COMS PLC

Annual Report 2016

Contents

Highlights

Financial Highlights:

- EBITDA from continued operations ahead of management expectations at £1.3 million (2015: LBITDA £0.7 million) – increase of 274%
- Operating profit from continued operations before integration and transactional items £0.7 million (2015: loss of £1.3 million)
- Earnings per share from continued operations before integration and transactional items 0.06 pence (2015: loss of 0.16 pence)
- Gross profit from continued operations up 35% to £7.0 million (2015: £5.2 million)
- Revenues from continued operations up 36% to £40.1 million (2015: £29.5 million)
- Positive net cash at year-end £1.0 million (2015: overdraft £0.4 million)
- Disposed of the loss making Telephony Services division for £2.5 million in cash
- Disposed of the loss making Darkside Studios, Media division for a nominal consideration
- Successfully raised £2.1 million in new equity
- Successfully reduced costs associated with Group occupancy estate by £360k annually;

Operational Highlights:

- Appointment of new experienced Executive Board
- The Group is now refocused around its remaining trading entity, Redstone, one of the UK's leading IT network and 'Smart Building' systems integrators
- Key growth strategy going forward closely aligned to the provision of 'Smart Technologies'
- Redstone secured a number of significant projects from within the financial services and media sectors during the year
- Successfully launched two new products - OneSpace, an occupancy management software platform and Distributed Antenna System ('DAS'), an in-building cellular technology
- Strong order book and new business pipeline from both new and existing customers in current financial year to 31 January 2017

Post year-end

- Announced strategic contract win for first material DAS contract for £0.8 million
- Acquired Connect IB, a 'Smart Buildings' application software business for £1.3 million in March 2016
- Successfully raised £3.1 million in new equity to support the acquisition of Connect IB Limited and provide working capital to further develop the application software business
- Group to be rebranded to properly reflect its refocused strategy and direction

Chairman's statement

Dear Shareholder

I am pleased to report results for the year ended 31 January 2016. This is, I am proud to say, a very different company to that which it was a year ago; and one with materially improved prospects.

2015 was a year of management change and operational restructuring, paving the way to reposition our business to focus on a defined strategy to use technology and innovation to make buildings and commercial spaces smarter; to offer end-to-end solutions to create more intelligent environments to work in, to shop in, to park in or even to be entertained in. By facilitating a greater connection between companies and their employees or retailers and their customers, our suite of solutions makes real estate more efficient and businesses more effective.

Shareholders will see that there is a resolution which will be proposed at the forthcoming AGM to change the Company's name to RedstoneConnect Plc. A rebranding exercise to communicate our refocused business will be completed in the coming months.

In order to push forward with this strategy, we needed to dispose of the loss making Telephony Services division, which we were successful in doing in May 2015 for £2.5 million in cash. The Group no longer has exposure to the losses from this division and no trade remains.

Continuing the restructuring, the Group also disposed of its Media division, Darkside Studios, in December 2015 for a nominal consideration. At the year-end, as a result of these two divestments, the Group consisted of only the Redstone infrastructure and smart buildings business – the foundation on which the Group's new strategy is being built around.

The results for the period from the continuing Redstone business have been strong, delivering revenue in the year of £40.1 million, an increase of 36% contributing to the Groups EBITDA from continued activities of £1.3 million representing an increase of 274% over the prior year.

The team at Redstone has secured a number of significant projects from within the financial services and media sectors over the last 12 months and we continue to see a steady pipeline of opportunities developing in the current financial year. Redstone has a long standing reputation for service excellence within its core infrastructure, smart buildings and services divisions. I believe this ongoing success and market expansion will serve as a key platform from which to broaden our operational footprint.

The combined continued and discontinued results for the year support the Board's decision to focus on the Redstone operations. Results from continuing activities have shown growth on the prior year and strong performance both in revenue and profitability. However, the results from the discontinued businesses provide clear evidence of the failed strategy, lacking both scale and quality of revenues and related cash flows.

Board matters

A number of changes were made to the Board which I believe position the Group with the optimum blend of skills and experience to drive growth both organically and through selective acquisitions.

Dave Breith resigned as CEO on 1 March 2015 and on 29 May 2015 the Board announced that Stephen Foster had also resigned as Non-Executive Director.

In March 2015 we appointed Guy van Zwanenberg and Mark Braund as Non-Executive Directors.

In March 2015, Spencer Dredge joined the Group as Interim Finance Director and, in July 2015, we were pleased to confirm his appointment as Chief Financial Officer. Spencer has extensive turnaround experience, particularly with businesses in the telecoms, IT services and software sectors, a strong background in M&A and is an outstanding addition to the executive team.

On 1 January 2016, I was pleased to confirm that Mark Braund became Chief Executive Officer of the Group. Mark offered very relevant and valuable experience to the Group during the short time in which he was a Non-Executive Director; and I believe we will continue to benefit from his operational and strategic guidance now that Mark is permanently installed as CEO.

We now have an excellent Board to steer the Group through what we believe will be an exciting period of growth.

Chairman's statement continued
Fundraising

The Group raised £2.1 million in June 2015 by way of an equity placing and open offer. The placing and open offer, both at a price of 0.5 pence, raised £1.0 million and £1.1 million respectively. The proceeds were used to bolster working capital, stabilising the Group following a period of losses, culminating in the disposal of the Telephony Services businesses. The open offer was more than 50% oversubscribed which, I believe, demonstrates the continued support from investors for our underlying business, which had for too long been masked by other underperforming businesses within the Group. I would like to take this opportunity to thank shareholders for their continued support throughout what was a very turbulent time.

Subsequent events - Acquisition of Connect IB and further fundraising

It is most pleasing to report that, following this year of significant change and restructuring, the Group recently successfully executed an acquisition which is directly in line with our new focused strategy. In particular, we are working to identify acquisitions that will deliver valuable intellectual property, the opportunity for cross-selling of services, and which increase the Group's recurring revenue base, including those derived from the provision of managed services. Our expectation is that a shift in emphasis will result in higher margin business for the Group as well as providing even greater visibility of revenues.

In March 2016, the Group announced the acquisition of Connect IB for £1.328 million, which we believe will help us achieve these key strategic goals. The consideration comprised £1.028 million of cash and the issue of £0.3 million worth of new shares at 1.62 pence per share.

The cash element of the consideration was funded by the raising of £3.125 million (before expenses) through a placing of new ordinary shares at a price of 1.4 pence per share. In addition to satisfying the cash element of the acquisition of Connect IB, the placing provides further working capital to support its integration into the Group and for the continued strategic development of the whole business.

Connect IB is a software applications business that has developed and deployed a number of applications including those that address mapping and wayfinding of smart buildings and smart spaces. The acquisition of Connect IB offers a unique opportunity to integrate Redstone's OneSpace occupancy management product into the software framework that Connect IB has developed. The combination of this technology is, I believe, a compelling opportunity.

Connect IB brings a number of long-term blue chip customers including GlaxoSmithKline, Meyer Bergman and Westfield Corporation. In addition to the range of exciting software products which it delivers, Connect IB also brings to the Group a hugely talented team of software developers and product specialists, coupled with its managing director, Keith Jump, who has become Chief Technical Officer of the Group.

Outlook

With the divestment of non-core businesses now firmly behind us, the Group is focusing rigorously on its core, profitable Redstone operations, which have been enhanced through the acquisition of Connect IB.

Redstone's performance continues to improve, with strong demand seen in its core markets. The acquisition of Connect IB, combined with Redstone's OneSpace product means the Group now has an impressive suite of owned IP based products to service the growing demand for intelligent solutions for smart spaces.

The Group's prospects for leveraging organic growth opportunities from our core business have improved considerably. Through better management systems, ongoing product and systems innovation and proactive cross-selling of services, we are now in a far stronger position to maximise our newly expanded operational base. These prospects, coupled with a strategy to grow further through selective bolt-on acquisitions, make me very excited about the future for our company.

I believe we have the assets and the experience in place to deliver value to our shareholders and I look forward to updating you on this and other progress in due course.

Frank Beechinor
Chairman
23 May 2016

Operational review

Introduction

As highlighted in the Chairman's statement, the year ended 31 January 2016 has proved to be a significant period of operational restructuring and strategic progress for the Group.

Following the disposal of both the Group's loss-making Telephony Services and Media divisions during the year, the only remaining trading division at the reporting date was Redstone, one of the UK's leading IT network and 'Smart Building' systems integrators. The performance of Redstone over the last 12 months, coupled with the reduced Group overheads, highlights the progress made during the year in developing our core business.

With a new management team in place and the Group's strategic acquisition of Connect IB post year end now fully integrated, the Board is fully focused on delivering a much improved financial performance for shareholders.

Business summary

The Group's remaining operating division, Redstone, delivered solid financial results for the year, capitalising on the demand for a more sophisticated 'Smart Building' environment. As a result, revenue increased 36% compared to the prior year, driven by strong levels of demand for Redstone's products and services.

Redstone continues to build on its growing reputation as the leading provider of technology and services for 'Smart Buildings' and commercial spaces which is clearly evidenced by a strong pipeline of new business delivered in the financial year to January 2016 and the interest we are seeing to date in the current financial year.

Redstone has been successful in delivering a number of new business wins that delivered both scale and breath to the scope of our client engagement. Listed below are some of the examples of our recent success which highlights our progress in growing, in particular, Redstone's blue chip financial services customer base:

- £5.4 million contract with a major global financial services client delivering a 'Smart Building', ICT infrastructure and IT Networking project
- £0.9 million contract with a leading international financial services client providing a Storage Area Network infrastructure and ICT refresh
- £0.4 million contract to deliver a IT Networking project with one of the world's leading providers of audit, tax and advisory services
- £1.2 million contract to deliver a complete IT Networking office fit out and relocation of up to 4,000 London staff with a multinational professional services firm
- £1.7 million contract to design and deliver an off-site data centre for a leading international financial services client
- £0.9 million contract to deliver a European data centre for a multinational technology company specialising in Internet-related services and products
- £0.5 million contract to design and deliver fibre connectivity to a major international financial services clients data centre
- £0.4 million contract with a major international financial services client to deliver a Storage Area Network refresh
- £1.1m million contract with a major international financial services client delivering an integrated building refurbishment providing access to state-of-the-art communications technology and equipment

Alongside Redstone's existing organic growth strategy, management have continued to develop and launch a number of new products into the market. Two recent examples of this strategic focus are the launch of the Redstone branded desk utilisation and power management system, OneSpace, and our Distributed Antenna System ('DAS'), an in-building cellular solution.

OneSpace, a key feature of our IP-led growth strategy is an occupancy management software platform that has both operational functionality and provides 'big-data' analytics. Redstone has seen a growing audience for this product and over the coming months there is an expectation that this interest will crystallise into new sales momentum.

Operational review continued

Our DAS platform creates an area of cellular wireless coverage where previously such connectivity was unavailable. The system was launched in 2015 and the team was delighted to secure our first contract into a London landmark location worth £750,000 in February 2016.

Redstone remains well positioned for growth and continues to see good levels of new business enquiries from both new and existing customers.

Management remains focused on broadening both products and services in order to leverage a number of cross selling opportunities. We see significant opportunities with both OneSpace and DAS and believe the newly acquired expertise of Connect IB will further accelerate our growth.

Acquisition of Connect IB

On the 16 March 2016, the Group announced the acquisition of Connect IB Limited for £1.3 million. Connect IB is a software applications business.

The acquisition brings significant strategic benefits to Coms, namely;

- Connect IB's products are highly complementary to those offered by Redstone
- It enables Coms to own and control high quality intellectual property within one software business unit within the enlarged Group
- Connect IB brings a number of long-term blue chip customer relationships including GlaxoSmithKline, Meyer Bergman Limited and Westfield Corporation, further demonstrating the demand for the development of 'Smart Buildings' and business applications across high quality companies in a number of sectors
- It creates an ability to upsell Connect IB products to existing Redstone customers and brings leading edge application development capability to enhance the OneSpace brand
- It enables Coms to further develop its annuity based recurring revenue model, to sell higher margin software-based solutions and to enhance the development of its own intellectual property assets.

Outlook

The Group is now fully focused on its core, profitable Redstone operations, which have been enhanced through the recent acquisition of Connect IB, where we see significant market opportunities and synergies with the existing offering.

The Group's prospects for leveraging organic growth opportunities from our core business are stronger than ever and will be complemented by further selective acquisitions.

The Group now comprises some of the most talented people in our industry. We continue to invest in them as we develop. Their role and contribution is highly valued and to them we say a heartfelt 'thank you'.

The Board is pleased with the solid operational and financial progress made to date and very confident in the Group's future trading prospects.

Strategic report

Strategy, business model, risks and KPIs

Strategy

The Group is now emerging from a period of significant operational transformation and as such has refocused its strategic goals. With the disposal of non-core, loss making assets now complete and the acquisition of Connect IB firmly embedded alongside Redstone, the Group now has a firm operational core from which to expand.

Maximising organic opportunities in and around the ‘Smart Building’ and ‘Smart Technologies’ ecosystem will clearly be at the centre of our renewed focus. The post-year end addition of Connect IB supports the Board’s strategy of acquiring complementary skill sets to support the existing Redstone platform and therefore foster greater cross selling opportunities for our sales teams.

The broader macroeconomic picture of converging technologies and the fast growing market of the ‘Internet of Things’ and ‘Smart Technologies’ will continue to drive the demand we are seeing for our services.

Therefore, the Board is focused on the following key strategic priorities:

- Continue to establish our market presence in the high growth ‘Smart Building’ and ‘Smart Technologies’ arena
- Leverage a number of cross selling opportunities between Redstone and Connect IB’s services within our existing customer footprint
- Fully commercialise the Group’s new ‘Smart Building’ occupancy management solutions, OneSpace
- Continue to invest in R&D that underpins our next generation product development and enhances the Group’s ownership of valuable intellectual property
- Develop and expand the Group’s annuity revenue base alongside a traditional SaaS based model
- Continue to evaluate selective acquisition opportunities, supporting the Group’s strategy of enhancing our portfolio of products and services.

Key priorities to develop the business include:

- To maintain Redstone’s reputation as a market leader for service excellence and technical competence in its field. We will focus on continuing to provide high quality services to Redstone’s clients by investing in our talented colleagues who are expert in their field, well versed in the Company’s products and our clients’ needs and continue to maintain our multiple ISO and vendor accreditations.

- To grow the Smart Buildings offering through a combination of organic growth and acquisition, both of which are evident from the results of the continued operations during the year and the acquisition of Connect IB post year-end.

- To focus on developing technology-led intellectual property. The Group has already delivered exciting solutions in a number of landmark projects and has successfully productised some of its offerings, an example of which is OneSpace.

- To grow the annuity revenue base in the business.

- To deliver improving profitability and cash generation.

Business model and risk profile

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

Managed Services:

Around 41% of Redstone’s revenue and 55% of Redstone’s gross profit is derived from Managed Services. Managed Services encompasses the provision of outsourcing services spanning network infrastructure management, Smart Buildings support services, desktop and data centre support services and move, add and change services. Redstone’s staff are typically based permanently on a client site. Contracts are generally on a long-term basis which allows services to be tailor-made and for continuity of service in these key support functions for our clients. Services are generally invoiced monthly in arrears.

Strategic report continued

Projects:

This comprises IT networking and 'Smart Buildings' infrastructure design and implementation which contributes 59% of Redstone's revenues and 45% of its gross profit. 'Smart Buildings' infrastructure, at 17% of Group revenue has seen significant growth on prior year. The services range from ad-hoc intelligent solutions such as lighting projects to control energy costs to a full holistic integrated platform that offers better economic, social and environmental performance for buildings and their occupants. Systems incorporated may include LAN, OneSpace (Redstone's branded desk utilisation and power management system), Energy Management, BIM, CCTV, ACS, Pull Printing, Cashless vending and intelligent lighting. IT networking Infrastructure design and implementation involves design and fulfillment of structured cabling systems and intelligent infrastructure management systems. The IT networking infrastructure design and implementation has historically been the mainstay of Redstone's business but the Group is less reliant on these revenues in 2016, as they have reduced from 49% in 2015 and now accounted for some 43% of total continued operations revenues. As with 'Smart Buildings', revenue is project based and revenue recognition and invoicing tends to be on a staged basis.

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

KPI's

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

- Both revenue, gross margin, profitability performance and earnings per share
- Proportion of revenue which is recurring income
- Cash flow generated by operations and by the Group as well as the net cash/overdraft position
- Net assets
- Staff attrition
- Uptake of new products post launch, road map for development

An example of some of the KPI's is provided below and discussed later in the Strategic report;

	2016	**2015**
Continued Operations	**£000**	£000
Revenue	**40,098**	29,468
Gross Profit	**6,950**	5,158
Adjusted EBITDA/(LBITDA)*	**1,288**	(739)
Net cash balances /(overdraft)	**1,047**	(386)
Consolidated net assets	**8,910**	8,978
Earnings/(loss) per share before integration and transactional items – basic & diluted	**0.06p**	(0.16p)

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

Strategic report continued

Risk management

The senior management is responsible for managing risk and assessing how this might prevent the Company from delivering its strategy with support from the Group's Executive management team.

The policy is to identify the key risks which could affect the Group and to assess the appropriate mitigation, including use of insurance policies.

The Group could potentially be affected by a number of uncertainties and risks that are not wholly within its control. Some of the key risks and uncertainties along with the Group's approach to mitigation are as follows:

- Potential deterioration of the UK economy: to be mitigated through delivery of our strategy, focused on Smart Building markets, which are undergoing structural change and by focusing on selling our own IP-rich solutions that generate significant customer advantage and long term earnings visibility for the Group
- Regulatory changes; mitigated by the knowledge and agility of the Group's skilled resources, which provides us with good visibility of any likely change and enables us to change quickly to comply. As such, regulatory change can present the Group with an advantage over many of its competitors
- Maintaining and ensuring that the Group continues to attract and retain the right calibre of talent: the Group operates an active talent management and development programme. Retention of skilled resource is high in both Redstone and the recently acquired Connect IB. We continue to monitor and develop this programme to meet the ambitious requirements of the business
- Controlling projects within their budgets including delivering the services in accordance with the project specifications and to the required standards: leveraging the Group's 30-years of experience it operates a strong process, which is continuously monitored, developed and improved by a dedicated team of talented programme and project professionals, with full senior management oversight
- Maintaining ISO and vendor accreditations: the Group operates strong processes which are continuously monitored, developed and improved by a dedicated quality manager, with full senior management oversight. Vendor accreditations are managed using a process tailored to each vendor and managed by members of the senior management team
- Maintaining robust health and safety procedures to safeguard staff and clients: the Group operates strong processes which are continuously monitored, developed and improved by a dedicated health and safety at work manager, with full senior management oversight
- Managing the Group's working capital requirements on large construction projects: the Group negotiates larger contract specific to the working capital requirements to mitigate working capital pressure
- Ensuring the product and service portfolio is adequate for a fast moving and ever changing customer requirement: the Group's development is customer-centric; we are actively engaged with our target markets through industry research, events and the strong relationships we have with customers. We use this as a means to determine our product development strategy and have a small number of early stage proof of concept developments in progress with key customers to fine tune these developments before full release
- Key staff: RedstoneConnect employs talented and experienced personnel and loss of such personnel would be detrimental to the business. The Board has put in place remuneration plans to incentivise staff and encourages career development where possible within the organisation
- Safeguarding the Company's Intellectual Property: The Group owns a growing portfolio of valuable Intellectual Property. Loss of such Intellectual Property would be detrimental to the organisation; the Company manages this risk through its patent protection program and by managing confidentiality robustly
- Maintaining a healthy credit rating. The Company's credit rating was affected adversely by the problems in the Telephony Services business which reduced the credit available to the Group. Following disposal of the Telephony Services business the Finance team has focussed on securing improved credit ratings for the Group successfully. This risk will continue to be managed actively to ensure the Group continues to secure favourable credit ratings

Mark Braund
Chief Executive Officer
23 May 2016

Financial review

The trading results for the year include both the continued and discontinued operations. At the year-end Redstone was the only trading business remaining in the Group. The discontinued operations include both the Telephony Services and Media divisional results.

Following the disposal of the trade and assets of both the Telephony Services and Media divisions, the Group has commenced a rationalisation of its corporate structure. As none of the legal entities relating to the disposals were acquired as a result of the transactions, and following a period where the retained balance sheet balances were successfully unwound to cash, a voluntary process has been started to liquidate the various companies.

Revenue and Gross Profit

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

		2016		**2015**
	%	**£000**	%	£000
Revenue				
Redstone		**40,098**		29,468
Darkside Studios		**1,082**		1,099
Telephony Services		**4,261**		15,387
		45,441		45,954
Gross Profit				
Redstone	**17.3**	**6,950**	17.5	5,158
Darkside Studios	**40.0**	**433**	42.1	463
Telephony Services	**15.2**	**646**	21.4	3,300
	17.7	**8,029**	19.4	8,921

Trading results – Continued operations

The results for the year from continued operations, which includes the trade from Redstone and the central cost of supporting the Group, report a significant uplift from the prior year. Revenues of £40.1 million have increased by 36% from £29.5 million and related gross profit of £7.0 million is up 35% from the £5.2 million in 2015. EBITDA of £1.3 million against a prior year LBITDA of £0.7 million represents an improvement of 274%. The operating loss of £0.7 million (2015: loss of £1.3 million) includes one-of integration and transactional costs of £1.4 million. Excluding these one-off costs, the continued operations performance would in fact have resulted in an operating profit of £0.7 million compared to the prior year loss of £1.3 million.

Redstone

Redstone has enjoyed a strong year, it has grown both in terms of revenue and profitability. Revenues of £40.1 million have increased 36% from £29.5 million in 2015 and with gross margins remaining broadly flat year on year, have resulted in a gross profit of £7.0 million compared to £5.2 million in 2015. Operating profit of £1.7 million reflects an increase of 466% on last year at £0.3 million and is primarily a result of the increased gross profit from increased revenues.

The increase in revenues during the year by £10.6 million is as a result of increased sales activity in all three Redstone revenue components; IT Networking installation, Smart Building solutions and Managed Services. Revenue performance from Smart Building solutions rose to £6.8 million from £1.7 million an increase during the year of £5.1 million. Revenues from Managed Services of £16.3 million also impressed, up £2.9 million on the prior year of £13.4 million. IT Networking generated revenues of £17.1 million and also reported increased activity, up £2.7 million from the prior year of £14.4 million.

Financial review continued

As a result of the strong revenue performance gross profits increased during the year by £1.8 million. Increased gross profits were as follows; IT Networking increased by £1.2 million, Smart Buildings by £0.2 million and Managed Services by £0.4 million.

The order-book for Redstone continues to support the confidence in the Group and with the addition of new technologies such as our recently launched 'DAS' product offering, it, highlights the increased technology that is being deployed into buildings which Redstone is well positioned to exploit. 'DAS' is a technology, which whilst not necessarily new, has been subject to wide market adoption in the USA and Australia and is an area in which we expect growth. We have in a short space of time seen increased interest in these products and services, evidenced by the £0.8 million contract win for a 'DAS' Solution announced post year-end on 23 February 2016.

Central/Group overhead

The Group reduced central costs to £0.9 million (2015: £1.7 million) which highlights the Board's focus on cost control during the year.

Included in the central overhead for part of the year in 2016 and beyond will be the costs associated with the Stokenchurch office, which was leased on a 4.75-year term in December 2013. The strategy at that time was to acquire a number of Telephony Services related assets and Stokenchurch alongside the Brentwood office were to be the preferred locations for these businesses. Unfortunately, the Stokenchurch office at over 21,000 square feet was excessive in terms of size compared to the required office space. Our focus over the past year has been to sublet the excess space. Whilst the Group continues to use the Stokenchurch office on a limited basis with the cost now recorded in the continued operations within the Group central overhead, a provision has been recorded for 75% of the office space, aligned to the current usage.

The Brentwood office lease with 9 years remaining was successfully exited in September 2015 at a nil exit cost to the Group and recorded in the Telephony Services division accounts during the year.

Trading results – Discontinued operations

Telephony Services

Following the disposal of the Telephony Services division to Timico on 31 May 2015 the results are recorded as discontinued activities.

The trade and certain assets from the divisions various businesses were sold to Timico for £2.5 million in cash with up to a further £1.0 million consideration contingent on an earn-out with defined levels of billed revenues in the quarter ended 30 November 2015. Unfortunately, the earn-out was not achieved due to a rapid deterioration of the customer base, which again supports the decision to exit this business.

The divisions trading for the four months prior to the disposal continued to disappoint. Revenues of £4.3 million (2015: £15.4 million) continued to decline prior to disposal. Gross profit of £0.6 million representing a margin of 15.2% providing further evidence of a decline in performance against a prior year of £3.3 million at 21.4%. As a result of reducing revenues and related gross profit, the division recorded a LBITDA of £1.5 million providing evidence that the overheads of the division were unsustainable and the synergies from the various separate Telephony Services businesses never materialised to the extent required to reach profitability. As a result of the poor performance, the division was sold as it became clear that it was not commercially viable and lacked both scale and quality of earnings.

Financial review continued

Darkside Studios

The results for the Media division are recorded as discontinued operations as the division was sold to the management team for a consideration of £100,000 cash on a deferred basis. The consideration is not contingent on performance and is payable in equal instalments of £50,000 in December 2016 and December 2017.

The disposal, effective from the 8th December 2015, completes the Group's disposal program following the failed strategy executed by the Group's previous management team.

The Media division's result for the period up to disposal reported revenues of £1.1 million (2015: £1.1 million) with gross profits of £0.4 million (2015: £0.5 million). However, the overheads of £0.6 million (2015: £0.3 million) resulted in a LBITDA of £0.2 million compared to an EBITDA in the prior year of £0.1 million.

As a result of the disposal of Darkside Studios, goodwill associated with the acquisition of both Darkside Animation Limited and Click Media Studios Limited of £350,000 was written off in the year and recorded as an integration and transactional cost.

Disputes and potential litigation

Further to the information in last year's Annual Report and Accounts, we can report that the various issues with the previous Group CEO Dave Breith have now been fully resolved.

Depreciation and amortisation

A depreciation charge of £0.4 million (2015: £0.4 million) was recorded during the year, this primarily related to capital investments made in prior years in Redstone in relation to the London office.

An amortisation charge of £0.1 million (2015: £0.1 million) was recorded during the year, resulting from investments made in software and OneSpace.

Integration costs and transactional items

Recorded in the Group income statement for the year was a credit of £0.8 million (2015: charge £1.3 million). This is made up of a charge in the continued operations of £1.4 million (2015: £nil) and a credit in the discontinued operations of £2.2 million (2015: charge £1.3 million).

The charge in continued operations relates to integration costs of £1.1 million, primarily a provision recorded for 75% of the Stokenchurch office.

The credit that is recorded in discontinued operations is in relation to integration costs of £0.8 million, and transaction items of £1.4 million.

	Continued	Discontinued	Combined
Integration and transactional items	£000	£000	£000
Integration costs	1,148	(790)	358
Transactional items	291	(1,479)	(1,188)
Total	1,439	(2,269)	(830)

Financial review continued

Impairment charges

Within discontinued operations there is an impairment charge of £2.2 million (2015: £8.7 million). This charge relates to impairments made on intangible assets of £1.3 million (2015: £1.4 million) and goodwill of £0.6 million (2015: £6.9 million) previously recorded in the Telephony Services division and £0.3 million (2015: £nil) of goodwill relating to Darkside Studios. These impairment charges are as a result of the disposal of both the Telephony Services and Media divisions and represent the full write down of these investments.

Taxation

As a result of the losses prior to disposal in both the Telephony Services and Media divisions, there is no corporation tax payable on the profits made in Redstone.

The tax credit recorded in the income statement in continued activities is due to R&D tax credits. The discontinued tax credit is a write off of a deferred tax liability related to the recognition of intangible assets from the acquisition of the Actimax companies in February 2014.

Cash flow statement

Cash at the year-end of £1.0 million (2015: overdraft of £0.4 million) increased during the year by £1.4 million.

The principal cash flows during the year were the cash used in operations of £2.7 million (2015: £3.4 million), cash received from investing activities of £2.1 million, with £2.5 million resulting from the disposal of the Telephony Services division net of the cash invested in capital expenditure (fixed and intangible assets) of £0.4 million (2015: £5.9 million outflow) and cash inflow from financing activities of £2.0 million net of expenses by way of the placing an open offer in June 2015 (2015: £8.0 million).

Since the year end cash of £1.0 million has been utilised in the acquisition of Connect IB following an equity raise of £3.1 million (see post balance sheet event for further detail).

Borrowings and bank facility

The Group did not have any borrowings during the year outside of the facility.

The Group has a floating facility of up to £2.0 million with Barclays Bank. The facility is for working capital purposes with a covenant requirement of three times debtor cover.

Equity

In June 2015 the Group raised £2.1 million (before expenses) by way of a placing and open offer. The placing consisted of the issue of 200,000,000 new ordinary shares of 0.1 pence per each at a price of 0.5 pence per share, raising £1.0 million. The open offer consisted of the issue of 216,278,646 new ordinary shares of 0.1 pence per share, raising £1.1 million.

Total equity at 31 January 2016 was £8.9 million (2015: £9.0 million).

Post balance sheet events

On the 16th March 2016 the Group announced the acquisition of the entire share capital of Connect IB Limited. Connect IB is a software applications business and was acquired for a total consideration of £1.3 million. The consideration comprises cash of £1.0 million, with the remaining £0.3 million being satisfied through the issue of new ordinary shares. The £0.3 million equity consideration was satisfied by the issue of 15,422,579 ordinary shares at 1.62 pence, an average price over the five business days to 11 March 2016 and a further 3,084,515 ordinary shares at 1.62 pence contingent on achieving certain annuity sales targets.

The cash component of the acquisition was funded by a placing of 223,214,286 new ordinary shares of 0.1 pence each in the Company at a price of 1.4 pence per share rising £3.125 million before expenses. The placing also provided further funding for working capital.

Spencer Dredge
Chief Financial Officer
23 May 2016

Directors and officers

Frank Beechinor (Chairman)

Frank was appointed Chairman of the Board on 10 July 2014 and is Chairman of the Nominations Committee. He has significant corporate experience, particularly of IT and Software services and is also currently Non-Executive Chairman of dotDigital Group plc and CEO of Cadence Performance Limited. Frank was previously founder and CEO of OneClick HR plc from 1997 to 2011.

Mark Braund (Chief Executive Officer)

Mark joined the Board as CEO on 1 January 2016, following his stint as a Non-Executive Director appointed on 9 March 2015.

He is a former director of IBM (EMEA) and an experienced technology and business services executive with a proven ability to turn around and grow businesses. He founded, developed and then sold Barker Personnel Services to Carlisle Holdings plc and subsequently led the turnarounds of TAC Europe, Lorien plc and First Advantage Inc., all of which saw rapid increases in market share and profitability before being sold to private investors. Mark joined InterQuest Group plc as Chief Executive Officer in April 2011; since then he has transformed the Company into one of the leading digital technology contract services and recruitment specialists in the UK.

Spencer Dredge (Chief Financial Officer)

Spencer was appointed as Director on 2 September 2015. Spencer is a qualified Chartered Management Accountant and has more than a decade of experience in the Technology sector having held a number of senior positions for quoted UK technology companies, including his previous role as CFO of Castleton Technology Plc, where he helped complete the Groups restructuring. He has experience in corporate finance, playing a pivotal role in executing successful M&A programs at Redstone plc, Maxima Holdings plc and Redcentric plc.

Guy van Zwanenberg (Non-Executive Director)

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

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

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

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 Nominations Committees. Diana acted as interim FD of the Company between the end of 2014 and Spencer's appointment in August 2015.

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

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

Company information and advisers

Registered office
40 Holborn Viaduct
London
EC1N 2PB

Coms plc Company Number
5332126

Company advisers

Nominated adviser and joint broker
Panmure Gordon
131 Finsbury Square
London
EC2A 1NT

Joint broker
Whitman Howard
First Floor
1 – 3 Connaught House,
Mount Street,
London, W1K 3NB

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

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

Banker
Barclays Bank Plc
1 Churchill Place
London
E14 5HP

Directors' report

The Directors submit this report together with the accounts of Coms plc ('the Company') and its subsidiary undertakings (together 'the Group') for the year ended 31 January 2016.

Principal activities

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

Results and dividend

The results for the year are set out in the consolidated income statement on page 24. The Directors do not recommend payment of a dividend (2015: £nil).

Review of the business

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

Directors and their interests

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

Frank Beechinor	Chairman
Mark Braund	Chief Executive Officer (Non-Executive Director appointed 9 March 2015, appointed CEO 14 July 2015)
Spencer Dredge	Chief Financial Officer (appointed 2 September 2015)
Diana Dyer Bartlett	Non-Executive Director
Guy van Zwanenberg	Non-Executive Director (appointed 9 March 2015)
Dave Breith	Chief Executive Officer (resigned 1 March 2015)
Stephen Foster	Non-Executive Director (resigned 29 May 2015)

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

Directors' remuneration			Share based payment charge	
	2016	**2015**	**2016**	**2015**
	£	£	**£**	£
Frank Beechinor	**78,000**	30,000	**8,718**	126
Mark Braund (1)	**87,000**	-	**9,254**	-
Spencer Dredge (2)	**64,000**	-	**3,702**	-
Diana Dyer Bartlett	**124,000**	71,500	**3,017**	4,041
Guy van Zwanenberg (1)	**33,000**	-	**427**	-
Dave Breith (3)	**40,000**	190,000	**-**	1,921
Stephen Foster (4)	**12,000**	45,800	**-**	31

(1) Appointed 9 March 2015
(2) Appointed 2 September 2015
(3) Resigned 1 March 2015
(4) Resigned 29 May 2015

Directors' report continued

The interests of those Directors serving during the year ended 31 January 2016, as at the year-end or the date of resignation, all of which are beneficial, in the share capital of the Company, were as follows:

Director	Ordinary shares of 0.1p each 2016	2015
	No.	No.
Frank Beechinor	**9,000,000**	-
Mark Braund	**10,638,888**	-
Spencer Dredge	**1,819,795**	-
Diana Dyer Bartlett	**4,000,000**	-
Guy van Zwanenberg	**3,000,000**	-
Dave Breith (1)	**-**	138,856,455
Stephen Foster (2)	**-**	-

(1) Resigned 1 March 2015
(2) Resigned 29 May 2015

Frank Beechinor, Diana Dyer Bartlett and Guy van Zwanenberg all took part in the Placing and Open offer in June 2015 and subscribed for 9,000,000, 4,000,000 and 3,000,000 ordinary shares respectively. Mark Braund also subscribed for 4,000,000 ordinary shares in the placing and open offer and has continued to purchase ordinary shares in the open market during the year and at the year-end held 10,638,888 ordinary shares.

Dave Breith has notified the Company that he no longer holds a notifiable interest in the Company's shares.

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

Directors' share warrants and options

As at 31 January 2016 the Company had granted the following warrants and share options to Directors and past Directors of the Company which remained outstanding at the year-end or at the date of resignation:

Director	Instrument	Number of ordinary shares of 0.1p each	Exercise price	Grant date
Frank Beechinor	Share option	10,000,000	0.92p	11/12/2015
Mark Braund	Share option	65,000,000	0.92p	11/12/2015
Spencer Dredge	Share option	26,000,000	0.92p	11/12/2015
Diana Dyer Bartlett	Share option	7,000,000	0.92p	11/12/2015
Guy van Zwanenberg	Share option	3,000,000	0.92p	11/12/2015
Iain Ross	Warrant	4,000,000	5p	10/06/2013

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

Directors' report continued

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

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

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

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

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

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

Board of Directors
At the year end the Board consisted of a Chairman, Chief Executive, Chief Financial Officer and two Non-Executive Directors.

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

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

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

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

Employees
The Group has continued to give full and fair consideration to applications made by disabled persons, having regard to their respective aptitudes and abilities, and to ensure that they benefit from training and career development programs 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.

Directors' report continued

Share options

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

Substantial shareholdings

As at the 23 May 2016, being the latest practicable date before the signing of these accounts, the following interests in 3% or more of the issued ordinary share capital had been notified to the Company:

Shareholder	23 May 2016	
Helium Special Situations Fund	259,824,283	15.99%
Henderson Group Plc	161,452,525	9.99%

Post balance sheet events

On the 16th March 2016 the Group announced the acquisition of Connect IB limited. Connect IB is a software applications business and was acquired for a total consideration of £1.328 million. The consideration comprises cash of £1.028 million, with the remaining £0.3 million being satisfied through the issue of new equity shares. The £0.3 million equity consideration was satisfied by 15,422,579 ordinary shares at 1.62 pence, an average price over the five business days to 11 March and a further 3,084,515 ordinary shares at 1.62 pence contingent on achieving certain annuity sales targets.

The acquisition was funded by a Placing of 223,214,286 new ordinary shares of 0.1 pence each in the Company at a price of 1.4 pence per share raising £3.125 million before expenses. The Placing financed the cash element of the acquisition and provided further funding for working capital.

Directors' responsibilities

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

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

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss. In preparing each of the group and parent company financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRSs as adopted by the EU; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Directors' report continued

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

Listing

The Company's ordinary shares have been traded on London's AIM Market since 6 September 2006. Panmure Gordon are the Company's Nominated Advisor, and the Company has Joint Broker's, Panmure Gordon and Whitman Howard. The closing mid-market share price at 31 January 2016 was 0.52p (31 January 2015: 9.5p).

Publication of financial statements

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

Annual General Meeting

The Annual General Meeting will be held at the offices of Coms Plc, 40 Holborn Viaduct, London, EC1N 2PB at 11 a.m. on 27th June 2016 to conduct all mandatory business.

Going concern

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

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

Auditor

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

The Report of the Directors was approved by the Board on 23rd May 2016 and signed on its behalf by:

Spencer Dredge
Director
23 May 2016

Auditor’s report

Independent Auditor’s report to the Members of Coms Plc

We have audited the financial statements of Coms Plc for the year ended 31 January 2016 set out on pages 24 to 58. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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

Respective responsibilities of directors and auditor

As explained more fully in the Directors’ Responsibilities Statement set out on page 20, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council’s website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group’s and of the parent company’s affairs as at 31 January 2016 and of the group’s loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the EU;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the EU and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic report and the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Auditor’s report continued

Matters on which we are required to report by exception

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

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

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

Arlington Business Park
Theale
Reading
Berkshire
RG7 4SD

23 May 2016

Consolidated income statement

For the year ended 31 January 2016

	Note	2016	2015
		£000	£000
Revenue	4	**40,098**	29,468
Cost of sales		**(33,148)**	(24,310)
Gross profit		**6,950**	5,158
Administrative expenses		**(5,662)**	(5,897)
Adjusted EBITDA/(LBITDA)*		**1,288**	(739)
Integration and transactional costs included within administrative expenses	6	**(1,439)**	47
Depreciation	8	**(370)**	(412)
Amortisation	8	**(128)**	(58)
Share based payment charge	8	**(47)**	(54)
Impairment charge	7	**-**	(71)
Operating loss	8	**(696)**	(1,287)
Net finance costs	10	**(63)**	(238)
Loss before tax		**(759)**	(1,525)
Taxation	11c	**63**	-
Loss for the year after tax		**(696)**	(1,525)
Discontinued operations		**(1,487)**	(13,545)
Loss for the year		**(2,183)**	(15,070)
Total comprehensive loss for the year attributable to equity holders		**(2,183)**	(15,070)
Basic and diluted loss per share			
Continuing operations	12	**(0.06p)**	(0.16p)
Discontinued operations	12	**(0.12p)**	(1.41p)
Total	12	**(0.18p)**	(1.57p)

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

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

The notes on pages 31 to 58 are an integral part of these consolidated financial statements.

Consolidated statement of financial position

As at 31 January 2016

	Note	2016	2015
		£000	£000
ASSETS			
Non-current assets			
Goodwill	13	**8,724**	9,651
Other Intangible assets	14	**309**	1,718
Property, plant and equipment	15	**637**	1,798
		9,670	13,167
Current assets			
Inventories	16	**181**	305
Trade and other receivables	17	**7,982**	10,658
Cash and cash equivalents	18	**2,430**	492
		10,593	11,455
Total assets		**20,263**	24,622
EQUITY and LIABILITIES			
Capital and reserves attributable to equity shareholders			
Share capital	22	**3,436**	3,015
Share premium	22	**29,463**	27,816
Merger reserve	22	**1,911**	1,911
Reverse acquisition reserve		**(4,236)**	(4,236)
Accumulated deficit		**(21,664)**	(19,528)
Total equity		**8,910**	8,978
Current liabilities			
Overdraft	18	**1,383**	878
Trade and other payables	19	**8,503**	13,603
Provisions	20	**676**	878
		10,562	15,359
Non-current liabilities			
Provisions	20	**791**	-
Deferred tax	21	**-**	285
		791	285
Total liabilities		**11,353**	15,644
Total equity and liabilities		**20,263**	24,622

The financial statements were approved by the Board of Directors and authorised for issue on 23 May 2016.

They were signed on its behalf by:

Spencer Dredge
Chief Financial Officer
23 May 2016
Company Number: 5332126

Consolidated statement of cash flows

For the year ended 31 January 2016

	Note	2016	2015
		£000	£000
Cash flows from operating activities			
Loss for the year		**(2,183)**	(15,070)
Depreciation		**531**	820
Amortisation		**218**	373
Share based payment charge		**47**	54
Release of deferred consideration		**-**	(1,294)
Net finance costs		**63**	245
Taxation		**(482)**	172
Intangible asset impairment	7	**-**	1,360
Property, plant and equipment impairment	7	**-**	416
Goodwill impairment	7	**-**	6,907
Movement in provisions		**589**	878
Loss on sale of fixed assets		**24**	21
Loss on sale of discontinued operation, net of tax		**576**	-
Operating cash flows before movements in working capital		**(617)**	(5,118)
Decrease in inventories		**32**	101
Decrease/(Increase) in receivables		**2,394**	(325)
(Decrease)/Increase in payables		**(4,543)**	1,944
Operating cash flows after movements in working capital		**(2,734)**	(3,398)
Tax paid		**49**	-
Net cash used in operation activities		**(2,685)**	(3,398)
Cash flows from investing activities			
Disposal of assets		**2,500**	-
Acquisition of subsidiaries (net of cash acquired)		**-**	(3,770)
Acquisition of intangible assets		**(355)**	(15)
Proceeds from sale of property, plant and equipment		**23**	54
Acquisition of property, plant and equipment		**(56)**	(2,206)
Net cash used in investing activities		**2,112**	(5,937)
Cash flows from financing activities			
Proceeds from issues of share capital (net of issue costs)		**2,069**	8,003
Net finance costs		**(63)**	(53)
Net cash from financing activities		**2,006**	7,950
Net increase/(decrease) in cash and cash equivalents		**1,433**	(1,385)
Cash and cash equivalents at start of year		**(386)**	999
Cash and cash equivalents at end of year		**1,047**	(386)

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

Consolidated statement of changes in equity

Attributable to equity holders of the Company

	Note	Share capital	Share premium/ merger reserve	Reverse acquisition reserve	Accumulated deficit	Total
		£000	£000	£000	£000	£000
At 1 February 2014		2,864	21,875	(4,236)	(4,512)	15,991
Loss for the year		-	-	-	(15,070)	(15,070)
Total comprehensive loss for the year		-	-	-	(15,070)	(15,070)
Transactions with the owners:						
Proceeds from shares issued	22	151	8,267	-	-	8,418
Share issue costs		-	(415)	-		(415)
Share based payment charge		-	-	-	54	54
At 31 January 2015		3,015	29,727	(4,236)	(19,528)	8,978
At 1 February 2015		3,015	29,727	(4,236)	(19,528)	8,978
Loss for the year		-	-	-	(2,183)	(2,183)
Total comprehensive loss for the year		-	-	-	(2,183)	(2,183)
Transactions with the owners:						
Proceeds from shares issued	22	421	1,697	-	-	2,118
Share issue costs		-	(50)	-		(50)
Share based payment charge		-	-	-	47	47
At 31 January 2016		**3,436**	**31,374**	**(4,236)**	**(21,664)**	**8,910**

Company statement of financial position

As at 31 January 2016

	Note	2016	2015
		£000	£000
ASSETS			
Non-current assets			
Investment in subsidiaries	27	**9,247**	9,247
Tangible assets		**2**	-
		9,249	9,247
Current assets			
Trade and other receivables	17	**346**	2,876
Cash and cash equivalents	18	**-**	5
		346	2,881
Total assets		**9,595**	12,128
EQUITY AND LIABILITIES			
Capital and reserves attributable to equity shareholders			
Share capital	22	**3,436**	3,015
Share premium		**29,463**	27,816
Merger reserve		**1,911**	1,911
Accumulated deficit		**(29,172)**	(21,303)
Total equity		**5,638**	11,439
Current liabilities			
Overdraft	18	**1,383**	-
Trade and other payables	19	**1,437**	689
Provisions	20	**491**	-
		3,311	689
Non-current liabilities			
Provisions	20	**646**	-
Total equity and liabilities		**9,595**	12,128

The financial statements were approved by the Board of Directors and authorised for issue on 23 May 2016.

They were signed on its behalf by:

Spencer Dredge
Director
23 May 2016
Company Number: 5332126

Company statement of cash flows

For the year ended 31 January 2016

	2016	2015
	£000	£000
Cash flows from operating activities		
Loss before taxation	**(7,913)**	(11,992)
Depreciation and amortisation	**-**	58
Impairment provision	**-**	2,700
Gain on deferred consideration	**-**	(219)
Share based payment charge	**44**	54
Net finance costs	**62**	203
Operating cash flow before working capital movement	**(7,807)**	(9,196)
Increase in receivables	**(55)**	(231)
Increase in provisions	**1,137**	-
Increase in payables	**3,332**	2,738
Net cash used in operating activities	**(3,393)**	(6,689)
Cash flows from investing activities		
Acquisition of subsidiary (net of cash acquired)	**-**	(1,385)
Acquisition of property, plant and equipment	**(2)**	-
Net cash used in investing activities	**(2)**	(1,385)
Cash flows from financing activities		
Proceeds from issues of share capital (net of issue costs)	**2,069**	8,003
Net finance costs	**(62)**	(9)
Net cash from financing activities	**2,007**	7,994
Net decrease in cash and cash equivalents	**(1,388)**	(80)
Cash and cash equivalents at start of year	**5**	85
Cash and cash equivalents at end of year	**(1,383)**	5

Company statement of changes in equity

Attributable to equity holders of the Company

	Note	Share capital	Share premium/ merger reserve	Accumulated deficit	Total
		£000	£000	£000	£000
At 1 February 2014		2,864	21,875	(9,365)	15,374
Loss for the year		-	-	(11,992)	(11,992)
Total comprehensive loss for the year		-	-	(11,992)	(11,992)
Transactions with the owners:					
Proceeds from shares issued	22	151	8,267	-	8,418
Share issue costs		-	(415)	-	(415)
Share based payment charge		-	-	54	54
At 31 January 2015		**3,015**	**29,727**	**(21,303)**	**11,439**
At 1 February 2015		3,015	29,727	(21,303)	11,439
Loss for the year		-	-	(7,913)	(7,913)
Total comprehensive loss for the year				(7,913)	(7,913)
Transactions with the owners:					
Proceeds from shares issued	22	421	1,697	-	2,118
Share issue costs		-	(50)	-	(50)
Share based payment charge		-	-	44	44
At 31 January 2016		**3,436**	**31,374**	**(29,172)**	**5,638**

Notes to the financial statements

1 General information

Coms plc is a company incorporated in England and Wales under the Companies Act 2006 and listed on the AIM market. The address of the registered office is given on page 16. The nature of the Group's operations and its principal activities are set out in the Directors' report and in the Operational review in the Strategic report.

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

Going concern

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

- The Placing in March 2016 which raised £3.125 million (before costs), net of the cash used in the acquisition of Connect IB of £1.0 million.
- The increasing appetite from institutional investors who are keen to take part in any future funding event.

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

2 Basis of preparation and significant accounting policies

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

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

Except as described below, the accounting policies applied are consistent with those of the annual financial statements for the period ended 31 January 2015 as described in those annual financial statements.

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

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

International Financial reporting Standards (IFRS)

Accounting for Acquisitions of Interests in Joint Operations – Amendments to IFRS 11
Clarification of Acceptable Methods of Depreciation and Amortisation – Amendments to IAS 16 and IAS 38.
Equity Method in Separate Financial Statements – Amendments to IAS 27
Annual Improvements to IFRSs – 2012-2014 Cycle

All other amendments to existing standards are not yet endorsed by the EU at the date of approval of these financial statements.
It is considered that the above mentioned standards, amendments and interpretations will not have a significant effect on the results of the Group.

Notes to the financial statements continued

Basis of consolidation

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

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

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

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

As permitted by section 408 of the Companies Act 2006 the company has elected not to present its own profit and loss account for the year. The Company reported a loss for the financial year ended 31 January 2016 of £7,913,000 (2015: loss of £11,992,000).

Reverse acquisition accounting

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

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

Under reverse acquisition accounting:

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

Both adjustments have been included in the reverse acquisition reserve.

Merger reserve

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

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

Notes to the financial statements continued

Revenue recognition

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

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

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

Hardware - revenue is recognised on the delivery of goods.

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

Installation - revenue is recognised at the point of installation.

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

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

Property, plant and equipment

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

Depreciation

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

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

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

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

Notes to the financial statements continued

Financial assets

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

Trade receivables and other debtors:

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

Cash and cash equivalents:

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

Financial liabilities

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

Provisions

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

Corporation tax

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

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

Deferred tax

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

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

Notes to the financial statements continued

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

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

Other intangible assets

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

Goodwill

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

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

Research and development

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

An internally-generated intangible asset arising from the development of Redstone's software solution OneSpace, is recognised only if all of the following conditions are met:

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

Acquired intangible assets

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

Amortisation

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

Notes to the financial statements continued

Impairment of tangible and intangible assets excluding goodwill

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

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

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

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

Inventories

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

Share based payments

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

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

Notes to the financial statements continued

Foreign currency

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

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

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

Investments in subsidiaries

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

Leases

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

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

3 Critical accounting estimates and judgements

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

Revenue recognition

Revenue and expenses on fixed price contracts are recognised using the percentage-of-completion method. Revenue, expenses, and ultimately profit are therefore recognised over the life of the activity of the contract. When the outcome of a contract cannot be reliably estimated then revenue can only be recognised to the extent that it is recoverable. When total expected costs exceed the total contract value the expected loss is recognised immediately. As revenue is therefore recognised on a percentage-of-completion basis which will be based on management's best estimate of expected total contract revenue and expected total contract costs it is an area that requires critical estimation and judgement.

Impairment of goodwill

The Group is required to test goodwill for potential impairment on an annual basis. The recoverable amount of goodwill relating to continuing activities is determined based on the value in use calculations which require the estimation of future cash flows and the selection of a discount rate. Actual outcomes of this calculation may vary, further information concerning issues affecting the carrying values is given in note 6.

Acquired intangible assets

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

Provisions

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

Notes to the financial statements continued

4 Segmental reporting

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

These are as follows:

- Redstone
- Darkside Studios - discontinued
- Telephony Services - discontinued

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

Continued Operations Revenue	2016	2015
	£000	£000
IT Networking	**17,055**	14,353
Smart Buildings	**6,768**	1,683
Managed Services	**16,275**	13,432
	40,098	29,468

Revenue	2016	2015
	£000	£000
Redstone	**40,098**	29,468
Discontinued operations	**5,343**	16,486
	45,441	45,954

(Loss)/profit for the year	2016	2015
	£000	£000
Redstone	**1,760**	246
Central administration costs	**(2,456)**	(1,771)
Continued operations	**(696)**	(1,525)
Discontinued operations	**(1,487)**	(13,545)
	(2,183)	(15,070)

Balance Sheet analysis by segment	2016		2015	
	Assets	**Liabilities**	Assets	Liabilities
	£000	**£000**	£000	£000
Redstone	**19,530**	**(6,703)**	17,458	(8,259)
Central administration costs	**347**	**(3,956)**	297	(436)
Discontinued operations	**386**	**(694)**	6,867	(6,949)
	20,263	**(11,353)**	24,622	(15,644)

Included in the above table are non-current assets of £9,669,000 (2015: £9,781,000) for Redstone, £nil (2015: £655,000) for Darkside Studios, and £nil (2015: £2,731,000) for Telephony Services.

Notes to the financial statements continued

5 Discontinued Operations

	Note	2016	2015
		£000	£000
Revenue	4	**5,343**	16,485
Cost of sales		**(4,264)**	(12,723)
Gross profit		**1,079**	3,762
Administrative expenses		**(2,791)**	(6,471)
Adjusted LBITDA*		**(1,712)**	(2,709)
Integration and transactional costs included within administrative expenses	6	**2,269**	(1,322)
Depreciation	8	**(161)**	(408)
Amortisation	8	**(90)**	(315)
Share based payment charge	8	**-**	-
Impairment charge	7	**(2,212)**	(8,612)
Operating loss	8	**(1,906)**	(13,366)
Net finance costs	10	**-**	(7)
Loss before tax		**(1,906)**	(13,373)
Taxation	11c	**419**	(172)
Loss for the year after tax		**(1,487)**	(13,545)
Loss for the year		**(1,487)**	(13,545)
Total comprehensive loss for the year attributable to equity holders		**(1,487)**	(13,545)
Basic and diluted loss per share			
Total	12	**(0.12p)**	(1.41p)

	2016	2015
	£000	£000
Net cash flow used in operating activities	**(1,729)**	1,696
Net cash used in investing activities	**2,488**	(3,046)
Net cash from financing activities	**-**	(7)
Net cash flow for the period	**759**	(1,357)

Notes to the financial statements continued

	2016
	£000
Property, plant and equipment	(639)
Goodwill	(926)
Other intangibles	(1,544)
Inventories	(93)
Trade and other receivables	(281)
Trade and other payables	408
Net assets and liabilities	(3,075)
Consideration received, satisfied in cash	2,500
Net cash outflow	(575)

6 Integration and transactional items

	2016	2015
	£000	£000
Integration costs	358	2,252
Transactional items	(1,188)	(977)
	(830)	1,275

The integration costs include both employee and other restructuring costs such as provisions in respect of onerous contracts. Employee costs include salary, redundancy and other exit costs. The integration costs of (£830,000) are for the consolidated results, with the split being (£2,269,000) discontinued operations and £1,439,000 continued operations.

7 Impairment charge

The impairment charge for the 2016 relates to discontinued operations only, and comprises the following:

	Note	2016	2015
		£000	£000
Goodwill	13	927	6,907
Other intangible assets	14	1,285	1,360
Property, plant and equipment	15	-	416
		2,212	8,683

Goodwill

Goodwill has been impaired as a consequence of the performance of the Telephony Services division, which was sold on 31 May 2015 to Timico Ltd, and the Management Buy Out of the Darkside Studios business on 8th December 2015.

Other intangible assets

During the year, the Board conducted a review of the carrying value of the Group's other intangible assets. As a result, the Group recorded a £1,285,000 impairment charge for the period, specific to the following:

- Intangible assets recognised in relation to the acquisition of the Actimax companies in February 2014.

Notes to the financial statements continued

Property, plant and equipment

During the year, the Directors concluded a review of the carrying value of the Group's property, plant and equipment. No impairment charge was deemed necessary for the year ended 31st January 2016.

8 Operating (loss)/profit

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

	Group	
	2016	**2015**
	£000	£000
Cost of Inventory is recognised as an expense	**16,478**	15,526
Amortisation of intangibles	**218**	373
Depreciation of property, plant and equipment	**531**	820
Loss/(profit) on disposal of property, plant and equipment	**24**	21
Loss on disposal of intangible asset	**-**	-
Staff costs (see note 9)	**15,386**	16,542
Share based payment charge	**47**	54
Loss/(gain) on foreign exchange	**37**	40
Rentals under operating leases	**813**	673
Impairment charge (see note 7)	**2,212**	8,683
Integration and transactional costs (see note 6)	**(830)**	1,275
Audit fees		
-audit of the Company's financial statements	**44**	52
-audit of the Company's subsidiaries pursuant to legislation	**18**	20

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

- Administrative staff costs £5,159,000 (2015: £7,295,000)
- Operating leases - £813,000 (2015: £673,000)
- Depreciation and amortisation - £749,000 (2015: £1,193,000)
- Other operating expenses - £1,732,000 (2015: £3,208,000)

Notes to the financial statements continued

9 Staff costs

The average number of employees was:

	Group	
	2016	**2015**
	No.	No.
Sales	**35**	29
Technical support	**262**	274
Administrative	**46**	56
	343	359
	£000	£000
Their aggregate remuneration comprised:		
Wages and salaries	**13,520**	14,854
Share based payments (see note 30)	**47**	54
Social security costs	**1,515**	1,229
Pension costs	**304**	405
	15,386	16,542

£10,246,000 (2015: £9,518,000) of the above staff costs were included in cost of sales in the consolidated income statement.

10 Net finance costs

	Group	
	2016	**2015**
	£000	£000
Net finance costs	**63**	245

Notes to the financial statements continued

11a Taxation

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

	Group	
	2016	**2015**
	£000	£000
(Loss)/profit before taxation	**(759)**	(1,525)
Taxation	**63**	-
Loss for the year after tax	**(696)**	(1,525)
Tax at the UK corporation tax rate of 20.17% (2015: 21.33%)	**(153)**	(325)
Non-deductible expenses	**4**	18
Unused tax losses not recognised as assets	**223**	-
Utilisation of previously unrecognized tax losses	**(51)**	-
Depreciation in excess of capital allowances	**101**	371
Utilisation of tax losses and group relief	**(124)**	(64)
Under/(over) provided in prior years	**(63)**	-
Taxation credit on continuing operations	**(63)**	-

At 31 January 2016 the Group had estimated tax losses of £5,550,000 (2015: £16,648,000) to carry forward against future profits. These losses have not been recognised as a deferred tax asset owing to the Directors' assessment of recoverability in the short term.

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

Notes to the financial statements continued

11b Deferred taxation

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

	Group	
	2016	**2015**
	£000	£000
Deferred tax assets	**-**	-
Deferred tax liabilities	**-**	(285)
Deferred tax (liability)/asset	**-**	(285)
Deferred tax assets comprised of:		
Trading losses carried forward	**-**	-

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

11c Taxation charge

The taxation credit for the year of £63,000 (2015: charge of £172,000) related to continued operations only and is in respect of the write back of taxation provisions within Redstone Converged Solutions.

12 Earnings per share

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

		2016			2015	
	Continued operations	Discontinued operations	**Total**	Continued operations	Discontinued operations	Total
Basic and diluted (loss)/profit per share	(0.06p)	(0.12p)	**(0.18p)**	(0.16p)	(1.41p)	(1.57p)
(Loss)/profit for the year attributable to owners of the parent company (£000)	(696)	(1,487)	**(2,183)**	(1,525)	(13,545)	(15,070)

	2016	**2015**
Number of shares	**No.**	No.
Weighted average number of ordinary shares in issue	**1,232,295,941**	957,474,129
Weighted average number of potentially dilutive ordinary shares in issue	**1,232,295,941**	957,474,129

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

Notes to the financial statements continued

13 Goodwill

		Group
Cost		£000
At 31 January 2014		12,885
Additions		3,673
At 31 January 2015		16,558
Additions		-
At 31 January 2016		**16,558**
Accumulated impairment charge		
At 31 January 2015		6,907
Impairment charge		927
At 31 January 2016		**7,834**
Carrying value at 31 January 2016		**8,724**
Carrying value at 31 January 2015		9,651
Carrying value at 31 January 2014		12,885
	2016	**2015**
Carrying value of goodwill is allocated as follows:	**£000**	£000
Redstone	**8,724**	8,724
Darkside Studios	**-**	350
Telephony Services	**-**	577
	8,724	9,651

At the year end the Group recorded an impairment charge in relation to goodwill of £927,000. The Impairment charge relates to the Telephony Services division, which was sold on 31st May 2015 to Timico Ltd, and the Darkside Studios business which was sold via a Management Buy Out on 8th December 2015.

Fair value

Goodwill on consolidation has been allocated for impairment testing purposes to the only remaining cash-generating units ("CGUs"). The CGU is in relation to Redstone, following the disposal of both Darkside Studios and the Telephony Services division. The recoverable amount of the Redstone CGU is based on value in use calculations using cash flow projections approved by the Directors covering a three-year period.

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

A pre-tax discount rate of 12% has been used for Redstone. This rate takes into consideration the Group's cost of capital, the expected rate of return and various risks relating to the relevant CGU. At the year end, based on these assumptions there is no indication of impairment in the remaining goodwill.

Notes to the financial statements continued

14 Other intangible assets

	Group			Company
	Development costs	Other intangible assets	Total	Other intangible assets
	£000	£000	£000	£000
Cost or valuation				
At 31 January 2014	438	1,708	2,146	138
Additions	-	16	16	-
Acquisition of subsidiaries	-	1,584	1,584	-
At 31 January 2015	438	3,308	3,746	138
Additions	132	223	355	-
Disposals	(438)	(3,226)	(3,664)	(138)
At 31 January 2016	**132**	**305**	**437**	**-**
Accumulated amortisation and impairment				
At 31 January 2014	205	90	295	80
Charge for the year	128	245	373	58
Impairment	-	1,360	1,360	-
At 31 January 2015	333	1,695	2,028	138
Charge for the year	22	196	218	-
Impairment	-	(1,285)	(1,285)	
Disposals	(355)	(478)	(833)	(138)
At 31 January 2016	**-**	**128**	**128**	**-**
Carrying value				
At 31 January 2016	**132**	**177**	**309**	**-**
At 31 January 2015	105	1,613	1,718	-
At 31 January 2014	233	1,618	1,851	58

During the year, the Board conducted a review of the carrying value of the Group's intangible assets. As a result, the Group recorded a £1,285,000 impairment charge for the period, as detailed in note 7.

Notes to the financial statements continued

15 Property, plant and equipment

Group	Plant & machinery	Leasehold improvements	Fixtures & fittings	Computer equipment	Total
	£000	£000	£000	£000	£000
Cost					
At 31 January 2014	233	667	199	1,982	3,081
Acquisition of subsidiaries	231	27	114	249	621
Additions	69	961	101	324	1,455
Disposals	(177)	(656)	(53)	(2)	(888)
At 31 January 2015	356	999	361	2,553	4,269
Additions	-	7	-	49	56
Disposals	(356)	(550)	(282)	(1,547)	(2,735)
At 31 January 2016	**-**	**456**	**79**	**1,055**	**1,590**
Accumulated depreciation and impairment					
At 31 January 2014	141	618	100	1,191	2,050
Charge for the year	212	171	52	385	820
Impairment (see note 7)	-	264	152	-	416
Disposals	(104)	(656)	(53)	(2)	(815)
At 31 January 2015	249	397	251	1,574	2,471
Charge for the year	46	126	29	330	531
Disposals	(295)	(372)	(255)	(1,127)	(2,049)
At 31 January 2016	**-**	**151**	**25**	**777**	**953**
Carrying value					
At 31 January 2016	**-**	**305**	**54**	**278**	**637**
At 31 January 2015	107	602	110	979	1,798
At 31 January 2014	92	49	99	791	1,031

During the year, the Directors concluded a review of the Group's property, plant and equipment carrying values, specifically in light of the Board's decision to vacate certain Group office locations. No impairment charge was deemed necessary to the remaining assets following the disposals during the year.

Notes to the financial statements continued

16 Inventories

	Group	
	2016	2015
	£000	£000
Finished goods	**181**	305

17 Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
Current	**£000**	£000	**£000**	£000
Financial assets				
Trade receivables	**4,182**	5,617		-
Amounts recoverable on contracts	**2,468**	2,773		-
Other receivables	**340**	423	**201**	201
Amounts due from subsidiaries less impairment provisions	**-**	-	**-**	2,585
Taxes and social security costs	**111**	96	**30**	54
Accrued income	**5**	523	**-**	-
	7,106	9,432	**231**	2,840
Non-financial assets - prepayments	**876**	1,226	**115**	36
	7,982	10,658	**346**	2,876

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

Amounts recoverable on contracts includes contract costs plus recognised profits of £11,340,000 (2015: £9,239,000) less progress billings of £9,453,000 (2015: £6,869,000) and retention monies.

18 Cash and cash equivalents

	Group		Company	
	2016	2015	2016	2015
	£000	£000	**£000**	£000
Bank current account	**2,430**	492	**-**	5
Bank current account - overdraft	**(1,383)**	(878)	**(1,383)**	-
	1,047	(386)	**(1,383)**	5

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

Notes to the financial statements continued

19 Trade and other payables

	Group		Company	
	2016	2015	2016	2015
Current	**£000**	£000	**£000**	£000
Financial liabilities				
Trade payables	**3,257**	5,957	**359**	177
Social security and other taxes	**602**	2,030	**20**	-
Other payables	**37**	405	**-**	-
Accruals	**3,795**	3,207	**1,058**	87
Deferred consideration	**-**	171	**-**	171
Amounts owed to subsidiary company	**-**	-	**-**	254
	7,691	11,770	**1,437**	689
Non-Current liabilities				
Financial liabilities				
Deferred income	**812**	1,833	**-**	-
	8,503	13,603	**1,437**	689

The amounts owed to subsidiary companies are non-interest bearing and repayable on demand. The Directors consider that the carrying amount of trade and other payables equals their fair value.

20 Provisions

	Property	Dilapidations	Other provisions	Corporate restructuring	Total
	£000	£000	£000	£000	£000
Balance at 1 February 2015	400	55	423	-	878
Provisions made during the year	1,018	90	-	64	1,082
Provisions used during the year	-	-	-	-	-
Provisions reversed during the year	(400)	-	(183)	-	(583)
Amounts arising from acquisition/disposal	-	-	-	-	-
Unwinding of discounted amount	-	-	-	-	-
Balance at 31 January 2016	**1,018**	**145**	**240**	**64**	**1,467**
Non-current	646	145	-	-	791
Current	372	-	240	64	676

The directors have made provision for certain Group offices where the lease is deemed to be onerous, negotiations are on-going, however, the Board has made provision for £1,018,000 as a best estimate. Other provisions relate to customers and supplier issues where the Directors believe that there is a likely cash outflow.

The Company provision comprises property (£1,018,000) (2015: £nil), dilapidations (£145,000) (2015: £nil) and corporate restructuring (£65,000) (2015: £nil) with ‘other provisions’ held within the operating entities.

Notes to the financial statements continued

21 Deferred tax liability

	Group	
	2016	**2015**
Non-current	**£000**	£000
Deferred tax liability	**-**	285
	-	285

22 Share capital and reserves

The Company's share capital comprises:

	2016	**2015**	**2016**	**2015**
	Number	Number	**£000**	£000
Allotted, called up and fully paid:				
Ordinary shares of 0.1p each	**1,394,532,799**	973,254,149	**1,394**	973
Deferred shares of 1p each	**127,144,044**	127,144,044	**1,271**	1,271
Deferred shares of 0.1p each	**770,714,046**	770,714,046	**771**	771
			3,436	3,015

Movements in issued and fully paid ordinary shares capital	Number	Issue price	Share capital	Share premium	Merger reserve	Total
			£000	£000	£000	£000
Placing & open offer	416,278,646	0.5p	416	1,665	-	2,081
Placing fee			-	(50)	-	(50)
Warrant Exercise	5,000,000	0.75p	5	32	-	37
Total movement In the year	421,278,646		421	1,647	-	2,068
At 31 January 2015	973,254,153		973	27,816	1,911	30,700
At 31 January 2016	**1,394,532,799**		**1,394**	**29,463**	**1,911**	**32,768**

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

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

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

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

Notes to the financial statements continued

23 Retirement benefit schemes

The Group operates a defined contribution company pension scheme for the Directors and employees. The assets of the scheme are held separately from those of the Company. The annual contributions payable is charged to the income statement. For the period, pension costs incurred were £304,000 (2015: 405,000) with £204,000 (2015: £293,000) being included in cost of sales.

24 Related-party transactions

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

Remuneration of key management personnel

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

Directors' fees

Director's fees of £nil (2015: £91,000) were paid to Gladstone Consultancy Partnership, of which Iain Ross is a partner, in respect of services provided by Iain Ross; £nil (2015: £18,000) was outstanding at the year end.

Director's fees of £124,000 (2015: £49,000) were paid to Warspite Limited, a company connected to Diana Dyer Bartlett, in respect of services provided by Diana Dyer Bartlett; £nil (2015: £23,000) was outstanding at the year end.

Director's fees of £12,000 (2015: £43,000) were paid to Iridian Consulting Services Limited, a company connected to Stephen Foster, in respect of services provided by Stephen Foster; £nil (2015: £3,000) was outstanding at the year end.

Graham Herring provided services totaling £nil (2015: £7,000) during the year; at the year-end £nil was outstanding (2015: £nil).

Director's fees of £24,000 (2015: £nil) were paid to Wydelta Limited, a company connected to Mark Braund, in respect of services provided by Mark Braund, £nil (2015: £nil) was outstanding at the year end.

Director's fees of £33,000 (2015: £nil) were paid to VZ Limited, a company connected to Guy van Zwanenberg, in respect of services provided by Guy van Zwanenberg; £nil (2015: £nil) was outstanding at the year end.

Directors' transactions

Products and services

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

- The Group purchased marketing and website services from Blabbermouth Marketing Limited on arm's length terms. During the year services provided amounted to £27,000 (2015: £158,000) and the amount due to Blabbermouth at the period end was £nil (2015: £15,000).

During the year the Company entered into the following trading activities with companies or partnerships connected with Mark Braund:

- During the year the Group purchased contract personnel services from InterQuest on arm's length terms. During the year services provided amounted to £498,000 (2015: £nil), and the amount due to InterQuest at the period end was £342,000 (2015: £nil)

Notes to the financial statements continued

25 Commitments

a) Capital commitments

There were no capital commitments at 31 January 2016 (2015: £nil).

b) Operating lease commitments

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

Lease 1 – has a life of 57 months terminating in September 2018.
Lease 2 – has a life of 5 years terminating in December 2019.
Lease 3 – has a life of 5 years terminating in December 2018.

Future minimum lease payments under non-cancellable operating leases are as follows:	2016 Property	2016 Vehicles	2015 Property	2015 Vehicles
	£000	**£000**	£000	£000
Within one year	**729**	**58**	263	99
After one year but not more than 5 years	**1,632**	**45**	1,901	103
After 5 years	**-**	**-**	848	-
	2,361	**103**	3,012	202

26 Financial instruments

Financial instruments

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

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

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

Principal financial instruments

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

		Group		Company	
	Note	2016	2015	2016	2015
		£000	£000	**£000**	£000
Financial assets	17	**7,106**	9,432	**231**	2,840
Financial liabilities	19	**7,691**	11,770	**1,437**	689

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

Notes to the financial statements continued

Financial risk management

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

The overall objective of the Board is to set polices that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below:

Credit risk

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

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

As at 31 January 2016 the ageing analysis of trade receivables of the Group is as follows:

	Total	Not yet due	0-60 days	60-90 days	>90 days
	£000	£000	£000	£000	£000
2016	**4,304**	**2,007**	**1,237**	**708**	**352**
2015	5,617	2,197	2,004	620	796

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

Liquidity risk

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

Interest rate risk

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

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

Capital

The Group considers its capital to comprise its ordinary share capital, deferred share capital, share premium, merger reserve, reverse acquisition reserve and accumulated retained deficit as its capital reserves. A summary of the amounts of capital in each of these categories is shown in the consolidated statement of changes in equity on page 27.

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

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

Currency risk

The Group occasionally provides services in markets outside the UK. In most examples the material equity and financial liabilities are contracted in Sterling and hence there is no significant currency risk. In the event there is a material exposure to foreign currencies other than Sterling the Group will hedge its exposure, these events are continuously reviewed on an on-going basis.

Notes to the financial statements continued

27 Fixed asset investments

Details of the Company's subsidiaries at 31 January 2016 are as follows:

	Place of incorporation and operation	Proportion of ownership interest	Proportion of voting power held	Nature of business
Subsidiary		%	%	
Comunica Holdings Limited	England	100	100	Holding company
Redstone Converged Solutions Limited [3]	England	100	100	Infrastructure
Coms Media Limited [6]	England	100	100	Media
CloudXL Limited [6, 8]	England	100	100	Dormant
CloudXL Networks Limited [6, 8]	England	100	100	Dormant
CloudXL Support Limited [6, 8]	England	100	100	Dormant
Coms.Com Limited	England	100	100	Dormant
Coms Enterprise Limited	England	100	100	Dormant
Coms Mobile Ltd	England	100	100	Dormant
Premium O Limited [5, 8]	England	100	100	Dormant
Superline Telecommunications Limited [1, 8]	England	100	100	Dormant
Smarter Mobile UK Limited [7, 8]	England	100	100	Dormant
Systems Online Limited [6, 8]	England	100	100	Dormant
Universal Office Automation Limited [6, 8]	England	100	100	Dormant
Network Resource Limited [6, 8]	England	100	100	Dormant
Network Resource Group Limited [6, 8]	England	100	100	Dormant
Darkside Animation Limited [2]	England	100	100	Dormant
Clicks Media Limited [2]	England	100	100	Dormant
Comunica Group Limited [4]	England	100	100	Dormant

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

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

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

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

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

[6] All Actimax entities are owned by Coms Enterprise Limited.

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

[8] As a result of the voluntary liquidation process, these entities have been deconsolidated in line with accounting policy resulting in a loss of £221,000

Notes to the financial statements continued

Investment in subsidiaries	Total
	£000
Cost	
At 1 February 2014	15,236
Additions	-
At 1 February 2015	15,236
At 31 January 2016	**15,236**
Accumulated amortisation and impairment	
At 1 February 2015	5,989
Impairment charge	-
At 31 January 2016	**5,989**
Carrying value	
At 31 January 2016	**9.247**
At 31 January 2015	9,247
At 31 January 2014	11,947

The carrying value of the investment at the year-end represents Redstone, a wholly owned subsidiary.

28 Post balance sheet events

On the 16th March 2016 the Group announced the acquisition of 100% of the issued share capital of Connect IB limited. Connect IB is a software applications business and was acquired for a total consideration of £1.328 million. The consideration comprises cash of £1.028 million, with the remaining £0.3 million being satisfied through the issue of new equity shares. The £0.3 million equity consideration was satisfied by 15,422,579 ordinary shares at 1.62 pence, an average price over the five business days to 11 March and a further 3,084,515 ordinary shares at 1.62 pence contingent on achieving certain annuity sales targets.

The acquisition was funded by a Placing of 223,214,286 new ordinary shares of 0.1 pence each in the Company at a price of 1.4 pence per share rising £3.125 million before expenses. The Placing financed the cash element of the acquisition and provided further funding for working capital.

A review of the Connect IB acquired balance sheet along with any fair value adjustments is underway and the final adjusted balance sheet will result in both the disclosure of the business combination and recording of the related goodwill.

Notes to the financial statements continued

29 Options and warrants

The Company had the following share options and warrants outstanding at 31 January 2016:

	Number	Date granted	Price per share	Vesting period
Warrants	4,000,000	12 Jun 13	5.0p	12 Jun 13 - 11 Jun 23
Options	130,953,280	11 Dec 15	0.92p	31 Dec 18 – 10 Dec 25
Unapproved options	3,600,000	1 Nov 13	3.5p	01 Nov 13 - 31 Oct 15

30 Share based payments

The Group operates two equity settled share based payments plans; an EMI scheme and an Unapproved share scheme. During the year the Group issued 130,953,280 options under both the EMI and unapproved options scheme. Options granted during the year under the EMI and unapproved schemes were outstanding over a total of 73,127,192 and 57,826,088 ordinary shares respectively.

The schemes incorporate the same general terms and conditions with the EMI scheme benefiting from certain tax breaks.

Total options and warrants outstanding under the EMI and unapproved schemes at 31 January 2016 were outstanding over a total of 138,553,280 (2015: 55,233,333).

The weighted average exercise price for options exercised during the year was 0.75p (2015: 0.90p).

The outstanding options at the year-end have an exercise price in the range of 0.92p to 5p (2015: 0.75p to 50p).

The weighted average remaining contractual life of the share options outstanding at the year-end is 9 years 7 months (2015: 2 years 9 months).

The expense recognised for equity-settled share-based payments during the year to 31 January 2016 was £47,000 (2015: £54,000).

	2016		2015	
	Number	**Weighted average exercise price**	Number	Weighted average exercise price
Outstanding at start of year	**55,233,333**	**3.38p**	110,805,641	1.80p
Granted during the year	**130,953,280**	**0.92p**	4,000,000	6.75p
Lapsed during the year	**(360,000)**	**0.50p**	(1,814,689)	5.00p
Forfeited during the year	**(42,273,333)**	**3.13p**	(44,626,667)	3.28p
Exercised during the year	**(5,000,000)**	**0.75p**	(13,130,952)	0.90p
Outstanding at end of year	**138,553,280**	**1.10p**	55,233,333	3.38p
Exercisable at end of year	**7,600,000**	**4.29p**	28,360,000	2.74p

Notes to the financial statements continued

The fair value of the equity-settled share options granted is estimated as at the date of the grant using a Black Scholes model taking into consideration the terms upon which the options were granted. During the year ended 31 January 2016 there were 130,953,280 options granted (2015: 4,000,000). The following table lists the inputs into the model used to calculate the fair value.

Grant date	11 December 2015
Option price	0.92p
Dividend yield	nil
Vesting period (years)	10 years
Assumed volatility at date of grant	122%
Risk-free discount rate	0.75%
Expected life of option	5 years
Fair value per option	0.306p
Share price at grant	0.92p

The expected volatility is based on historic volatility, adjusted for any expected changes to future volatility.

The 11 December 2015 grant of share options are subject to performance conditions whereby the average mid-market closing share price of the Company's ordinary shares in any 90-day period in the period to 31 December 2018 is at or above certain defined levels, as follows;

Share price at or above:	Cumulative % vesting
1.5p	15.4%
2.5p	30.8%
3.5p	53.8%
4.5p	76.9%
5.0p	100.0%

If you would like to find out more.

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