiary of Coms Mobile Limited (formerly ExchangeXT Limited)

[2] Darkside Animation Limited and Clicks Media Limited are wholly-owned subsidiaries of Coms Media Limited

[3] Redstone Converged Solutions Limited is a wholly-owned subsidiary of Comunica Holdings Limited

[4] Comunica Group Limited is a wholly-owned subsidiary of Redstone Converged Solutions Limited

5 Premium-O Limited and Coms Media Limited are wholly owned by Coms.com Limited

6 All Actimax entities are owned by Coms Enterprise Limited.

7 Smarter Mobile UK Limited is owned by Coms Mobile Limited.

Investment in subsidiaries	Total
	£000
Cost	
At 31 January 2013	5,989
Additions	9,247
At 1 February 2014	15,236
At 31 January 2015	**15,236**
Accumulated amortisation and impairment	
At 1 February 2013 and 2014	3,289
Impairment charge	2,700
At 31 January 2015	**5,989**
Carrying value	
At 31 January 2015	**9,247**
At 31 January 2014	11,947
At 31 January 2013	2,700

The carrying value of the investment at the year end represents Redstone, a wholly owned subsidiary. The impairment charge recorded in the year of £2,700,000 reflects the write down in the carrying value of investment in the Telephony Services businesses.

28 Post balance sheet events

On 26 May 2015 the Group announced the disposal of the business and certain assets of its Telephony Services companies to Timico Limited for an initial consideration of £2.5m payable in cash and contingent consideration of up to a further £1.0m payable in cash, based on the trading performance in the period to 30 November 2015. Completion of the disposal took place on 31 May 2015.

The Group retained the benefit of its trade debtors; Timico assumed responsibility for all key supplier arrangements in respect of trading following completion, however, the Group will retain certain liabilities, including the two leasehold properties occupied by the Telephony Services businesses. Under a transitional services agreement, the Group is required to retain the Stokenchurch office for up to six months post completion.

Following the disposal, the Group comprises Redstone and Darkside Studios.

After the sale of the Telephony Services businesses, the Group raised an additional £2.1m through a placing and open offer before expenses. The placing issued 2,000,000 new ordinary shares at 0.5p per share with certain institutional and other investors,including the Directors of Coms Plc, to raise approximately £1.0m before expenses. The open offer involved the issue of 216,278,646 new ordinary shares at 0.5p per share to raise £1.1m before expenses.

29 Options and warrants

The Company had the following share options and warrants outstanding at 31 January 2015:

	Number	Date granted	Price per share	Vesting period
Warrants	100,000	20 May 08	50p	20 May 08 – 19 May 18
Unapproved options	260,000	20 May 08	50p	20 May 08 – 19 May 18
Warrants	5,000,000	18 Jan 13	0.75p	18 Jan 13 – 17 Jan 15
EMI options	11,500,000	20 Mar 13	0.825p	20 Mar 13 - 19 Mar 15
Warrants	1,000,000	10 Jun 14	5.0p	10 June 14 - 09 Jun 23
Warrants	4,000,000	12 Jun 13	5.0p	12 Jun 13 - 11 Jun 23
Warrants	1,000,000	12 Jun 13	5.0p	12 Jun 13 - 11 Jun 23
Warrants	2,000,000	30 Sept 13	5.0p	30 Sept 14 - 29 Sept 23
Warrants	1,000,000	10 July 14	6.0p	10 July 14 - 09-July 24
Warrants	3,000,000	10 July 14	7.0p	10 July14 - 09 July 24
EMI options	3,333,333	1 Oct 13	3.0p	01 Oct 13- 30 Sept 15
Unapproved options	23,040,000	1 Nov 13	3.5p	01 Nov 13 - 31 Oct 15

30 Share based payments

The Company has issued warrants and options enabling the holders to subscribe for ordinary shares of 0.1p each.

	2015		2014	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at start of year	**110,805,641**	**1.80p**	29,450,876	1.80p
Restated EMI Options	**-**	**-**	(6,682,857)	1.80p
Granted during the year	**4,000,000**	**6.75p**	187,712,033	2.86p
Lapsed during the year	**(1,814,689)**	**5.00p**	-	-
Forfeited during the year	**(44,626,667)**	**3.28p**	-	-
Exercised during the year	**(13,130,952)**	**0.90p**	(99,674,411)	3.22p
Outstanding at end of year	**55,233,333**	**3.38p**	110,805,641	1.80p
Exercisable at end of year	**28,360,000**	**2.74p**	17,269,927	3.90p

A charge of £54,000 (2014: £27,000) has been made for the share based payments.

The weighted average remaining contractual life of outstanding share options is 1005 days (2014: 608).

If you would like to find out more.

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