COMS PLC

Report and Accounts for the year ended 31 January 2014

June 2014

Contents

Financial highlights

	2014	2013
Continuing operations		
Revenue	14,002,866	1,621,960
Gross profit	4,755,050	929,576
EBITDA/(LBITDA)	827,348	(797,421)
Profit/(loss) before taxation	1,241,455	(936,415)
Loss on discontinued operations	(344,731)	(291,104)
Taxation	117,330	-
Total Profit for year	1,014,054	(1,227,519)
Net cash balances	998,947	171,962
Consolidated net assets	15,990,714	2,070,880
Earnings per share - basic	0.24p	(0.40p)
Earnings per share - diluted	0.22p	(0.40p)
Earnings per share on discontinued operations - basic	(0.06p)	(0.12p)
Earnings per share on discontinued operations - diluted	(0.05p)	(0.12p)

Income from continuing operations increased by 863%
Gross profit from continuing operations increased by 511%

CORPORATE HIGHLIGHTS

- New Board –Iain Ross as Independent Non-Executive Chairman, Stephen Foster and Diana Dyer Bartlett as Independent Non –Executive Directors.
- New Advisers – Charles Stanley Securities appointed as the Company's Nominated Adviser and Joint Broker.
- Major Acquisitions: - ADLS 24 (May 2013), Premium O (May 2013) and Redstone (November 2013).
- £1.5m issue of equity and warrants in May 2013.
- £3m through the exercise of shareholder warrants.
- £4.8m via issue of equity in October 2013.

Post-Period Events

- February 2014 - Comp plc acquires certain subsidiaries of Actimax Acquisitions Limited, trading as Cloud XL and raises £8.3m through a placing to new and existing investors.
- March 2014 - Coms plc acquires entire share issue of Smarter Mobile UK Limited.
- April 2014 – Coms plc appoints Brendan Loughrey as COO

CHAIRMAN'S STATEMENT

Dear Shareholder,

2013/14 was a pivotal year for Coms plc. In early January 2013 with the investment by, and appointment of, Dave Breith as CEO the Company secured the leadership and vision it so desperately needed. The turnaround in the Company's prospects since his appointment has been remarkable. Early on Dave developed, implemented and communicated his 'blueprint' for the Company and through structural re-organisation, an aggressive M&A strategy coupled with numerous initiatives designed to promote significant organic growth, he has created the foundations upon which he and his professional management team can build a truly outstanding company.

During the year the Company has made good progress in developing a sound technology platform and through its acquisition of third party companies including Redstone and more recently Cloud XL it has ensured an ever increasing revenue base which will provide the funding required to build a sustainable long term business.

As a consequence in 2014 and beyond, whilst we will continue to manage the business on a financially prudent basis your Board and management we will continue to strive to achieve our goal of building substantial shareholder value in the medium and long term. We will continue to assess both organic growth as well as M&A opportunities.

Corporate Governance

The Directors remain committed to maintaining the highest standards of transparency, ethics and corporate governance, whilst also providing leadership, controls and strategic oversight to ensure we deliver sustainable value to all the Company's shareholders.

Each non-executive Director brings independence of character and judgement to the role. Board and Committee meetings are characterised by robust, constructive debate based upon reporting from management and the Board keeps its performance and core governance principles under regular review. The Company's non-executive Directors have extensive experience and impressive track records in corporate development and we are very lucky to have been able to attract them to join the Company and the Board will continue to evaluate the balance of skills, knowledge and experience amongst its members.

With the first phase of our transformation completed, I want to thank the Board, the management and the staff for their tireless efforts during a challenging but rewarding 12 months. As Chairman it has been a pleasure to work with Dave Breith and his team and I look forward to working with them on the next phase of the transformation as we build our revenue base and realise the value from our technology platform, which is of the highest quality.

Finally I would like to thank the shareholders for their support and I look forward to working more closely with you over the coming 12 months.

Iain G Ross

Chief Executive's statement

I am pleased and honoured to report on the company's performance for my first full year as Chief Executive. Throughout the period my actions have been governed by several established mantras.

Ensure financial viability....

The 2013/14 audited accounts are extremely positive in that during the year we generated revenues in excess of £14m (2013: £1.6m) which coupled with a significantly re-aligned cost base resulted in the Company starting the 2014/15 financial year with £0.98m of cash available to it (2013/14: £0.2m). The EBITDA for the year on continuing operations was £0.827m (2013: loss of £0.8m) and the profit before tax on continuing operations was £1.24m (2013: £0.9m). These numbers speak for themselves when compared to the previous year's performance.

This business is now financial viable, substantive and sustainable.

Get the right people to focus on the hard decisions early on....

Following my appointment in early 2013 and supported by some truly robust managers we embarked upon a turnaround of the business, which has had an incredible impact. We were presented with some significant and serious challenges as early in my tenure it became apparent that the business was in need of "life support" and I cannot over emphasise the task that has been achieved to date. Whilst we had the intention and ambition to grow the business from day 1, in the early days we were hindered by a plethora of unresolved matters, which were a legacy from the past. As a result dealing with, and addressing issues from the past, has taken up more time this year than I had hoped. Having said this with careful planning and an eye on our strategic goals the Coms team has done an incredible job to get us to where we are now. As our business matures so will our people who have an unquenchable thirst for success and a 'can do' attitude which I intend to continue to harness.

I have my team in place.

Plan, implement, acquire and integrate...

Some of the key highlights and challenges addressed in the year are outlined below:

Whilst we have looked to develop and organically grow our core business I made it clear from the date of my appointment that I wanted to implement a comprehensive M&A strategy. As a consequence we have made 10 acquisitions of varying size during the year all of which have allowed us to significantly expand our technology offering and capabilities, broaden our business and customer base, and markedly increase our revenue generating capability.

However the key is not only identifying the right sort of business to acquire but also integrating the acquired business effectively and ensuring there is no duplication in the on-going cost base. Easier said than done I can assure you and although I am pleased to report that the Coms team has dealt well with all the integration challenges of the acquired businesses I would just like to highlight some of the challenges with which we have had to deal.

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Systems – The Company was running various billing platforms and multiple servers for email, domain control, different versions of software and finance products. So for each business that we have acquired, we have and continue to ensure they are moved onto the Company's billing and telecom ERP platform known as AskMerlin. Bespoke finance products are being rolled out throughout the Group companies and an internal secure wide area network across our locations has been installed and is being utilised. Video conferencing will also be adopted across our locations in due course. All the 'acquired businesses' now share the same infrastructure and where possible software, platforms etc. This has created a "one company, one ethos" attitude amongst our people and has assured our internal communication and processes are aligned throughout
the organisation.

Personnel – The Company now has circa 400 staff and as a consequence it has undergone substantive restructuring with us adopting a centralised departmental approach whereby now all HR, Marketing, Media, Internal Networks and the majority of Operations fall under a single head of department. Bringing this many people together and working as "One Company" has been challenging but also good fun and rewarding by seeing the positive attitude within our people, pulling in the same direction and the enthusiasm they have to succeed.

Location, Location, Location. – As a result of our aggressive acquisition strategy we have acquired numerous offices and warehouses in a variety of locations throughout the country and we have actively sought to rationalise these quickly and efficiently. During the year we have closed our old headquarters in Cannon Street, London, three further offices in the West End of London and a small office in Oldham. There have been, further office closures in Loudwater, Elstree and Spalding plus warehouses closed in Basildon and Watford. In total we have closed 10 locations as part of our M&A integration programme.

At the time of writing the Company has 4 main locations, - Head office (Stokenchurch, Buckinghamshire), Old Broad Street (London), Basildon and a Warehouse (Becton). In late 2013 we moved into our new state of the art 22,000 square foot Head office for which we have negotiated a lease, paying 3.5 years rent over a 5-year period.

In July 2014 we will close our 5,500 square foot offices in Old Broad Street, London, which we have outgrown and we will open a new 12,500 square foot office in High Holborn, which will be our "Coms London Showcase" and will incorporate a media studio in order that live broadcasts can be achieved. We anticipate renting the facility out to BBC and other large broadcasters. In addition in June 2014 we will close down our 5,000 square foot offices in Basildon in favour of a new 10,500 square foot office in Brentwood which will predominantly house direct sales, NOC and network personnel, project management, pre-sales and some aspects of the finance function. The Company has also opened a new 12,000 square foot warehouse in Becton.

Creating the right working environment and motivation for our people – All staff across the organisation have been, and are being aligned through the provision of pension schemes, death in service benefits and private health care as appropriate in contrast to the past where 80% of the staff had no benefits at all. These additional benefits are worth the investment not only because it demonstrates how the Company feels about its staff and recognises how valuable they are but also this benefit is easily measured in the enthusiasm and drive into which it translates. We adopted a staff incentive scheme early 2013, which has helped further motivate our team and I am pleased to report that this scheme will be rolled out over the next 3 years where every member of staff will be given the option to participate. This will increase the motivation throughout the Group.

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Chief Executive's statement

New Initiatives – We don't intend to rest on our laurels and new initiatives are being introduced to drive our business and our people forward. A "Coms Academy" will be launched whereby every member of staff will undergo training for all products and services across the Group. The Company believes that this investment in its people will further drive more ambassadors in the business, which will have long term benefits for both the Company and the individuals.

Cash Management and Finance – Dealing with multiple businesses, different systems and cash management has needed close attention to detail. I am pleased to report that the hard work done implementing strict process from the day I started in the business has paid off as the business runs on a single reporting structure and is moving towards a single instance of Sage 1000. This will align all of the various elements of the business and drive all reports throughout our AskMerlin platform. Cash balances in the Group have remained positive throughout the year and tight controls on cash and credit-control continue to be adhered to. During the year the Company had to work with 6 separate banks and a move to a lead and sole Bank is underway; this is expected to be completed within the first half of the 2014/15 year.

We have integrated our businesses.

Focus on the Business.....

During the year the Company signed up numerous deals and contracts, raised new funding and made some significant acquisitions. As with any rapidly growing organisation there were some initiatives which surpassed our expectations and there were others that did work out as originally intended. A brief overview including the pluses and minuses is as follows:

In February 2013 the Company agreed through a related party transaction to acquire the database and customers of World Telecom. This database was acquired from a company that belongs to me and had a list of nearly 50,000 large corporate customers including Virgin Atlantic, Xerox, BOC Gases, Thermo Electron, Bank of New York, American Express, British American Tobacco and Rio Tinto and was already generating £50,000 per annum. The acquisition has proven to be a success and has provided Coms with an increased blue chip customer base into which it is selling its telephony services.

Concurrently through another related party transaction the Company licensed the software "AskMerlin" from AskMerlin Limited, which is owned by me, for an initial period of six months. Subsequently this licence was extended on an exclusive basis. The AskMerlin platform is a fully automated piece of telecoms software that has zero touch capability for all products and services that the Company is deploying. It has been utilised as an integration tool to support the Company's ongoing acquisition strategy.

For both these transactions the independent directors, having consulted with the Company's nominated adviser, considered that the terms of the transactions were fair and reasonable insofar as the Company's shareholders are concerned.

In March 2013 the Company signed a 24 Month partner contract with Worldstone to commit to add an additional 400 hosted seats per month, for a minimum period of 24 months, selling across the international reseller base of Worldstone. By the end of the term it was intended that the additional seats would effectively double the size of the existing Coms core business. Unfortunately this project has not been a success and whilst there has been an on-going dialogue in respect of the contract, I am very sad to report that during the period the MD of Worldstone became terminally ill and died. This has resulted in a restructuring of Worldstone (which is part of Jersey Telecom) and the contract has been terminated by mutual consent on compassionate grounds.

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Chief Executive's statement

In April 2013 the Company announced that it had signed a contract to sell broadband and lines to an outsourcing company with turnover of over £2.0 billion. At the time for reasons of confidentiality, we were restricted from providing more detail on the contract or the client company. Subsequently in June we were able to provide an update to the market and to identify the client as MITIE Property Services Limited ("MITIE"). MITIE, whose clients include Local Authorities, Housing Associations and Registered Social Landlords has been working with Coms to deliver low cost, sustainable broadband services to tenants as part of a digital inclusion and energy monitoring initiative across the social housing 'estate'. Coms is providing an end to end managed broadband solution on 24 month individual contracts, on behalf of MITIE to its respective clients. Since this contract was first announced, Coms has commenced the installation of lines, whilst establishing the initial processes and workflows of the project with MITIE and its respective third parties. Together we have been securing the resources to deliver a best in class service across the social housing sector. However the roll out of this project has been a lot slower than anticipated and aspects of the project had to be delayed due to general roll out process. As a result the Company saw very little revenue during the year from this project with only some £60k being billed. Having said this as a result of intense discussions we have been able to sort out all the teething problems and remain confident we will start to see a major impact in the 2014/15 and 2015/16 financial years.

In May 2013 the Company announced it had acquired the broadband customers and certain other assets of So Purple Tech Limited trading as "ADSL24". This included almost 4,000 broadband customers as well as cloud based mail and hosting. This acquisition has proven a great success and has provided the Company with further upsell opportunities on the broader range of services that we offer. As well as acquiring the entire issued share capital of Premium-O Limited.

Also in May the Company announced that it had raised £1.5m before expenses, through the issue of 81,081,081 new ordinary shares of 0.1 pence each ("Ordinary Shares") at a price of 1.85 pence. Under the terms of the deal, each new Ordinary Share had a warrant attached, entitling its holder to subscribe for additional Ordinary Shares at an agreed exercise price of 3.7 pence per share. Under specified circumstances, these warrants were able to be exercised at any time up to 24 months from the date of the agreement and subsequently a further £3m was raised in August 2013 and the warrants exercise totalled 157k.

In addition in May 2013 the Company announced that it had successfully been added to the Government framework procurement "G-Cloud III", being services accessible through the Cloudstore. Cloud computing and Cloud based services have brought stepped changes in the economics and procurement of such services. The Government Cloud strategy is aiming to achieve large, cross government economies of scale, to take advantage of new technologies in order to deliver faster business benefits and reduce cost; meet environmental and sustainability targets; and allows the government to procure in a way that encourages a dynamic and responsive supplier marketplace and supports emerging suppliers. Coms plc was successful in submitting 5 services: Hosted telephony; SIP trunking; Lync 2010 Enterprise Voice; Integrated Mobile and Hosted Openscape Unified Coms. Concurrently the Cabinet Office announced that Government departments buying IT products and services are now obliged to consider solutions offered by G-Cloud providers before they can consider alternatives.

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Chief Executive's statement

In June 2013 the Company announced that via a related party transaction it had acquired two sets of telecoms and IT hardware used in providing data networks. The Company acquired one set of assets from me and a further set of assets from TFM Networks Limited. This equipment provides Coms with a proprietary platform that has enabled the Company to offer a wide range of voice and data services. Having its own hardware has reduced the Company's costs, given additional flexibility and enhanced resilience. The independent directors, having consulted with the Company's nominated adviser, considered that the terms of the transaction were fair and reasonable insofar as the Company's shareholders are concerned.

In October 2013 the Company announced that it had raised some £4.8m before expenses through the placing of 167,586,000 new ordinary shares at 3 pence per share, with certain institutional and other investors. The placing was undertaken in response to institutional demand to support the Company's stated strategy of building a full service telecommunications business via organic growth and acquisition.

In November 2013 the Company announced that it had conditionally agreed to acquire from Redstone plc, its subsidiary, Comunica Holdings Limited and its wholly owned subsidiaries Comunica Group Limited and Redstone Converged Solutions Limited (together "Redstone"), a significant player in the UK Information Technology and Communications sector. Redstone is a leader in infrastructure, smart buildings and support services with a strong financial services client base. Founded in 1995, Redstone has a strong recognisable brand and has grown to an over £30 million annual revenue base with 300 staff. In the year ended 31 March 2013, Redstone reported revenue of £30.8 million and EBITDA of £2.5 million. Redstone has a list of blue chip clients and partners including Cisco, IBM and HP, and Coms has identified potential for growth in new markets and industries for the enlarged Coms Group.

Although the true impact of the Redstone acquisition is yet to be realised in financial terms, this acquisition is earnings enhancing and provides Coms with the scale needed to further build the Coms group of companies. It provides a significant increase in income generation to fund the enlarged business and also establishes a sound infrastructure, which allows the Coms group to provide an integrated service for our customers from "telecoms connectivity through to telecoms solutions". Whilst Redstone continues to operate as a subsidiary of Coms plc we have already gained significant commercial synergies and cost savings by bringing these two businesses together under the Coms umbrella. As a result in 2014/15 and beyond we will achieve a significant uplift in operating profit, access to European markets currently served by Redstone and a significant 'value add' to customers of both businesses. This acquisition fundamentally changed the dynamics of our business and positioned us for the next phase of growth.

In December 2013 the Company announced the formation of a new subsidiary, Coms Media Ltd, following the acquisition of the media, design and animation specialist companies, Clicks Media Studios Ltd and Darkside Animations Ltd. Through these acquisitions the Company established a unique in-house capability, which has further strengthened Coms' abilities to produce new, exciting and dynamic content in its established markets of cloud based solutions, hosted telephony, broadband and mobile. Both Clicks Media Studios Ltd and Darkside Animations Ltd have established a successful track record in delivering cutting edge content for digital and non-digital environments to a wide client base which includes BBC, ITV, Virgin Media, Discovery Channel, National Geographic, Saatchi, Google, Warner Brothers, Channel 5, Universal Studios, Disney and Rolls Royce.

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Through Coms Media these companies provide Coms and its customers with a unique in-house creative capability, including branding, video production, media services, radio and TV advertising expertise, digital applications, merchandise implementation and presentation production. In addition, they offer commercial benefits to clients and channel partners - prospective and current - by providing a full suite of communications products and services from managed services to hardware to creative output. As an example this might include provision of everything from broadband, VOIP telephony and mobile to websites, apps and customer engagement campaigns using cutting edge digital technology. Through these acquisitions, multiple 'touch points' have been created to buy and engage with the Coms.

Focus on the Brand...

Whilst we have been very active in terms of acquisitions, organic growth will remain the key to our success going forward. As a result during the latter part of the year under review we implemented a "Back to Basics" look at how we market the business and help drive sales. This has resulted in the recently announced rebranding of the business including new websites, new marketing material etc.

The Future and Outlook...

I remain very excited and committed to building Coms plc. The recent appointment of Brendan Loughrey as Chief Operating Officer confirms our intent on ensuring that we consider every aspect of the business whether that be servicing clients, delivering new deals or ensuring through our branding campaign that we enhance our profile in the market place. The pipeline of sales opportunities is expanding and as the year progressed we saw our teams close more than our fair share of contracts.

With additional management support the Company is able to research a global model and opportunities. I intend to make Coms a global household brand over the coming years and accordingly we intend to employ the services of Gartner Inc to help us refine our value proposition and 'go to market' strategy over the coming months. I believe that this investment will be invaluable in the medium to long term and we will report on our progress in due course.

In conclusion 2013/14 has been a year of change with several acquisitions and we have successfully integrated these new businesses both operationally and financially ensuring where possible we immediately remove duplicated costs. However, inevitably as the organisation integrates and becomes more efficient, additional savings will be identified.

Having reviewed current trading, commercial prospects and the cost of on-going integration initiatives I am pleased to report that the Board remains confident that the current 2014/15 market estimates revenue and profit before tax remain valid. However it is anticipated there will be a carry over of one–off re-organisation costs, which may impact performance in the first half of 2014/15 but which will be fully recovered in the second half of 2014/15 ensuring we perform in line with current market expectations

Whilst I see the year ahead as presenting many challenges, these are all borne out of our success to date and I know I have now got the team in place to ensure the business continues to grow, that I will continue to have sleepless nights BUT that I will jump out of bed every morning through pure excitement of going to work at Coms.

Finally I want to thank the Board, all my staff at Coms and the shareholders for their support.

David Breith
CEO

STRATEGIC REVIEW

Business model and overview

The Coms business model is to operate as a provider of telecommunications and infrastructure. Our goal is to establish Coms as an end-to-end provider of choice whereby the Company from start to finish can service a customer's needs by providing both voice and data connectivity to a customer's premises and the infrastructure within those premises directly to the phone or device and keyboard. Thereafter, once installed Coms will provide support to manage the services either remotely or place members of our workforce on site. As a consequence Coms has a unique hybrid business model.

Traditionally a 'telecom provider' such as BT installs the connectivity and an 'infrastructure partner or systems integrator', such as Computacenter, installs and manages the servers and devices. Coms has established a hybrid model which sets it apart from the major players in this sector in that customers can enjoy a "one stop shop" and through our product and service menu system can take as little or as many services as they wish.

The story

Coms is establishing an ever increasing profile for the Coms brand and benefits of that brand. The Coms name and domain names state exactly what we do. In addition, the Company owns the Redstone brand, which over many years has established a reputation for delivering high quality services to its customers. Redstone delivers a "better than bought" portfolio. The Company's brands individually are both extremely powerful and by combining the services while at the same time retaining both identities the Company is fast becoming a major force within the sector.

Short, medium and long term drivers

Our short-term strategic goal is to align the 'customer facing' elements of our proposition, networks, websites etc. whilst streamlining the non-customer facing elements such as internal networks, software and systems. By concurrently communicating within our own environment, we aim to be 100% efficient internally which will then translate externally.

The medium term strategic goal, upon which there is an increasing focus within the organisation, is to ensure that our proposition is established internally throughout the Company and that consistent, precise and clear messages are promoted externally. Our goal is to ensure that our existing customer base and potential new customers clearly understand with ease our message and immediately recognise the products and services we offer and that they can purchase them with the same amount of simplicity. By establishing this position the Company will be looking to reward its shareholders through dividend payments during the next phase of our strategy.

The long-term strategy is to ensure we grow the business through continuous improvement on everything we offer. In addition internally we will continue to invest in our people in order that they able to promote with confidence everything that the Company does as well keeping the flexibility to bespoke our services as necessary in a seamless and trouble free manner for our customers.

- **Short term strategy** is to complete the integration of the recent acquisitions and to complete the foundation of a successful hybrid telecoms and infrastructure business in the UK
- **Medium term strategy** is to become a more profitable business in the UK and start to pay dividends
- **Longer term strategy** is to replicate the business model in other suitable parts of the world to provide a world-class global telecoms and infrastructure business serving clients ranging from individuals to small businesses to multi-national corporations...

Investment case

Coms is an innovator of business communications. Our approach has seen us grow rapidly into a technology leader across multiple channels. Our business strategy targets our strengths which are delivering unique solutions via a bespoke telecoms ERP platform. It is this platform that makes us the envy of many. It allows us to scale our business exponentially, reaping further growth and further returns for our investors.

Coms recognises the importance of consistency. This is why we are steadfast in our vision to deliver solutions that bring greater efficiency, productivity and profitability to our customers. It's this approach which stands us apart from our competitors and is what drives the delivery of organic growth alongside acquisition. We never lose sight of the detail and this is why the strides we have taken to date, will appear tiny in years to come.

We have exciting plans for the future and we have identified key growth areas which include expansion into new territories, investment into new solutions and development of our key asset – our staff. Our passion, talent and proven strategy for growth present a unique and exceptionally valuable long term investment for our stakeholders.

How strategy will help achieve corporate objectives

Delivery and execution of the strategy is and will continue to be the key to our success. The Company is focused on its targets and goals as outlined within the strategy. The Company's standard operating procedures and key performance indicators, coupled with the professional disciplines that have been established means we are set to continue "to achieve, and exceed".

How strategy builds on business model

The company's business model is set with the 'end in mind' whilst our strategy is the foundation upon which the execution is built.

How strategy reflects what is happening in the market

It is critical that we are able to try and foresee what is happening in our market place and to have the foresight to predict, envisage, imagine and create the future evolution of technology. This is key within our strategy so that we understand the services delivered today are as future proof as possible, and that they can be upgraded if required in order that the our business is evolving to meet the changing needs of our customers and staff.

How performance throughout the year demonstrates strategy in action

The business only succeeds through continuous improvement and delivery of the required strategic performance, which is measured on a regular basis. Through objective assessment, employing the ability to see good and bad within it and by setting and monitoring challenging but achievable performance criteria, the overall strategy can evolve and change by diversification whilst keeping full focus. The "end in mind strategy" does not change and remains constant.

KPI's

The strategy is set with key performance indicators at all levels throughout the organisation and departments within it, whilst delivering constant bonus and incentive rewards for success for all of our staff.

Key parameters include:

- Sales – through driven target plans creating behaviour to succeed.
- Marketing – aligning our plan to co-exist with our sales plans and delivering our core values internally and externally.
- Finance – to deliver a return on investment for our shareholders by implementing strong financial discipline and controls throughout the Group.
- Technical – ensuring measurement of uptime and speed of internal and external networks creating trouble free communication.
- Support – focus solely on activity that supports our customers and clients whilst rewards discourage churn.

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- Legal – ensure ease of dealing with the Company is quick and painless, creating customer initial contact good feeling that will last throughout the customer's contract.
- HR – to ensure that all staff members are happy, are fully engaged and understand the Company's vision and values as well as its policies and procedures.
- Operations – ensuring that our products and services are at the forefront of the industry through knowledge and constant research.
- Management – by delivery of the overall strategy and exceeding targets and expectations of Company's financial and customer expectation.
- All – through delivering customer excellence with quality of product and service whilst implementing a "happy customer" policy.
- Revenue gross profit and EBITDA indicate our financial success and KPI's for the year are shown in the table below, along with prior year comparatives.

Revenue, gross profit and EBITDA indicate our financial success and KPI's for the year are shown in the table below, along with prior year comparatives. As the business matures, we will introduce further KPI's against which we will report.

KPI's	2014	2013	% change in the year
Turnover	14,002,866	1,621,960	863%
Gross profit	4,834,868	929,576	512%
EBITDA	827,348	(797,421)	103%

Our four pillars of values

- Passion for all our stakeholders
- Pride in everything we do
- Lead don't follow
- Driven by performance

Risks

The senior management is aware of its responsibility for managing risk and how this might prevent the company from delivering its strategy. Risk is reviewed at Board level to ensure risk management is monitored and implemented effectively. The policy is to enable risk mitigation through a carefully thought process with insight into cause and effect within our own actions as well as predictions on elements outside of our control, whilst also regularly reviewing insurance policies where risks of a high nature may occur. Standard form contracts are delivered to help achieve this with elements of approved parameters and delegated authority levels distributed throughout the business.

The group could potentially be affected by a number of uncertain risks that are not wholly all within its control. Some of the key risks are as follows:-

- Potential further deterioration of the global and UK economy
- Regulatory changes
- Maintaining and ensuring that we continue to attract the right calibre of staff

OPERATIONAL REVIEW

Introduction

Having completed the ISO9001 accreditation in November 2013 there has been a concentrated effort in ensuring that business processes are monitored and managed ensuring their relevance and effectiveness in running the everyday organisational activities. Although the accreditation was awarded in November, the Company adopted the process during the whole year to ensure that it was streamlined in a regimental manner so that the Company was prepared for the fast paced activity throughout the year.

Following the acquisition of Redstone in November 2013 the Operational teams were integrated and aligned which importantly provided Coms a sustainable foundation and structure which will support core activities in the coming financial years. With the fundamentals in place, key appointments have been made throughout the year to drive quality in the key operational areas: Software, Networks, IT, Support, Product & Project Management. The teams contain high calibre subject matter experts owning the day to day running who input into the strategic direction and development.

Routes to Market

Coms has traditionally sold its core communications offering of VoIP (Voice over Internet Protocol), WLR and Managed xDSL to small & medium corporate customers. In line with the completed build of the xDSL network along with the Ethernet, Coms had clear and defined routes to market throughout the year which included, Direct/Retail sales, In-direct sales (wholesale), Public sector, and Financial Services whilst the Company also explored other routes to market such as Residential.

Services

Coms' products and services offering continued to be extended throughout the year in line with market demands and changes in technology and to align with the Company's strategic direction and overall roadmap. Continual research into technologies and the competitor space was achieved throughout the year and this helped shape the product and service roadmap along with customer based research and feedback which ultimately drives our offerings.

Our core product offering around complete communications offering throughout the year was constantly evolving and has been integrated into the Coms owned infrastructure.

The product portfolio consists of: Data with EFM & Ethernet as well as ADSL & FTTC, Mobile, Voice which includes SIP, TDM Calls, NTS, Conferencing and Global Calling Card, Services such as WLR, Professional services with Project Management and Engineering, Cloud which now includes Hosted PBX, Back up/Storage, Virtualised Machines, SaaS and IaaS. The Company also sells hardware and management of these such as traditional PBX and CPE – Routers. Further extension of the portfolio in November with the acquisition of Redstone added Infrastructure, Smart Building, ICT Management and Support Services. This also gave the Company an engineering force to help manage and install the complete product portfolio.

Customer Growth

Growth has been driven by M&A activity, organic growth via the Company's marketing plan as well as upsell/cross sell to the large customer base that increased throughout the year. The focus was to increase the average number of products taken by each customer by more than double from which will increase customer entanglement supplied with a long term, contracted, service & support agreement which will in turn increase customer engagement. The Company's networks and staff have all been increased throughout the year and in line with the Company's growth plans.

The Company will continually look to enhance service delivery options as well as an enhanced Professional Services portfolio to compliment the leading range of technology already provided by Coms. It will also look to further extend its product portfolio particularly in the cloud based services sector as demand increases.

Financial review

The 2013/2014 financial year has been a year of transformation for Coms' financial position and prospects, with 10 acquisitions being completed. This has moved the Group from a simple VOIP telecommunications business to a diversified end-to-end provider of telecommunications and infrastructure. At the same time we grew the revenue of the original Coms businesses. The contribution to reported consolidated revenue made by the acquired businesses can be seen in the table below:

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	2014	2013[1]
	£	£
Original Coms businesses	2,916,000	1,621,960
Acquisitions:		
Redstone (acquired November 2013)	8,020,381	-
Premium O (acquired May 2013)	2,988,000	-
Other	79,000	-
	11,087,000	-
Revenue	14,002,381	1,621,960
Increase in continuing businesses[1]	96%	
Increase in total revenue	863%	

Note: The 2013 revenue included £131,000 revenue from businesses which were discontinued during the 2014.

Redstone forms the basis of the new infrastructure division and the other services are included in telephony services:

	2014	2013
	£	£
Telephony services	5,982,485	1,621,960
Infrastructure	8,020,381	-
	14,002,866	1,621,960

The reported gross profit performance of each of the two divisions is summarised below:

	2014	% of revenue	2013	% of revenue
	£		£	
Telephony services	2,513,681	42%	929,576	57%
Infrastructure	2,241,369	28%		-
	4,755,050	35%	929,576	57%

Infrastructure revenue includes supply of cabling and equipment purchased from third parties and accordingly that element of revenue generates lower margins than the supply of services.

Operating performance

The Group's reported operating profit on continuing operations is £1,241,455 compared with a loss on continuing operations of £936,351 in 2013. The 2014 operating profit benefits from a number of credits such as provision releases and profit on the sale of fixed assets but is also after deducting an element of reorganisation costs and double-running costs associated with the acquisitions. Importantly, the Group has moved to generating operating profits and for a year of transition the Board considers this to be a very good result.

Finance costs/income

The Group had a positive contribution from finance costs and finance income of £416,536 (2013: cost of £2,064). The main component was the £478,338 release of an accrual in respect of interest payable by Redstone in December 2013 following negotiations concerning the payment of a deferred consideration instalment. This was in part offset by an interest cost of £63,173 on the unwinding of the discount of the deferred consideration due in relation to the acquisition of Redstone.

Cont.

Taxation

The Group reported a tax credit of £117,330 in respect of 2014 (2013: £nil). The credit arose on the recognition of a deferred tax asset of £204,167 which represents tax losses which the Group expects to utilise in the short term offset by a £62,906 corporation tax charge and a deferred tax liability on accelerated capital allowances of £23,931. At the balance sheet date the Group had tax losses available to carry forward of £5,227,997 (2013: £4,973,000)

Cash flow and cash balances

The key cash flow movements during the year were as follows:

	2014	2013
	£	£
Net cash inflow/(outflow) from operations	(375,909)	(656,962)
Cash flows from investing activities	(8,091,562)	(2,826)
Cash flows from financing activities	9,294,456	737,011
Net increase in cash	826,985	77,223
Cash at end of year	998,947	171,962

As expected in this year of transition, the Group cash flow statement reflects the substantial share issues completed during the year and the investment of those funds raised in the acquisition of subsidiaries and other assets to grow the Coms business.

The Group has the benefit of a £2.5m uncommitted overdraft facility. At the year end this facility was undrawn.

Given the early stage in the Group's transition to a larger, diversified and acquisitive business, the Group currently maintains a net cash balance. Once the integration of the various companies is complete and the Group reaches a more mature position, this policy will be reviewed.

Acquisitions

During the year the Group made 10 acquisitions as follows:

Investment in subsidiaries	£
Premium O	1,914,676
Redstone	8,724,463
Clicks Media	99,069
Darkside	229,848
Investment In Intangibles	1,530,000
	12,498,056
The consideration for the above investments comprised:-	
Shares issued	3,455,000
Cash net of cash acquired	8,956,142
	12,411,142

Share capital

The shares issued during the year can be summarised as follows:

	£
Cash placings net of expenses	6,199,011
Exercise of options and warrants	3,224,792
Allotted in relation to acquisition of subsidiaries	1,975,000
Allotted in relation to acquisition of assets	1,480,000
	12,878,803

The outlook of the Company is truly exciting and I anticipate further considerable growth for the Company over the coming years.

The Strategic Review was approved by the Board and signed on its behalf on 10 June 2014 by:

David Breith
Chief Executive Officer

DIRECTORS

Iain Ross (Chairman)

Iain Ross, who was appointed on 5 February 2013, is an experienced businessman with more than 35 years' experience largely in the international life sciences sector. Following a career with multi-national companies for the last 20 years he has undertaken a number of company turnarounds and technology start-ups as a board member on behalf of banks and private equity groups. His track record includes multiple financing transactions having raised in excess of £250m, both publicly and privately and has extensive experience of divestments and strategic restructurings and cross-border management as a Chairman and CEO. He is Chairman and Director of a number of technology companies, a qualified Chartered Director and Vice Chairman of the Council of Royal Holloway, London University.

David Breith (Chief Executive Officer)

David Breith is an entrepreneur with a wealth of experience in all aspects of a business from the ground up. Among Dave's many business ventures was O-bit Telecom, which he established in early 2002 and was sold to Daisy Group PLC in February 2011. Dave joined Coms on 9th January 2013 after buying a significant stake in the business. Dave also has interests in other companies where he holds a significant stake, Verdes plc where he saved it from administration, a 50% holding in an IT reseller, 100% owner of a software company called AskMerlin that has created a bespoke telecom ERP platform as well as a large property portfolio in both commercial and residential in the UK and overseas.

Sue Alexander (Finance Director)

Sue was appointed Finance Director in October 2013. Sue joined the telecommunications industry in 2000 and has successfully held Finance Director roles within Pipex, Tiscali, TalkTalk, O-Bit (part of Daisy Group) and Coms. She has been involved in numerous acquisitions and business integration programmes.

Diana Dyer Bartlett (Non-executive Director)

Diana was appointed to the Board in October 2013 and is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committees. With nearly 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 Breast Cancer Haven.

Stephen Foster (Non-executive Director)

Stephen has an outstanding 35-year commercial and management track record in large businesses in international IT and Telephony sales and until his recent retirement was Vice President Sales for Siemens in the UK and Northern Europe. His contacts and experience will be invaluable to Coms as it builds the business going forward. His major expertise lies in driving profitable revenue growth whilst building a business and has much experience in operations, systems, marketing, business development, sales and general management. Stephen is Chairman of the Remuneration Committee and a member of the Audit and Nomination Committees.

Company information

Secretary and Registered Office

International Registrars Limited
Finsgate
5-7 Cranwood Street
London EC1V 9EE

Coms plc Company Number

5332126

Company advisers

Nominated Adviser
Charles Stanley
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EC2A 1NT

Brokers
Charles Stanley
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EC2A 1NT

Solicitors
MLaw
3a Montagu Row
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31, London End
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HP11 1BZ

Auditors
Jeffreys Henry LLP
Chartered Accountants & Statutory Auditors
Finsgate
5-7 Cranwood Street
London EC1V 9EE

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

Bankers
Barclays Bank plc
1 Churchill Place
London
E14 5HP

HSBC Bank plc
Corporate Banking Centre
Level 6
Metropolitan House
321 Avebury Boulevard
Milton Keynes
MK9 2GA

DIRECTORS' REPORT

The Directors have pleasure in submitting this report together with the accounts of Coms plc ('the Company') and its subsidiary undertakings (together 'the Group') for the year ended 31 January 2014.

Principal Activities

The Group's principal activities are the development and commercialisation of telecommunication services, the sale of associated equipment and infrastructure. The end to end service for data and voice connectivity and the infrastructure within premises, provides for flexible working and lower operating costs.

Results and dividend

The results for the year are set out in the Consolidated Income Statement on page 28. The Directors do not recommend a dividend.

Review of the business

A review of the business of the Group, together with comments on future developments is given in the Chief Executive's Statement on page 6 (and the Operational and Financial Review) on pages 14 and 15.

Directors and their interests

The directors who held office during the year are as follows:

I G Ross	Chairman (appointed 5 February 2013)
D Breith	Chief Executive Officer
S Alexander	Finance Director (appointed 11 October 2013)
D Dyer Bartlett	Non-executive Director (appointed 11 October 2013)
S Foster	Non-executive Director (appointed 10 June 2013)
A N Branson	Finance Director (resigned 10 June 2013)
G Herring	Non-executive Director (appointed 11 October 2013, resigned 16 April 2014)
G Wheeldon	Non-executive Director (appointed 10 June 2013, resigned 19 July 2013)

The remuneration of the directors who held office during the year is as follows:

	Year ended 31 Jan 2014	Year ended 31 Jan 2013	Year ended 31 Jan 2014 Share Based Payment Charge
	£	£	£
I G Ross	39,000	-	1,211
D Breith	200,769	10,000	1,921
S Alexander	53,333	-	3,010
D Dyer Bartlett	7,414	-	4,041
S Foster	61,996	-	31
G Herring	8,333	-	-
R A Bennett	-	112,346	-
A N Branson	58,077	76,665	9,706
P M Cook	-	3,500	-
J K Drummond	-	180,859	-
J P Drummond	-	8,750	-
G Wheeldon	-	-	-

Cont.

No benefits in kind were received.

The interests of those directors serving during the year ended 31 January 2014, 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:

	At 31 January 2014 Ordinary Shares of 0.1p each	%	At 31 January 2013 Ordinary Shares of 0.1p each	%
I G Ross	2,331,550	0.28%	-	-
D Breith	138,856,455	16.90%	89,613,121	25.44%
S Alexander	-	-	-	-
D Dyer Bartlett	-	-	-	-
S Foster	-	-	-	-
A N Branson (resigned 10 June 2013)	4,076,667	0.49%	743,334	0.23%
G Herring	-	-	-	-
G Wheeldon (resigned 19 July 2013)	2,000,000	0.24%	-	-

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

There have been no changes to Directors' interests between the year end and the date of these accounts.

Directors' share warrants and options

As at 31 January 2014 the Company had granted the following warrants and share options to directors and past directors of the Company.

Option holder	Exercise price per ordinary share	Number of ordinary shares subject to warrant	Instrument	Grant date
I G Ross	0.84p	2,380,952	Warrants	25/02/2013
I G Ross	5p	4,000,000	Warrants	10/06/13
D Breith	0.84p	4,000,000	Options	20/03/2013
S Alexander	0.84p	4,000,000	Options	20/03/2013
D Dyer Bartlett	5p	2,000,000	Warrants	30/09/2013
S Foster	5p	1,000,000	Warrants	10/06/2013
G Herring	5p	2,000,000	Warrants	30/09/2013
R Bennett	0.75p	5,000,000	Warrants	18/01/2013
A N Branson	50p	40,000	Options	20/05/2008
A N Branson	5p	362,937	Warrants	14/09/2009
A N Branson	2.81p	5,000,000	Warrants	12/06/2013

The interests of Directors in significant contracts undertaken by the Group are set out in the related parties note to the financial statements. None of the Directors had any beneficial interest in the shares of any subsidiary companies.

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Directors' report

Share capital

Details of the Company's share capital are disclosed in note 19 to the financial statements.

Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are disclosed in note 23 to the financial statements.

Principal risks and uncertainties

The Group operates in an uncertain environment that may result in increased risk, cost pressures and schedule delays. The following are the key risks that face the Group:

- Financing risks

The Group's financing risk has been significantly reduced due to share issues undertaken during the year. The Group will nevertheless continue to focus on prudent financial management.

- Development risks

There is no assurance that the Group's product development activities will be successful. Accordingly, the Group seeks to reduce this risk by reviewing the level of investment made in each project, as well as engaging qualified personnel to undertake detailed assessments of the products under development.

- Market and other regulatory requirements

Existing and possible future legislation, regulations and actions could cause additional expense, capital expenditures, delay and further product development work, the extent of which cannot be predicted. The Group takes a responsibility for ensuring that all relevant legislation is met.

- Operational risks

These include equipment failure and failures in errors in the delivery of the Company's services. The Group seeks to minimise these risks by investing in current technology and by adopting appropriate policies and procedures in all disciplines.

Statement to Auditors

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 auditors are unaware, and each Director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are 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. Coms plc are fortunate to have Non-executive Board members with extensive experience in areas critical to the long term future success of the Company, covering a deep understanding of our industry, technology, corporate strategy, finance and investment.

This experience enables the Non-executive Directors 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 members complement each other, delivering a broad and appropriate balance of skills.

Consideration of the significant risks that affect the Company, both internal and external, their mitigation and the effectiveness of internal control is an essential component of corporate governance and these issues are reviewed by the Board.

Board of Directors

The Board consists of 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.

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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, planning and fees of external auditors, 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 auditors also attend meetings of the Audit Committee as required by the Committee to consider any issues arising from the audit and their work.

Nomination Committee

The Nomination 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 incentives

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

Substantial shareholdings

As at 28th May 2014, the following interests in 3% or more of the issued ordinary share capital appear in the register:

Shareholder	Number of shares	Percentage of issued share capital
D Breith	138,856,455	14.46%
Hargreaves Lansdown	113,005,458	11.77%
Helium SP Sit Fund	95,500,000	9.95%
Halifax Share Dealing	81,559,449	8.49%
Barclays Stockbrokers Ltd	73,868,221	7.69%

Post Balance Sheet Events

Details of post-balance sheet events are disclosed in note 25 to the financial statements.

Directors' responsibilities

The directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted for use in the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that year. In preparing these financial statements, the directors are required to:

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- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the Financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The directors are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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 Charles Stanley and Simple Investments are the Company's Brokers. The closing mid market share price at 31 January 2014 was 9.5p (31 January 2013: 0.94p).

Publication of financial statements

The Company's financial statements will be made available on the Company's website, www.coms.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

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.

Auditors

In accordance with Section 485 of the Companies Act 2006, a resolution proposing that Jeffreys Henry LLP be re-appointed as auditors will be put to the Annual General Meeting.

The Report of the Directors was approved by the Board on 10 June 2014 and signed on its behalf by:

David Breith
Chief Executive

10 June 2014

AUDITORS' REPORT

Report of the independent auditor to the members of Coms PLC

We have audited the group and parent company financial statements of Coms Plc for the year ended 31 January 2014 which comprise the summary of significant accounting policies, the consolidated and company income statement of comprehensive income, the consolidated and company statement of financial position, the consolidated and company statement of cash flows, the consolidated and company statements of changes in equity and notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This included an assessment of: whether the accounting policies are appropriate to the Group and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition we read all financial and non-financial information in the Chairman's Statement, CEO's Statement, Directors' Report and Strategic Review Report and Corporate Governance Strategy to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Independent auditor's report (continued)

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 company's affairs as at 31 January 2014 and of the group's profit and the parent company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Review Report and 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.

David Warren
Senior Statutory Auditor

David Warren

for and on behalf of Jeffreys Henry LLP
Statutory Auditor, Chartered Accountants, London

Date: 10 June 2014

Consolidated income statement

	NOTE	Year ended Friday, 31 January 2014	Year ended Thursday, 31 January 2013
Continuing operations		£	£
Revenue	4	14,002,866	1,621,960
Cost of Sales		(9,247,816)	(692,384)
Gross Profit		4,755,050	929,576
Administrative expenses		(3,930,130)	(1,863,927)
Operating profit/(loss)	5	824,920	(934,351)
Finance costs	8	415,176	(2,064)
Finance Income	8	1,360	-
Profit/(loss) before income tax		1,241,455	(936,415)
Taxation	9	117,330	-
Profit for the year after tax from continuing operations		1,358,785	(936,415)
Discontinued operations	6	(344,731)	(291,104)
Profit/(loss) for the period		1,014,054	(1,227,519)
Attributable to:			
- Owners of the parent		1,014,054	(1,227,519)
Basic and diluted earnings/(loss) per share	10		
Continuing operations - Basic		0.24p	(0.40p)
Discontinued operations - Basic		(0.06p)	(0.12p)
Total		0.18p	(0.52p)
Continuing operations - Diluted		0.22p	(0.40p)
Discontinued operations - Diluted		(0.05p)	(0.12p)
Total		0.17p	(0.52p)

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

The notes on pages 36 to 63 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

	NOTE	31 January 2014	31 January 2013
		£	£
ASSETS			
Non-current assets			
Goodwill	11	12,884,440	1,951,884
Other intangible assets	12	1,850,833	169,662
Property, plant and equipment	13	1,031,266	30,597
		15,766,539	2,152,143
Current assets			
Inventories	14	363,973	4,791
Trade and other receivables	15	8,703,889	392,838
Deferred tax asset		204,167	-
Cash and cash equivalents	16	998,947	171,962
		10,270,977	569,591
Total assets		26,037,515	2,721,734
EQUITY and LIABILITIES			
Capital and reserves attributable to equity shareholders			
Share capital	19	2,863,944	2,363,292
Share premium		19,964,275	9,497,234
Merger Relief reserve		1,911,111	-
Reverse acquisition reserve		(4,236,239)	(4,236,239)
Share based payment reserve		70,490	43,513
Accumulated deficit		(4,582,867)	(5,596,920)
Total equity		15,990,714	2,070,880
Current liabilities			
Financial liabilities - borrowings	17	-	1,860
Trade and other payables	18	10,046,801	648,994
		10,046,801	650,854
Non-current liabilities			
Financial liabilities - borrowings	17	-	-
		-	-
Total equity and liabilities		26,037,515	2,721,734

The notes on pages 36 to 63 are an integral part of these consolidated financial statements.

The financial statements were approved by the Board of Directors and authorised for issue on 10 June 2014.
They were signed on its behalf by:

David Breith
Chief Executive

10 June 2014
Company Number: 5332126

Consolidated statement of cash flows

	NOTE	Year ended 31 January 2014	Year ended 31 January 2013
		£	£
Cash flows from operating activities			
Profit before taxation		896,724	(1,227,519)
Depreciation and amortisation		227,524	95,482
Loss on disposal of subsidiary		-	257,227
Share based payment charge		26,977	43,513
Finance costs		(478,338)	2,064
Finance charges		63,173	-
Movement in provisions		(593,990)	-
Write off of intangible asset		35,500	-
Profit on sale of fixed assets		(225,096)	-
Increase in inventories		(62,678)	(84,047)
Increase in receivables		(940,327)	(115,331)
Increase in payables		674,622	371,649
Taxation		-	-
Net cash outflow from operating activities		(375,909)	(656,962)
Cash flows from investing activities			
Acquisition of subsidiaries		(7,308,836)	(146,543)
Acquisition of intangible assets		(312,480)	-
Acquisition of property, plant and equipment		(470,246)	(15,152)
Net proceeds from disposal of subsidiary		-	158,869
Net proceeds from disposal of fixed assets		-	-
Net cash from investing activities		(8,091,562)	(2,826)
Cash flows from financing activities			
Proceeds from issues of share capital		9,358,117	739,075
Finance costs	8	(63,173)	(2,064)
Repayment of finance leases		(1,860)	-
Finance income		1,371	-
Net cash from financing activities		9,294,455	737,011
Net increase in cash and cash equivalents		826,984	77,223
Cash and cash equivalents at start of year		171,962	94,739
Cash and cash equivalents at end of year		998,946	171,962
Year end cash difference		-	

Cash and cash equivalents (which are presented as a single class of assets on the face of the balance sheet) comprise cash at bank and other short-term highly liquid investments with maturity of three months or less, as adjusted for any bank overdrafts.

The notes on pages 36 to 63 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Attributable to equity shareholders of the Company

	NOTE	Share capital	Share premium/ Merger relief	Reverse acquisition reserve	Share based payment reserve	Accumulated deficit	Total
		£	£	£		£	£
At 1 February 2012		2,227,789	8,893,662	(4,236,239)	-	(4,369,401)	2,515,811
Loss for the year		-	-	-		(1,227,519)	(1,227,519)
Total comprehensive income for the year		-	-	-		(1,227,519)	(1,227,519)
Transactions with Owners							
Proceeds from shares issued	19	135,503	617,322	-	-	-	752,825
Share issue costs	19	-	(13,750)	-	-	-	(13,750)
Share based payments		-	-	-	43,513	-	43,513
At 31 January 2013		2,363,292	9,497,234	(4,236,239)	43,513	(5,596,920)	2,070,880
At 1 February 2013		2,363,292	9,497,234	(4,236,239)	43,513	(5,596,920)	2,070,880
Profit for the year		-	-	-		1,014,054	1,014,054
Total comprehensive income for the year		-	-	-		1,014,054	1,014,054
Transactions with Owners					-		
Proceeds from shares issued/ merger relief	19	500,652	12,876,721	-	-	-	13,377,373
Share issue costs	19	-	(498,569)	-	-	-	(498,569)
Share based payments		-	-	-	26,977	-	26,977
At 31 January 2014		2,863,944	21,875,386	(4,236,239)	70,490	(4,582,866)	15,990,714

The notes on pages 36 to 63 form part of the financial statements

Company income statement

	NOTE	Year ended 31 January 2014	Year ended 31 January 2013
		£	£
Continuing operations			
Revenue		63,000	47,029
Administrative expenses		(649,013)	(623,889)
Loss from operations		(586,013)	(576,860)
Finance costs	8	(63,173)	(2,064)
Loss on disposal of subsidiary		-	(91,153)
Loss before income tax		(649,186)	(670,077)
Income tax expense	9	-	-
Loss for the year		(649,186)	(670,077)
Attributable to:			
- Owners of the parent		(649,186)	(670,077)

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

The notes on pages 36 to 63 form part of the financial statements.

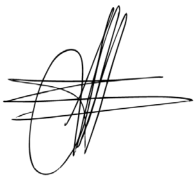
Company statement of financial position

	NOTE	Year ended 31 January 2014	Year ended 31 January 2013
		£	£
ASSETS			
Non-current assets			
Investment in subsidiaries	24	11,947,406	2,700,100
Intangible assets	12	57,503	103,503
Amounts due from subsidiaries	15	5,063,586	227,233
		17,068,495	3,030,836
Current assets			
Trade and other receivables	15	60,171	120,566
Cash and cash equivalents	16	84,750	123,852
		144,921	244,418
Total assets		17,213,416	3,275,254
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity shareholders			
Share capital	19	2,863,944	2,363,293
Share premium		19,964,275	9,497,234
Merger equity reserve		1,911,111	-
Share based payment reserve		70,490	43,513
Accumulated deficit		(9,435,763)	(8,786,577)
Total equity		15,374,056	3,117,463
Current liabilities			
Trade and other payables	18	1,839,360	157,791
		1,839,360	157,791
Total equity and liabilities		17,213,416	3,275,254

The notes on pages 36 to 63 form part of the financial statements.

The financial statements were approved by the Board of directors and authorised for issue on 10 June 2014.
They were signed on its behalf by:

David Breith
Chief Executive



10 June 2014
Company Number: 5332126

Company statement of cash flows

	NOTE	Year ended 31 January 2014	Year ended 31 January 2013
		£	£
Cash flows from operating activities			
Loss before taxation		(649,186)	(670,077)
Depreciation and amortisation		46,000	34,497
Impairment provision		-	-
Non cash investing and finance activities		-	-
Amount due from subsidiary written off on disposal (net of impairment provision)		-	(89,889)
Loss on disposal of subsidiary		-	91,153
Share based payment charge		26,977	43,513
Finance costs		63,173	2,064
Increase in receivables		(2,864,846)	(112,747)
Increase in payables		1,682,475	51,734
Net cash outflow from operating activities		(1,695,406)	(649,752)
Cash flows from investing activities			
Acquisition of subsidiary		(7,650,000)	(100)
Acquisition of intangible assets	12	-	(138,000)
Sale proceeds from disposal of subsidiary (net of costs of disposal)		-	152,418
Net cash (outflow)/inflow from investing activities		(7,650,000)	14,318
Cash flows from financing activities			
Proceeds from issues of share capital (net of issue costs)	19	9,358,117	739,075
Finance costs	8	(63,173)	(2,064)
Finance Income		1,360	-
Repayment of loan		10,000	-
Net cash from financing activities		9,306,304	737,011
Net decrease in cash and cash equivalents		(39,102)	101,577
Cash and cash equivalents at start of year		123,852	22,275
Cash and cash equivalents at end of year		84,750	123,852

The notes on pages 36 to 63 form part of the financial statements

Company statement of changes in equity

	NOTE	Share capital	Share premium	Share Based Payment reserve	Accumulated deficit	Total
		£	£	£	£	£
At 1 February 2012		2,227,789	8,893,662	-	(8,116,499)	3,004,952
Loss for the year		-	-	-	(670,077)	(670,077)
Total comprehensive expense for the year		-	-	-	(670,077)	(670,077)
Transactions with owners						
Shares issued in the year		135,503	617,322	-	-	752,825
Share issue costs		-	(13,750)	-	-	(13,750)
Share option movement		-	-	43,513	-	43,513
At 31 January 2013		2,363,292	9,497,234	43,513	(8,786,576)	3,117,463
At 1 February 2013		2,363,292	9,497,234	43,513	(8,786,576)	3,117,463
Loss for the year		-	-	-	(649,186)	(649,186)
Total comprehensive income expense for the year		-	-		(649,186)	(649,186)
Shares issued in the year	19	500,652	12,876,721	-	-	13,377,373
Share issue costs	19	-	(498,569)	-	-	(498,569)
Share option movement		-	-	26,977	-	26,977
At 31 January 2014		2,863,944	21,875,386	70,490	(9,435,762)	15,374,056

The notes on pages 36 to 63 form part of the financial statements.

Notes to the consolidated 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 19. The nature of the Group's operations and its principal activities are set out in the Chief Executive's Statement on page 6 and in the Operational Review on page 14.

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.

As detailed in the Directors' Report, 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.

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, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

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 1 February 2013, as described in those annual financial statements.

New and amended standards adopted by the company

The Group has adopted the following new and amended IFRS and IFRIC interpretations as of 1 February 2013:

Reference	Title	Summary	Application date of standard	Application date of group
Amendments to IFRS 7	Amendments related to the offsetting of assets and liabilities	Guidance on offsetting of financial assets and financial liabilities	Annual periods beginning on or after 1 January 2013	Friday, February 01, 2013
IFRS 10	Consolidated Financial Statements	Replaces IAS 27 section that addressed accounting for consolidated financial statements. Establishes a single control model applicable to all entities	Periods commencing on or after 1 January 2013	Friday, February 01, 2013
IFRS 11	Joint Arrangements	Replaces IAS 31 Interests in Joint Ventures. Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations.	Periods commencing on or after 1 January 2013	Friday, February 01, 2013
IFRS 12	Disclosure of Interests in Other Entities	Increases disclosure requirements in relation to an entity's interests in subsidiaries, joint arrangements, associates and structured entities	Periods commencing on or after 1 January 2013	Friday, February 01, 2013
IFRS 13	Fair Value Measurement	Guidance on how to measure fair value when fair value is required or permitted	Periods commencing on or after 1 January 2013	Friday, February 01, 2013
Amendments to IAS 1	Presentation of Financial Statements	Presentation of items within other comprehensive income	Periods commencing on or after 1 July 2012	Friday, February 01, 2013
IAS 28 (revised)	Investments in Associates and Joint Ventures	Sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.	Periods commencing on or after 1 January 2013	Friday, February 01, 2013

The impact of adopting the above amendments had no material impact on the financial statements of the Group.

Standards, interpretations and amendments to published standards that are not yet effective.

The following standards, amendments and interpretations applicable to the Group are in issue but are not yet effective and have not been early adopted in these financial statements. They may result in consequential changes to the accounting policies and other note disclosures. We do not expect the impact of such changes on the financial statements to be material. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Application date of group
IFRS 9	Financial Instruments	Revised standard for accounting for financial instruments	Periods commencing on or after 1 January 2015	Thursday, February 01, 2015

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

There are no IFRS or IFRS IC interpretations that are effective for the first time in this financial year that have had a material impact on the Group.

There are no other IFRS or IFRS IC interpretations that are not yet effective that would be expected to have a material impact on 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 31st January each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the year of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the Parent Company.

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 Limited in the year ended 31 January 2007 was accounted for as a reverse acquisition of Coms plc by Coms 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 Limited.

Cont.

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.

Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of a subsidiary, associate or jointly controlled entity at the date of acquisition.

Goodwill is recognised as an asset, reviewed for impairment at least annually and carried at cost less accumulated impairment losses. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

Merger Relief Reserve

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 acquiree.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Sales of goods are recognised when goods are delivered and title has passed. Sales of services are recognised when the service has been performed.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, to the extent that the level of completion for a contract can be reliably measured. Revenue includes expenses to the extent that they are recoverable. Where the percentage of completion cannot be reliably measured, turnover 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 debtors. Where progress billings exceed costs incurred plus recognised profits less recognised losses, the balance is shown as deferred income within creditors.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Operating Profit

Operating Profit is stated before investment income and finance costs.

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.

Buildings, plant and equipment unrelated to production 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 of tangible fixed assets is assessed annually and any impairment is charged to the income statement.

Financial instruments

A financial instrument is recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial assets to another party without retaining control or substantially all risks and rewards of the asset. Regular purchases and sales of financial assets are accounted for at trade date, i.e. the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Fair values

The carrying amounts of the financial assets and liabilities such as cash and cash equivalents, receivables and payables of the Group at the balance sheet date approximated their fair values, due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to licensed banks for credit facilities extended to a subsidiary company. The fair value of such financial guarantees is not expected to be significantly different as the probability of the subsidiary company defaulting on the credit lines is remote.

Financial assets

The Group classifies its financial assets into one of the categories discussed 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 has an overdraft facility of £2.5 million with its main bank.

Financial liabilities

The Group classifies its financial liabilities as:

Financial liabilities at amortised cost: Group's financial liabilities at amortised cost include 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.

Taxation

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.

Internally-generated Intangible Assets – Research and Development Expenditure

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.

Internally-generated intangible assets are amortised on a straight-line basis over their estimated useful lives of 5 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.

Cont.

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.

Share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

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 retranslated at the rates prevailing at the balance sheet date.

Exchange differences arising on the settlement of monetary items and on the retranslation of monetary items is included in the income statement for the period.

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 reduction of the lease obligation on the remaining balance of the liability. Finance expenses are recognised immediately in profit or loss, 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 by definition will seldom result in actual results that match the accounting estimate. 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 discussed below.

Revenue Recognition

Revenue and expenses on construction 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 required to be 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.

Plant and equipment, intangible assets & impairment of goodwill

Intangible assets excluding goodwill and plant and equipment are amortised or depreciated over their useful lives. Useful lives are based on management's estimates of the period that the assets will generate revenue, which are periodically reviewed for continued appropriateness. Changes to the estimates used can result in significant variations in the carrying value.

The Group assesses the impairment of plant and equipment and intangible assets subject to amortisation or depreciation whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

Additionally, goodwill arising on acquisitions is subject to impairment review. The Group's management undertakes an impairment review of goodwill annually or more frequently if events or changes in circumstances indicate that the carrying value may not be recoverable.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to plant and equipment and intangible assets affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions were different, or if different assumptions were used in the application of this and other accounting estimates, it is likely that materially different amounts could be reported in the Group's financial statements.

The directors have carried out a detailed impairment review in respect of goodwill. The Group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flows forecasts which have been discounted at a pre-tax discount rate for each CGU , telephony being 13.71% and Infrastucture being 15.82%. The cash flow projections are based on the assumption that the Group can realise projected sales. A prudent approach has been applied with no residual value being factored. At the period end, based on these assumptions there was no indication of impairment of the value of goodwill.

However, if the projected sales do not materialise there is a risk that the value of the intangible assets shown above would be impaired.

Business combinations

The fair value of instruments which may be issued in a business combination are determined on the basis of their published prices.

Share based payments

The Group has made awards of options over its un-issued share capital to certain directors and employees as part of their remuneration package.

The valuation of these options involved making a number of critical estimates relating to price volatility, future dividend yields, expected life of the options and forfeiture rates. These assumptions have been described in more detail in note 27. Award of options is dependent on personal and company targets being met.

4) Segmental reporting

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

These are as follows:

- Provision of telephony and VOIP services and equipment
- Infrastructure

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

Revenue	Year ended 31 January 2014	Year ended 31 January 2013
	Continuing operations	**Continuing operations**
	£	£
Telephony services:		
- General VOIP telephony services	4,716,324	1,379,268
- PSTN	-	131,085
- Recurring Service Charges	462,542	-
- Equipment	175,696	111,607
- Data	627,923	-
Infrastructure:		
- Infrastructure	8,020,381	-
Consolidated	14,002,866	1,621,960

Profit & Loss for the year	Year ended 31 January 2014	Year ended 31 January 2013
	£	£
Telephony services	470,908	(310,462)
Infrastructure	1,537,063	-
Central administration costs	(649,186)	(623,889)
Finance costs	-	(2,064)
Income tax charge	-	-
Discontinued operations	(344,731)	(291,104)
Consolidated	1,014,054	(1,227,519)

Within Infrastructure Revenue and profit and loss for the period, Contract Revenue accounted for £4,972,679, costs of £2,950,970 with a profit of £2,021,709

Balance sheet analysis by segment

	31 January 2014		31 January 2013	
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
Telephony services	9,044,839	(1,800,444)	2,373,811	(493,061)
Infrastructure	8,053,470	(6,350,621)	-	-
Central administration costs	8,926,888	(1,839,360)	347,923	(157,793)
Discontinued Operations	12,318	(56,376)	-	-
	26,037,515	(10,046,801)	2,721,734	(650,854)

Capital additions, depreciation and amortisation by segment

	31 January 2014				31 January 2013			
	Capital additions	Intangible Additions	Depreciation & amortisation	Amortisation	Capital additions	Intangible Additions	Depreciation & amortisation	Amortisation
	£	£	£	£	£	£	£	£
Telephony services	196,223	1,792,480	35,800	146,809	161,695	-	85,240	-
Infrastructure	667,423	-	44,915	-	-	-	-	-
Telephony equipment and related services (Discontinued operation)	-	-	-	-	483	-	10,242	-
	863,646	1,792,480	80,715	146,809	162,178	-	95,482	-

5) Operating Profit/(loss)

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

	Group		Company	
	Year ended 31 January 2014	Year ended 31 January 2013	Year ended 31 January 2014	Year ended 31 January 2013
	£	£	£	£
Amortisation of intangibles	146,809	69,869	46,000	34,497
Depreciation of property, plant and equipment	80,715	15,371	-	-
Profit on disposal of tangible assets	(225,096)	-	-	-
Loss in disposal of intangible asset	35,500	-	-	-
Staff costs (see note 7)	4,616,401	899,836	-	123,366
Loss on foreign exchange	(477)	122	-	-
Rentals under operating leases	232,919	42,000	106,788	42,000
Auditors' remuneration for audit services	45,000	17,900	9,000	7,500
Auditors' remuneration for other services	-	6,900	-	5,100

Cont.

Construction Contracts	Year ended 31 January 2014	Year ended 31 January 2013
Contract Revenue recognised in period	4,972,679	-
Contract Costs recognised in period	2,950,970	-
Recognised profit	2,021,709	-

The analysis of administrative expenses in the Consolidated Income Statement by nature of expense is as follows:-

- Personnel expenses - £2,363,824 (2013: £899,836)
- Operating Leases - £232,919 (2013: £42,000)
- Travel and Entertainment - £115,371 (2013: £36,049)
- Depreciation and Amortisation - £227,524 (2013; £85,240)
- Other operating expenses - £990,492 (2013: £800,802)

6) Discontinued operations

The Group made the decision to cease its PSTN operations with effect from 31 January 2014.

	NOTE	Year ended 31 Jan 2014	Year ended 31 Jan 2013
		£	£
Revenue		104,558	1,980,959
Cost of Sales		(24,739)	(1,699,599)
Gross Profit		79,819	281,360
Administrative expenses		(424,550)	(307,175)
Operating loss (see below)		(344,731)	(25,815)
Finance costs	8	-	(8,062)
Loss on disposal of subsidiary	25	-	(257,227)
Loss before income tax		(344,731)	(291,104)
Income tax expense		-	-
Loss for the year after tax for discontinued operations		(344,731)	(291,104)

Operating loss from discontinued operations is arrived at after charging:

	NOTE	Year ended 31 Jan 2014	Year ended 31 Jan 2013
		£	£
Amortisation of intangibles		-	3,507
Depreciation of property, plant and equipment		-	6,735
Staff costs	7	-	165,423
(Profit)/loss on foreign exchange		13	(1,951)
Rentals under operating leases		-	13,708
Auditors' remuneration for audit services		3,000	4,500
Auditors' remuneration for other services		-	2,208

Cont.

Cashflow for Discontinued Operations

	Year ended 31 Jan 2014	Year ended 31 Jan 2013
Operating activities	£	£
Loss before taxation	(344,731)	(83,955)
Depreciation and amortisation	-	258
Finance costs	-	-
Decrease in receivables	4,087	6,226
Increase in payables	338,286	75,842
Net cash outflow from operating activities	(2,358)	(1,629)
Investing activities		
Acquisition of property, plant and equipment	-	-
Net cash from investing activities	-	-
Financing activities		
Finance costs	-	-
Net cash from financing activities	-	-
Net decrease in cash and cash equivalents	(2,358)	(1,629)
Cash and cash equivalents at start of year	5,591	7,220
Cash and cash equivalents at end of year	3,232	5,591

7) Staff costs

The average monthly number of employees was:

	Group				Company	
	Year ended 31 Jan 2014		Year ended 31 Jan 2013		Year ended 31 Jan 2014	Year ended 31 Jan 2013
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations		
Sales	23	-	5	3	-	-
Technical support	216	-	6	1	-	-
Administrative	44	-	5	1	1	1
	283	-	16	5	1	1
Their aggregate remuneration comprised:	£	£	£	£	£	£
Wages and salaries	4,075,012	-	807,782	149,261	-	112,346
Social security costs	485,155	-	92,054	16,162	-	11,020
Pension costs	56,234	-	-	-	-	-
	4,616,401	-	899,836	165,423	-	123,366

Within Staff costs, £2,252,577 were attributed to cost of sales in the accounts within Infrastructure (2013:£nil).

8) Finance costs

	Group				Company	
	Year ended 31 Jan 2014		Year ended 31 Jan 2013		Year ended 31 Jan 2014	Year ended 31 Jan 2013
	Continuing operations	Discontinued operations	Continuing operations	Discontinued operations		
	£	£	£	£	£	£
Finance Costs	415,176	-	(2,064)	(8,062)	-	(2,064)
Finance Income	1,360	-	-	-	1,360	-

Included within finance costs is a write back of an interest accrual in relation to Comunica acquisition - £478,338 (2013:£0) and an amount of £63,173 (2013: Nil) relating to the unwinding of the discount of the deferred consideration for Redstone Converged Solutions Limited.

9) Taxation

As a result of accumulated tax losses , group relief and capital allowances there is atax charge for the year of £62,906 (2012: £Nil) for both continuing and discontinued operations.

There is no tax charge for the year (2013: £Nil) for discontinued operations.

The Group and Company tax charge for the year can be reconciled to the profit as disclosed in the statement of comprehensive income as follows:

	Group		Company	
	Year ended 31 Jan 2014	Year ended 31 Jan 2013	Year ended 31 Jan 2014	Year ended 31 Jan 2013
	£	£	£	£
Profit/(loss)Loss before taxation	1,241,455	(936,415)	(622,209)	(670,077)
Tax at the UK corporation tax rate of 23.75% (2013: 20%)	294,846	(187,283)	(147,775)	(134,015)
Dicountinued operations	(81,874)	(58,221)	-	-
Depreciation and amortisation	54,037	18,475	10,925	6,899
Disallowed	19,523	1,285	2,969	155
Capital Allowances/Profit on disposal	(175,603)	-	-	-
Surrendered for group relief	-	-	100,411	-
Losses brought forward	(108,674)	-	-	-
Losses carried forward	60,651	225,744	33,470	126,961
Tax charge for period	62,906	-	-	-
Deferred taxation	180,236	-	-	-
Taxation	117,330	-	-	-

At 31 January 2014 the Group had estimated tax losses of £5,227,997 (2013: £4,973,000) to carry forward against future profits. The Group recognised £204,167 of deferred tax assets calculated at 23.75% based on use of these losses against future year profits.Within the period the Group also recognised £47,927 of deferred tax liabilities in regard to accelerated capital allowances.

Cont.

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

	Group		Company	
	Year ended 31 Jan 2014	Year ended 31 Jan 2013	Year ended 31 Jan 2014	Year ended 31 Jan 2013
	£	£	£	£
Deferred tax assets to be recovered within 12 months	204,167	-	-	-
Deferred tax assets to be recovered greater than 12 months	-	-	-	-
	204,167	-	-	-
Deferred tax liabilities to be payable within 12 months	49,601	-	-	-
Deferred tax liabilities to be payable greater than 12 months	-	-	-	-
	49,601	-	-	-
Deferred tax asset (net)	154,566			
Gross amount on the deferred income tax is as follows:-				
Accelerated capital allowances	23,931	-	-	-
Trade losses carried forward & recognised against profits within 1 year	204,167	-	-	-
	180,236	-	-	-

10) Earnings per share

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

	Year ended Jan 2014			Year ended Jan 2013		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Basic profit/loss per share	0.24p	(0.06p)	0.18p	(0.40p)	(0.12p)	(0.52p)
Diluted profit/loss per share	0.22p	(0.05p)	0.17p	(0.40p)	(0.12p)	(0.52p)
Profit for the year attributable to owners of the parent company	£1,358,785	(£344,731)	£1,014,054	(£936,415)	(£291,104)	(£1,227,519)

	Year ended Jan 2014	Year ended Jan 2013
Number of shares	No.	No.
Weighted average number of ordinary shares in issue	559,408,855	235,690,291
Weighted average number of diluted ordinary shares in issue	612,427,892	235,690,291

11) Goodwill

		£
Cost at 31 January 2013		1,951,884
Additions		10,968,056
Disposal		(35,500)
At 31 January 2014		12,884,440
Accumulated impairment losses at 31 January 2013 and 31 January 2014		-
Carrying value at 31 January 2014		12,884,440
Carrying value at 31 January 2013		1,951,884
Carrying value of goodwill is allocated as follows:	2014	2013
	£	£
Telephony Services	4,159,977	1,951,884
Infrastructure	8,724,463	-
	12,884,440	1,951,884

In May 2013 the Company acquired the entire issued share capital of Premium-O Limited, a company which provides premium rate telephony services for a consideration of £1,800,000 satisfied through the issue of 60,000,000 ordinary shares. A consideration of £285,027 in cash was also paid.

In November 2013 the Company acquired Comunica Holdings Limited, the ICT infrastructure, data centre and smart building solutions business for a consideration of £9.5 million, to be settled by a payment of £7.65 million and a deferred consideration of £1.85 million. The fair value of the deferred consideration, discounted at a discount factor of 15.82% is £1,597,306.

In December 2013 the Company acquired Clicks Media Studios and Darkside Animations Limited for a combined consideration price of £167,000 cash and a consideration of £175,000 satisfied through the issue of 3,888,885 ordinary shares.

The Group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flow forecasts.

Fair Value

In November 2013 the Group acquired 100% of the issued share capital of Comunica Holdings (Redstone), an ICT infrastructure, data centre and smart building solutions business to diversify its telecoms and infrastructure product offering. The amounts recognised in respect of the identifiable assets acquired and liabilities assumed are as set out below:

	Acquisition Costs	Fair Value	Carrying Value
Premium-O Limited	2,085,027	170,351	1,914,676
RCS Limited	9,247,306	522,843	8,724,463
Darkside Animations	242,676	12,828	229,848
Clicks Media Limited	99,324	255	99,069

Cont.

Goodwill on consolidation has been allocated for impairment testing purposes to two cash-generating units ("CGU"). The CGU being the Telephony provision & services, and Infrastructure. The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by the Directors covering a three year period. The projections are based on the assumption that the Group can realise projected sales. A prudent approach has been applied with no residual value being factored into these calculations. 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 annualised incremental growth in revenue and costs of 2% with 1% attributed to administrative costs.

Each CGU will have its own pre-tax discount rate of 13.71% for the telephony companies and 15.82% for the Infrastructure company. The same rates were applied to the cash flow projections, after taking into consideration the Group's cost of capital, the expected rate of return and various risks relating to the CGU.

At the year end, based on these assumptions there is no indication of impairment of the value of goodwill.

Included within Redstone Converged Solutions Limited's fair value of net assets at acquisition is a provision of £593,990 relating to accounts receivable on contracts that were at the time deemed irrecoverable. Subsequent to that, work was conducted to significantly improve recoverability on construction contracts and this provision was then reversed at the year end.

12) Other intangible assets

	Group			Company
	Development costs	**Other intangible assets**	**Total**	**Other intangible assets**
	£	£	£	£
Cost or valuation				
At 31 January 2012	221,834	-	221,834	-
Additions	8,543	138,000	146,543	138,000
Disposals	(14,582)	-	(14,582)	-
At 31 January 2013	215,795	138,000	353,795	138,000
Additions	222,480	1,570,000	1,792,480	-
At 31 January 2014	438,275	1,708,000	2,146,275	138,000
Accumulated amortisation and impairment				
At 31 January 2012	125,537	-	125,537	-
Charge for the year	38,879	34,497	73,376	34,497
Disposals	(14,780)	-	(14,780)	-
At 31 January 2013	149,636	34,497	184,133	34,497
Charge for the year	55,142	56,167	111,309	46,000
At 31 January 2014	204,778	90,664	295,442	80,497
Carrying value				
At 31 January 2014	233,497	1,617,336	1,850,833	57,503
At 31 January 2013	66,159	103,503	169,662	103,503
At 31 January 2012	96,297	-	96,297	-

Cont.

Within the year the company acquired Intangible assets totalling £1,570,000, comprising the following:-

- In February 2013 the Company acquired the World Telecom database of approximately 50,000 corporate customers from Epicco Limited, a company controlled by Dave Breith, for a consideration of £50,000 satisfied through the issue of 5,000,000 ordinary shares.
- In May 2013 the Company acquired the broadband customers and certain other assets of So Purple Tech Limited trading as ADSL24 for a consideration of £800,000, satisfied by £50,000 in cash and the issue of 41,666,667 ordinary shares.
- In June 2013 the Company acquired a set of assets from the CEO, Dave Breith for a consideration of £200,000, satisfied by the issue of 6,666,666 ordinary shares, and another set of network assets from TFM Networks limited for a consideration of £480,000 satisfied by the issue of 17,777,777 ordinary shares.
- In August the Company paid for a licence for Your Forum (G-Cloud accreditation) for the sum of £40,000

The above intangible acquisitions are being amortised over their useful estimated economic life of 10 years. The remaining intangible assets are being amortised over their estimated economic life of 5 years.

On 1 May 2012 the Group entered into an outsource agreement with Obsidian Support Services Limited (Obsidian) using a newly formed wholly owned subsidiary, Coms Enterprise Limited. Under the agreement Coms Enterprise Limited recruited a sales and management team and will provide a range of new telephony services to the customers of Obsidian and to new customers in the corporate and public sectors. The consideration payable under the agreement of £138,000 has been treated as an intangible asset and will be amortised over the estimated useful life of three years.

13) Property, plant and equipment

Group	Plant & Machinery	Leasehold Improvements	Fixtures & Fittings	Computer Equipment	Total
	£	£	£	£	£
Cost					
At 31 January 2012	159,127	-	26,051	86,157	271,335
Additions	12,519	-	2,633	-	15,152
Disposals	(36,127)	-	-	-	(36,127)
At 31 January 2013	135,519	-	28,684	86,157	250,360
Acquisition of subsidiaries	13,066	633,416	86,551	1,722,400	2,455,433
Additions	84,436	33,439	84,448	661,323	863,646
Disposals	-	-		(488,314)	(488,314)
At 31 January 2014	233,021	666,855	199,683	1,981,566	3,081,125
Accumulated depreciation and impairment					
At 31 January 2012	117,207	-	21,762	85,899	224,868
Charge for the year	18,736	-	3,112	258	22,106
Disposals	(27,211)	-	-	-	(27,211)
At 31 January 2013	108,732	-	24,874	86,157	219,763
Acquisition of subsidiaries	9,556	598,321	62,156	1,567,663	2,237,696
Charge for the year	22,723	19,897	12,520	25,575	80,715
Disposals				(488,314)	(488,314)
At 31 January 2014	141,011	618,218	99,550	1,191,081	2,049,860
Carrying value					
At 31 January 2014	92,010	48,637	100,133	790,485	1,031,266
At 31 January 2013	26,787	-	3,810	-	30,598
At 31 January 2012	41,920	-	4,289	258	46,467

14) Inventories

Group	31 January 2014	31 January 2013
Finished goods	£	£
	363,973	4,791

15) Trade and other receivables

	Group		Company	
	31 January 2014	31 January 2013	31 January 2014	31 January 2013
Current	£	£	£	£
Trade receivables	4,254,692	139,332	-	-
Accounts receivable under contract	2,980,949	-	-	-
Other receivables	568,057	83,241	13,814	82,812
Taxes and social security costs	41,647	14,758	41,316	12,660
Prepayments and accrued income	858,544	155,507	5,042	25,094
	8,703,889	392,838	60,171	120,566
Non-current				
Amounts due from subsidiaries	-	-	8,100,917	3,264,624
Less impairment provision	-	-	(3,037,331)	(3,037,391)
	-	-	5,063,586	227,233

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

Included within other debtors is an amount of £400,813 (2013: £13,813) that is secured against monies due under an operating lease.

Included within Accounts receivable under contract is an amount of £2,212,895 (2013: £NIL) relating to construction contracts in progress at the balance sheet date.

16) Cash and cash equivalents

	Group		Company	
	31 January 2014	31 January 2013	31 January 2014	31 January 2013
	£	£	£	£
Bank current account	998,947	171,962	84,750	123,852

The carrying amount of these assets approximates their fair value. The Company has a parent company guarantee for Redstone Converged Solutions Limited.

17) Finance leases

Minimum lease payments under finance leases fall due as follows:

	31 January 2014	31 January 2013
	£	£
Not later than one year	-	1,983
Later than one year but not more than five	-	-
	-	1,983
Future finance charges on finance leases	-	(123)
	-	1,860

18) Trade and other payables

	Group		Company	
	31 January 2014	31 January 2013	31 January 2014	31 January 2013
	£	£	£	£
Trade payables	3,148,257	269,079	-	-
Social Security and other taxes	1,295,745	91,398	-	-
Other payables	706,884	80,379	1,660,979	74,280
Accruals and deferred income	3,235,435	208,138	178,381	83,511
Deferred consideration	1,660,480			
Amounts due to subsidiaries	-	-	-	-
	10,046,801	648,994	1,839,360	157,791

Included within the Accruals and deferred income total are the following provisions:-

- Onerous lease commitment relating to an office no longer in use of £28,105 (2013: £0)
- HMRC PAYE Settlement of £27,322 (2013:£0) in relation to a pre-acquisition investigation. The Company has accounted for the maximum liability.
- A dilapidation charge of £125,335 relating to the closure of an office building, based on management's best estimates (2013£Nil).

19) Share capital and reserves

Details of the Company's share capital are set out in the following table:

	31 January 2014	31 January 2013	31 January 2014	31 January 2013
	Number	Number	£	£
Allotted, called up and fully paid:				
Ordinary shares of 0.1p each	821,789,864	321,138,227	821,790	321,138
Deferred shares of 1p each	127,144,044	127,144,044	1,271,440	1,271,440
Deferred shares of 0.1p each	770,714,046	770,714,046	770,714	770,714
Total			2,863,944	2,363,292

Cont.

Movements in issued, allotted and fully paid ordinary share capital	Number	Issue price	Share Capital	Share Premium	Merger Relief Reserve	Total
			£	£		£
Ordinary shares issued:						
Ordinary Share issue as part of settlement payment to former director March 13	8,232,375	0.8p	8,232	57,627		65,859
Ordinary Share issue in connection of acquisition from current director March 13	5,000,000	1p	5,000	45,000		50,000
Ordinary Share issue in connection with trading licence from current director March 13	6,300,000	1p	6,300	56,700		63,000
Ordinary Share issue in connection of acquisition May 13	41,666,667	1.8p	41,667	708,333		750,000
Ordinary Shares issues in connection with placing May 13	2,777,778	1.8p	2,778	47,222		50,000
Ordinary Shares issues in connection with placing May 13	81,081,081	1.85p	81,081	1,418,919		1,500,000
less : Issue costs				(98,975)		(98,975)
Ordinary Share issue in connection of acquisition from current director June 13	48,000,000	3p	48,000		1,392,000	1,440,000
Ordinary Share issue in connection of acquisition from current director June 13	17,777,777	2.7p	17,778	462,222		480,000
Ordinary Share issue in connection of acquisition from current director June 13	6,666,666	3p	6,667	193,333		200,000
Ordinary share issue on exercise of warrants August 13	6,237,332	1p	6,237	56,136		62,373
Ordinary share issue on exercise of warrants August 13	9,355,998	1p	9,356	84,204		93,560
Ordinary Shares issues in connection with placing August 13	47,085,181	3.7p	47,085	1,695,067		1,742,152
less : Issue costs				(69,686)		(69,686)
Ordinary Shares issues in connection with placing September 13	6,554,700	3.7p	6,555	235,969		242,524
less : Issue costs				(9,701)		(9,701)
Ordinary Share issue in connection of acquisition from current director September 13	12,000,000	3p	12,000		348,000	360,000
Ordinary share issue on exercise of warrants October 13	2,346,800	3.7p	2,347	84,485		86,832
less : Issue costs				(3,473)		(3,473)
Ordinary Shares issues in connection with placing October 13	137,300,000	3p	137,300	3,981,700		4,119,000
less : Issue costs				(234,165)		(234,165)
Ordinary Shares issues in connection with placing October 13	30,285,997	3p	30,286	878,294		908,580
less : Issue costs				(45,429)		(45429)
Ordinary share issue on exercise of warrants December 13	3,000,000	2p	3,000	57,000		60,000
Ordinary share issue on exercise of warrants December 13	539,750	3.7p	540	19,431		19,971
less : Issue costs				(799)		(799)
Ordinary Share issue in connection of acquisition December 13	3,888,885	4.5p	3,889		171,111	175,000
Ordinary share issue on exercise of warrants January 14	9,473,950	3.7p	9,474	341,062		350,536
less : Issue costs				(14,021)		(14,021)
Ordinary share issue on exercise of warrants January 14	15,080,700	3.7p	15,081	542,905		557,986
less : Issue costs				(22,319)		(22,319)
Total movement in the year	500,651,637		500,652	10,467,041	1,911,111	12,878,805
At 31 January 2013	321,138,227		321,138	9,497,234	-	9,818,372
At 31 January 2014	821,789,864		821,790	19,964,275	1,911,111	22,697,177

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Share premium account comprises the amount subscribed for share capital in excess of nominal value. The total amount of placing costs in the period were £498,569. The total proceeds from issued shares within the period were £9,793,513.

The merger relief 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 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 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 Limited at the date of acquisition.

The share based payment reserve represents the accumulated charges made to the income statement in respect of share based payments.

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

20) 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 £56,234 with £35,012 (2013: £ NIL) being included in cost of sales.

21) 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 £39,000 (2013: Nil) were paid to Gladstone Consultancy Partnership, of which Iain Ross is a partner, in respect of services provided by Iain Ross; £9,200 (2013: Nil) was outstanding at the year end. Director's fees of £7,414 (2013: Nil) were paid to Warspite Limited, a company connected to Diana Dyer Bartlett, in respect of services provided by Diana Dyer Bartlett; £2,083 (2013: Nil) was outstanding at the year end. Director's fees of £61,996 (2013: Nil) were paid to Iridian Consulting Services Limited, a company connected to Stephen Foster, in respect of services provided by Stephen Foster; £1,500 (2013: Nil) was outstanding at the year end.

Directors' transactions -

During the year purchases of goods and services were made from companies in which D Breith is a director as follows:

Acquisitions of companies and assets from Directors

The following companies and assets were acquired by the Company from Dave Breith:

In February 2013 the Company acquired the World Telecom database of approximately 50,000 corporate customers from Epicco Limited, a company controlled by Dave Breith, for a consideration of £50,000 satisfied through the issue of 5,000,000 ordinary shares.

In May 2013 the Company acquired the entire issued share capital of Premium-O Limited, a company which provides premium rate telephony services for a consideration of £1,800,000 satisfied through the issue of 60,000,000 ordinary shares. A total of 35,700,000 shares were attributed to Dave Breith as part of this acquisition. A further cash consideration of £285,027 was payable (£169,591 to Dave Breith).

In June 2013 the Company acquired one set of asset from CEO, Dave Breith for a consideration of £200,000, satisfied by the issue of 6,666,666 ordinary shares.

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Products and services

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

- The Group sourced hardware for internal use from Vitrx Limited on arms-length terms. During the year, purchases amounting to £118,177 (2013: 3,090) were made and the balance outstanding at 31 January 2014 to Vitrx was £1,717 (2013: 3,708).
- The Group occupied the offices of Jedbull LLP at no cost between January and December 2013. The rateable value of the property occupied was £72,000.
- The Group purchased marketing and website services from Blabbermouth Limited on arm's length terms. During the year services provided amounted to £52,866 (2013: £3,000) and the amount due to Blabbermouth at the period end was £1,800 (2013: nil)
- Coms licenses its billing platform from AskMerlin Limited at a monthly charge of £10,500 per month. The licence is on arm's length terms and expires on 31 July 2014. The cost of the licence during the year was £63,000 (2013: nil) and the amount owed to AskMerlin at the year end was nil (2013: nil).

22) Commitments

a) Capital commitments

There were no capital commitments at 31 January 2014.

b) Operating lease commitments

The Company leases office buildings and warehousing under a licence/lease to occupy.

Lease 1 – has a life of 5 years terminating on 21 June 2014. This building was vacated in February 2014

Lease 2 – has a life of 57 months terminating in September 2018. This building is fully occupied.

Lease 3 – has a life of six month lease terminates in June 2014. This building will be vacated in June 2014

Lease 4 – has a life of 5 years terminating in September 2018.

Future minimum lease payments under non-cancellable operating leases at 31 January 2014 are as follows:	2014 Property	2014 Vehicles	2013 Property	2013 Vehicles
	£	£	£	£
Within one year	244,679	73,194	42,000	-
Between one and two years	325,592	58,826	17,500	-
Between two and five years	1,375,150	-	-	-
	1,945,421	132,020	59,500	-

23) 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 Instruments' 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	31 Jan 2014	31 Jan 2013
	£	£
Trade receivables	4,254,692	139,332
Other receivables	609,704	83,241
Cash and cash equivalents	998,947	171,962
Trade payables	(3,148,257)	(269,079)
Other payables	(6,898,543)	(397,915)

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

Financial risk management objectives and policies

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 Board receives regular reports from the Finance director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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 arises principally from the Group's trade receivables. It is the risk that the counterparty fails to discharge its obligation in respect of the instrument. The maximum exposure to credit risk equals the carrying value of these items in the financial statements.

As at 31 January 2014 the ageing analysis of trade receivables of the Group is as follows:

			Past due but not impaired			
	Total	Neither past due nor impaired	<30 days	30-60 days	60-90 days	>90 days
	£	£	£	£	£	£
2014	4,254,692	1,906,576	-	1,456,997	432,071	459,047
2013	139,332	31,754	-	39,556	35,399	32,623

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

Liquidity risk

Liquidity risk arises from the Group's management of working capital and the amount of funding committed to its product development programme. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due.

The Board receives cash flow projections on a monthly basis as well as information on cash balances. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due.

Further discussion of the Group's liquidity position is set out in the Directors' Report.

The Board will not commit to material expenditure in respect of its ongoing development work prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

All of the Group's financial instruments are due for repayment in less than one year.

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 relief reserve, reverse acquisition reserve, share based payment reserve and accumulated retained earnings 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 24.

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 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 operates throughout the world, however mainly with the UK. All material equity and financial liabilities are contracted in Sterling and hence there is no significant currency risk.

24) Fixed asset investments

Details of the Company's subsidiaries at 31 January 2014 are as follows:

	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Method used to account for investment	Nature of business	Date of acquisition
Subsidiary		%	%			
Coms Mobile Ltd (formerly ExchangeXT Limited)	England	100	100	equity method	Telecommunications	
Superline Telecommunications Limited [1]	England	100	100	equity method	Telecommunications	
Coms.Com Limited	England	100	100	equity method	Telecommunications	
Coms Enterprise Limited	England	100	100	equity method	Telecommunications	
Premium O Limited	England	100	100	equity method	Telecommunications	12 June 2013
Coms Media Limited	England	100	100	equity method	Media	16 December 2013
Darkside Animation Limited [2]	England	100	100	equity method	Media	16 December 2013
Clicks Media Limited [2]	England	100	100	equity method	Media	16 December 2013
Comunica Holdings Limited	England	100	100	equity method	Holding company	21 November 2013
Redstone Converged Solutions Limited [3]	England	100	100	equity method	Infrastructure	21 November 2013
Cominica Group Limited [4]	England	100	100	equity method	Dormant	21 November 2013

[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

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

The registered office of each of the subsidiaries is Beacon House, Stokenchurch Business Park, Ibstone Road, Stokenchurch, Bucks, HP14 3FE.

Cont.

Investment in subsidiaries	Total
	£
Cost	
At 31 January 2013	5,988,754
Additions	9,247,306
At 31 January 2014	15,236,060
Accumulated amortisation and impairment	
At 31 January 2013	3,288,654
Charge for the year	-
At 31 January 2014	3,288,654
Carrying value	
At 31 January 2014	11,947,406
At 31 January 2013	2,700,100

The investment addition in the Company is for Comunica Holdings Limited of which Redstone Converged Solutions Limited is a wholly owned subsidiary.

25) Post-balance sheet events

On 7 February 2014 the Company acquired Actimax Acquisitions Limited for an initial consideration of £2.4 million payable in cash and a deferred consideration of £1 million conditional on revenues for the 12 months following completion exceeding £7.6 million.

On 7 February 2014 the Company issued by way of a cash placing 138,333,333 ordinary shares at a price of 6 pence per share, raising £8.3 million pounds before expenses.

On 10 March the Company acquired Smarter Mobile UK Limited for a total consideration of £225,000 payable in cash.

The Company has settled £559,766 in May 2014 being one third of the Redstone acquisition deferred payment.

26) Options and Warrants

The Company has the following share warrants and options outstanding at 31 January 2014

	Number	Date granted	Price	Period of Exercise
Warrants	100,000	20/5/08	50p	20 May 08 – 20 May 18
Unapproved options	260,000	20/5/08	50p	20 May 08 – 20 May 18
Warrants	1,088,813	14/9/09	5p	14 Sep 10 – 11 Sep 14
EMI options	725,876	14/9/09	5p	14 Sep 10 – 11 Sep 14
Warrants	5,000,000	18/1/13	0.75p	18 Jan 13 – 18 Jan 15
Warrants	2,380,952	25/2/13	0.84p	25 Feb 13-25 Feb 18
EMI options	21,750,000	20/3/13	0.825p	20 Mar 13 - 20 Mar 15
Warrants	1,000,000	10/6/13	5p	10 Jun 14 - 10 Jun 16
EMI options	500,000	12/6/13	2.7p	12 Jun 13 - 12 Jun 15
Warrants	4,000,000	12/6/13	5p	12 Jun 13 - 12 Jun 16
Warrants	5,000,000	12/6/13	2.81	12 Jun 13 - 12 Jun 16
Warrants	4,000,000	30/9/13	5p	30 Sep 13 - 30 Sep 15
EMI options	23,625,000	1/10/13	3p	01 Oct 13 - 01 Oct 15
EMI options	4,000,000	1/11/13	3.5p	01 Nov 13 - 01 Nov 15
Unapproved options	36,000,000	1/11/13	3.5p	01 Nov 13 - 01 Nov 15
Unapproved options	1,000,000	15/11/13	3.5p	15 Nov 13 -15 Nov 15
Unapproved options	375,000	29/11/13	3.88p	29 Nov 13 - 29 Nov 15

27) Share based payments

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

	31 January 2014		31 January 2013	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding	29,450,876	1.80p	2,274,689	12.4p
Restated EMI Options	(6,682,857)	1.80p	-	-
Granted during the year	187,712,033	2.86p	27,276,187	0.95p
Lapsed during the year	-	-	(100,000)	10.00p
Exercised during the year	(99,674,411)	3.22p	-	-
Outstanding	110,805,841	1.80p	29,450,876	1.80p
Exercisable	17,269,927	3.9p	7,274,689	4.29p

In April 2013 3,000,000 warrants were issued to Simple Investments and these were fully exercised within the year at an exercise price of 2p.

In May 2013 81,081,081 warrants were issued to Novum Securities and these were fully exercised within the year at an exercise price of 3.7p.

In August 2013, 15,593,330 options granted to employees in the prior year were exercised at an exercise price of 1p per share.

The fair value of share options and warrants granted during the year was measured using the Black-Scholes method with the following inputs:

Grant date	Share Price at Grant date	Exercise price	Risk Free rate	Expected Volatility	Fair value of option	Expected life
25/02/2013	8p	0.84p	3.38%	11%	0.46p	2 years
20/03/2013	0.86p	0.825p	3.34%	6%	0.48p	2 years
10/06/2013	2.56p	5p	3.38%	19%	0.03p	2 years
12/06/2013	2.67p	2.7p	3.34%	19%	0.23p	2 years
12/06/2013	2.56p	5p	3.38%	19%	0.03p	2 years
12/06/2013	2.56p	2.81	3.38%	19%	0.19p	2 years
30/09/2013	3.82p	5p	3%	25%	0.2p	2 years
01/10/2013	2.89p	3p	3.34%	11%	0.12p	2 years
01/11/2013	3.5p	3.5p	3.34%	23%	0.38p	2 years
01/11/2013	3.5p	3.5p	3.34%	23 %	0.39p	2 years
15/11/2013	3.81p	3.5p	3.34%	11%	0.36p	2 years
29/11/2013	4.17p	3.88p	3%	10%	0.34p	2 years

Expected volatility was determined by calculating the historical volatility of the Company's share price over the last one year. 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.

A charge of £26,977 (2013:£43,513) has been made for the share based payments.

All employee share based payments are target driven by personal and company specified results.

The weighted average remaining contractual life of outstanding share options is 608 days (2013:801).

If you would like to find out more.

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