



# Coms Plc

Report and Accounts  
for the year ended 31 January 2008

Telecoms on Demand™

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## INTRODUCTION

Coms plc is a provider of internet telephony services to business customers that reduces their costs as well as provides increased functionality and flexible implementation.

Coms plc was formed by the reverse takeover of Azman Plc by Coms Limited and the re-admission of the enlarged Group, as Coms plc, to the AIM Market of the London Stock Exchange on 6 September 2006. Since then the enlarged Group has acquired ExchangeXT Limited, Superline Telecommunications Limited and VCOMM (UK) Limited which have both strengthened the product portfolios and opened new routes to market.

## FINANCIAL HIGHLIGHTS

Income	£1,297,728	(2007: £106,380)
Gross Profit	£443,350	(2007: £27,046)
Consolidated Net Assets	£2,623,926	(2007: £1,942,336)
Earnings per Share	(0.09)p	(2007: 0.17p)
Loss per Share	0.09p	(2007: 0.17p)

## BUSINESS HIGHLIGHTS

May 2007	Acquisition of VCOMM (UK) Limited
September 2007	Polycom appoints Coms as a distributor of their IP Phones
April 2008	Federation of Small Businesses recommends Coms to their 210,000 members
May 2008	Change of nominated advisor and broker to Daniel Stewart and Company

# CHAIRMAN'S STATEMENT

## Overview

Our business has made significant progress in the last 12 months. Since coming to AIM we have acquired and successfully integrated three businesses which have enhanced our product offerings and given us new routes to market. Recent significant customer wins such as Halfords and the Federation of Small Businesses clearly demonstrate demand for our hosted telephony service. We have focussed our sales on more high-value business customers which has resulted in higher average revenues per user (ARPU) and strong gross margins.

To support this phase of customer growth we have strengthened our corporate team with the appointment of Daniel Stewart and Company as our nominated advisor and broker and Threadneedle Communications as investor relations advisers.

The market for internet telephony (VoIP) continues to expand, and it is our belief that every traditional telecom (PSTN) call minute will become an internet call minute, as businesses increasingly begin to understand the cost and location benefits and advanced functionality that internet telephony offers.

At the heart of the Coms service is our own proprietary internet telephony switch and network, which unlike Skype is based upon the SIP (Session Initiation Protocol) standard. In contrast to many competitors this allows us to control the call quality from end to end and so provide a business class service.

We therefore have the ability to create compelling offerings that reduce operating costs and outlay such as buying an internal switchboard ('PBX'). At the same time we provide enhanced features often only found on expensive corporate PBXs, providing a Legacy free future, where new emerging features such as video telephony will be added.

Our core business is focused on selling hosted telephony to small and medium sized businesses and integrated solutions to corporate customers. This creates long-term recurring income, which is more comparable to a post-pay mobile operator than other VoIP competitors.

Many of our target customers are currently reviewing their telecoms costs as part of a broader cut in budgets due to the difficult market conditions. Coms expects to benefit from this downturn as we demonstrably reduce a business's telephony costs, and can scale up and down to suit changing business requirements.

I believe that the company is at a key stage in its development and poised for a period of revenue growth that will substantially enhance shareholder value. To achieve this, we are in the process of expanding our sales and marketing teams.

Coms remains on track to become cash flow positive at an operational level this financial year based upon our organic growth of 160% in the last six months of the financial year. The costs this year were higher than expected due to the fees relating to the aborted acquisition of Sim4Travel Holdings.

I am confident that we have in place a strong business plan and motivated management team and I very much look forward to the year ahead.

**Jason Drummond**

*Executive Chairman*

# BUSINESS REVIEW

## Introduction

Through the successful integration of our recent acquisitions and our own research and development, Coms has developed a proprietary internet telephony service and business model that is rapidly gaining traction in the lucrative business communications market. As our service is based upon the internet, which continues to develop and increase bandwidth, so we can continue to add innovative communications features such as video conferencing, and provide a legacy free communications service for our customers.

## Target Market

There is a large growing market for internet telephony services and a plethora of providers who are offering a variety of service level propositions from free. However, we have now succeeded in structuring Coms to completely focus on providing a high quality service to the business sector. Our service provides a compelling offer that decreases immediate CAPEX costs for buying and maintaining an internal switchboard ('PBX') as well as reducing ongoing call costs. We have two primary product offerings:

Micro	SME	Corporate
Hosted Internet Telephony Service		Bespoke

- **Hosted Internet Telephony**

For small and medium sized businesses, small corporations and micro offices such as home offices, Coms provides a hosted internet telephony service that leverages the customer's existing broadband connection. The customer simply purchases and connects an internet telephony handset directly to their broadband router (via a CAT5 network, WiFi or DECT) and can immediately take advantage of our rich features and significantly low call rates.

- **Bespoke Internet Telephony Solutions**

Large corporations often prefer to integrate internet telephony with their internal messaging systems such as Microsoft exchange. In such cases, Coms provides all of the necessary enabling hardware such as internet telephony handsets, VoIP gateways, integration consulting and SIP trunks. These are the equivalent of internet telephone lines that enable internal intranet messaging systems to be linked to traditional telephones and mobile phone networks.

## Advanced Telecoms Functionality

The flexible design of our internet telephony application allows us create bespoke packages that enable our customers to select advanced features that would normally only be found in expensive corporate switchboards, including:

- **Geographic Numbers**

As an OFCOM licensed carrier, our customers can select from an inventory of more than 2 million geographic numbers in area codes around the country

- **Advanced Switchboard functions**

Customer packages can include an array of advanced switchboard functions including call waiting, call transfer, call queuing, hunt groups, auto-attendant and intelligent routing

- **Unified messaging**

Enables users to collect messages from anywhere and in any format, including on an email application

- **Enabling technology**

Coms can supply leading internet telephony handsets including Polycom handsets which are exclusive to Coms and Vegastream gateways

• **SIP (session initiation protocol) Trunks**

Internet telephone lines that allow corporate intranet applications to connect to traditional phones and mobiles

**Unique Differentiators**

The effect of our strategy has been to create a quality service, which creates a differentiator and barrier to entry to the business market for other providers.

- Quality of Service
- Relationships

**Routes to Market**

Coms continues to develop cost effective routes to market including:

- web
- Sales team
- Distributors

**Business Model**

We have succeeded in transitioning Coms to a recurring income business model that is based on revenue for the initial set-up from hardware and consulting and recurring monthly income from subscription fees and additional call minutes. This is more comparable to a post-pay-mobile phone operator and allows us to use similar valuation metrics for our business.

Average metrics by user type:

Hosted Internet Telephony Services		Bespoke Internet Telephony Solutions	
Set-up	£70	Set-up	£4,000
ARPU	£17	ARPU	£1,000
Gross Margin	45%	Gross Margin	39%

**Other Products and Revenue**

The legacy Superline service ([www.superline.co.uk](http://www.superline.co.uk)) which is a carrier pre-select (CPS) and an indirect-access (IDA) telephony product that continues to deliver strong recurring revenues with low churn. This remains a useful product in our portfolio for non-internet users, and the company intends to launch a VoIP equivalent pay-as-you service IDA service that we anticipate, will breathe new growth into this product.

**Customer Growth**

Coms is now strongly positioned for growth and the management are actively implementing appropriate strategies that will increase the number of users, including:

- increasing the sales head count to sell directly to internally generated sales leads
- increasing our business development team to develop strategic relationships
- increasing our marketing head count and ability to implement marketing and PR campaigns to generate leads and develop the Coms® brand
- implementing marketing campaigns, particularly PR based campaigns that explain the service and are based on reference customers

### **Corporate Development**

We believe that Coms is at a key stage in its development and we are working closely with our new nominated advisor and broker, Daniel Stewart and Co, and our IR agency to communicate our investor proposition and future potential. We are also investigating a number of strategies to increase our attractiveness to institutional investors that include consolidating our stock.

We are also optimistic that the current trading environment is likely to create potential acquisition opportunities that will increase our customer base, technology and routes to market. For this reason, the board also seeks to renew its authorisation to raise finance through a placing and issue equity for acquisitions and other opportunities that will accelerate our growth.

### **Outlook**

In what many are finding a difficult market background, businesses are becoming ever more conscious of cost. We believe there is a significant opportunity to evaluate our alternative lower cost telecom solutions and as a result the Board views the future with optimism.

**Terry Martin**

*Chief Executive*

## CUSTOMER ENDORSEMENTS



### **Big business functionality, low monthly fee**

The Federation of Small Business (FSB) recommends Coms to their 210,000 members. Now their small business members can have all the functions of a big-business switchboard such as unified messaging, auto attendants and follow me services. This is packaged with a low monthly fee and low call rates and businesses can easily scale up and down the number of handsets that they require.

### **Summer Festivals Scale up with Coms**

The organisers of the Glastonbury Festival and the Big Chill festivals turned to Coms to scale up their telephony infrastructure ahead of their popular summer events. The advanced Coms network allowed them to add hundreds of internet telephone extensions that were manned by their army of volunteers, as well as implement advanced auto-attendant messages that gave callers up to the minute information.



### **Coms helps Estate Agent Move**

RE/MAX 24

"We were moving office and needed to install a new cost effective telecommunications system which offered us more freedom and flexibility as we added additional staff to the office and we needed to do it quickly. As Estate Agents we are regularly out of the office but still need to make and receive important calls without delay.

The Coms hosted VoIP service was ideal for us and has allowed us to make significant savings on our telephone bills. In addition, the system was installed in 2 hours and we had no capital expenditure.

We now have the freedom and confidence we were looking for in a telecommunications system and can continue to conduct business and grow without worrying about the costs!"

### **An International Music Producer with International Presence**

Simon Climie:

"I conduct business all over the world and have associates in London, Los Angeles, and Nice so my telephone bills were astronomical, often upwards of £3,000 per month. I was reluctant to use my phone because of the bills and realised I needed to do something about it.

I chose the Coms business VoIP service to streamline my telecommunications. This service allowed me to create a telephone network between all of my top contacts. Network calls are free, even internationally which has slashed my monthly bill to between £50 and £100 per month, a fraction of what it was.

The really great feature of the Coms.Net service is that I can access my network on my mobile in with Wi-Fi connection. With my Nokia dual mode phone, I can make and receive free network calls when I'm in a Wi-Fi zone. This suits me perfectly as I am always on the move."

## DIRECTORS AND OFFICERS

### **Jason Drummond** *(Executive Chairman)*

Jason Drummond founded Virtual Internet, an online intellectual property protection and web hosting Company in 1996. Virtual Internet was admitted to AIM in January 1999 and subsequently combined a £30 Million fundraising with a move to the Official List of the London Stock Exchange in April 2000. Jason is a high profile investor and co-founder of a number of highly successful technology Companies which are listed on AIM. These Companies include Media Corporation plc (MDC), Coms plc (COMS) and Networx plc (NTWX).

### **Terence Martin** *(Chief Executive)*

Terry Martin graduated from the University of Bradford. He started his career with Hewlett Packard before joining Apple Computers (UK) in their sales division and became their Channel Sales Director. He became Sales Director of Samsung Electronics (UK) Limited and then he worked at Ingram Micro UK Limited as Commercial Sales Director. He joined as Sales Director and was appointed to the board of Scoot.com plc in August 2001 as Managing Director. During this time, Scoot became a significant force in the directory enquiries market. He had responsibility for the sale of the business to BT plc and then assisted in the integration of Scoot and its employees into BT Directories.

### **Richard Bennett** *(Corporate Development Director)*

Richard Bennett started his career working with GE (General Electric). In 1994, Richard was a co-founder of JFAX Inc., in New York, which became a leading Internet unified messaging service and is now named J2 Global Communications Inc, and quoted on NASDAQ (NASDAQ:JCOM). He has since held a portfolio of executive and entrepreneurial roles serving as a Director of AIM listed Virtual Internet, and was a founder of the clean-tech company The Carbon Advisory Limited.

### **Andrew Branson** *(Finance Director)*

Andrew Branson qualified as a Chartered Accountant in 1984 before joining the London office of BDO Stoy Hayward in 1985 where he was appointed as Senior Audit Manager in 1990. Since 1996 Andrew has been the Finance Director of Computer Warehouse Ltd, a leading Apple computer distributor.

### **Jonathan Cole** *(Non Executive Director)*

Jonathan Cole is an entrepreneur with investments in a portfolio of companies. He founded Computer Warehouse Limited that became one of the largest Apple resellers in the UK with a turnover in excess of £15 million per annum. He has also established a number of other companies including Metacharge Limited that processes real time payment transactions over the Internet.

### **Justin Drummond** *(Non Executive Director)*

Justin Drummond founded Media Corp in February 2000, six years after his first marketing business was established. Justin saw Media Corp listed on the London Stock Exchange just a year after its formation via the reverse takeover of Chrome Technology plc in May 2001. Justin has overseen the rapid growth of Media Corp and was instrumental in the £14 Million institutional placing in March 2005 and the acquisitions of both Eyeconomy Limited, a leading media agency and Search Focus Limited, a specialist in sector specific search technology and marketing.

## ADVISERS

### SECRETARY AND REGISTERED OFFICE

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

### COMS PLC COMPANY NUMBER

5332126

### NOMINATED ADVISER & STOCKBROKER

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London EC2R 8DD

### SOLICITORS

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Hants, SO15 1GA

### ACCOUNTANTS & AUDITORS

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

### BANKERS

Barclays Bank Plc  
1 Churchill Place,  
London, E14 5HP

### INVESTOR RELATIONS ADVISERS

Threadneedle Communications  
107-111 Fleet Street  
London EC4A 2AB

### REGISTRARS

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

## DIRECTORS' REPORT

The Directors have pleasure in submitting this report together with the accounts of Coms plc ('the Company') and its subsidiary undertakings (together 'the Group') for the year ended 31 January 2008.

### Principal Activities

The Group's principal activity is the development and commercialisation of internet telephony services and sale of associated equipment. Internet telephony enables telephone calls to be transmitted as data over the internet rather than as voice traffic over fixed communication lines, this provides for flexible working and lower operating costs.

### Results and dividend

The results for the year are set out in the Consolidated Income Statement on page 17. The Directors do not recommend a dividend.

### Review of the business

A review of the business of the Group, together with comments on future developments is given in the Chairman's Statement on page 4 and the Business Review on pages 5 to 7.

### Key performance indicators ("KPIs")

Given the nature of the business and that the Group is in the early phase of operations, the Directors are of the opinion that analysis using non-financial KPIs is not yet appropriate for an understanding of the development, performance or position of our business at this time. As the Group's business is developed the Board will identify and disclose relevant KPI's which will also include market performance information.

	31 January 2008 £	31 January 2007 £
Revenues	1,297,728	106,380
Loss before taxation	[860,442]	[664,331]
Net assets	2,623,926	1,942,336
Net cash and cash equivalents at the year-end	19,970	178,522

### Directors and their interests

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

JC Cole	<i>Non-executive Director</i>
JP Drummond	<i>Executive Chairman</i>
JK Drummond	<i>Non-executive Director</i>
RA Bennett	<i>Corporate Development Director</i>
AN Branson	<i>Finance Director</i>
T Martin	<i>Chief Executive</i>

The interests of those directors serving at the year ended 31 January 2008, all of which are beneficial, in the share capital of the Company, were as follows:

	At 31 January 2008 Shares of 0.1p each	At 31 January 2007 Shares of 0.1p each
JC Cole	87,951,100	86,951,100
J K Drummond	502,512,366	482,745,700
J P Drummond	31,431,400	29,931,400
T Martin	2,500,000	2,500,000
RA Bennett	2,500,000	2,500,000
AN Branson	500,000	500,000

### Directors Share Warrants

As at 31 January 2008 the Company had granted the following warrants to directors and a past director of the Company pursuant to the terms of the EMI Scheme and the Unapproved Scheme.

Option Holder	Exercise price per Ordinary Share	Number of Ordinary Shares subject to warrant	Warrant Type	Grant Date
T Martin	1.0p	5,000,000	B Warrants	09/08/2006
RA Bennett	1.0p	5,000,000	B Warrants	09/08/2006
AN Branson	1.0p	1,000,000	B Warrants	09/08/2006
L E V Knifton (past director)	0.1p	333,334	Warrants	12/02/2005

Note:

The beneficial holdings include, where applicable, the holdings of immediate family. None of the Directors had a material interest in any significant contracts undertaken by the Group during the year. None of the Directors had any beneficial interest in the shares of any subsidiary companies.

Except as set out above, none of the Directors or their immediate families had at 31 January 2008 or 31 January 2007, acquired or disposed of since that date, any interest in any shares in the Company or any of its subsidiaries, any interest in any debentures of the Company or any of its subsidiaries or any rights to subscribe for shares in or debentures of the Company or any of its Subsidiaries. No such rights were granted or exercised during the year ended 31 January 2008.

### Share Capital

Details of the company's share capital are disclosed in note 20 of the financial statements. During the year the Company issued 262,500,000 new ordinary shares. Of these 248,166,667 shares were issued by means of placings to raise further funds to finance the ongoing development of the Group, 13,333,333 shares were issued in respect of the acquisition of VComm (UK) Limited and 1,000,000 shares were issued pursuant to the exercise of warrants.

### Financial instruments

Details of the use of financial instruments by the Company and its subsidiary undertakings are disclosed in note 24 to the financial statements.

### Principal risks and uncertainties

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

#### Financing risks

The development of the Group's assets will depend in part upon the Group's ability to obtain further financing primarily through the raising of new equity capital. There is no absolute assurance that the Group will be successful in obtaining the required financing. The Group continually monitors the financing arrangements to ensure the continuation of the operational activities.

#### Development risks

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

#### Market and other regulatory requirements

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

### Operational risks

These include equipment failure and changes in the technology used to service the Group's target markets. The Group seeks to minimise these risks by investing in current technology and by closely monitoring market and legislative developments within its markets.

### Statement to Auditors

As far as the Directors are aware, there is no relevant audit information (as defined by Section 234 2A of the Companies Act 1985) of which the Group's auditors are unaware and they have taken all the steps they ought to have taken as Directors in order to make themselves aware of any relevant information and to establish that the Group's auditors are aware of that information.

### Corporate Governance

The Directors recognise the importance of sound corporate governance, whilst taking into account the size and nature of the Company. The Company's system of corporate governance, which is summarised below, has been formulated with the Combined Code in mind and has adopted a model code for Directors' dealings which is appropriate for an AIM listed company.

### Board of Directors

As at 31 January 2008 the Board consisted of an Executive Chairman, two Non-Executive Directors and three 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 external auditors, discusses issues that arise from the audit, reviews reports of the external auditors and internal control procedures and considers any financial statements before their publication. The auditors also attend meetings of the Audit Committee as required by the Committee to consider any issues arising from the audit and their work.

### Employees

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

### Share warrants

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

### Substantial Shareholdings

As at 28 July 2008, the following interests in 3% or more of the issued ordinary share capital appear in the register maintained under the provisions of Section 211 of the Companies Act 1985.

Shareholder (Client to check and update)	Number of shares	Percentage of issued share capital
J K Drummond	520,679,032	42.6%
J Cole	90,951,100	7.4%
J P Drummond	41,431,400	3.4%

#### **Payment of Creditors**

The Group does not follow any published code or statement on payment practice. However, it is the Group's policy to settle all amounts due to its creditors on a timely basis, taking into account the credit year given by each creditor. The average number of days credit taken by the Group as at 31 January 2008 was 51 days (2007: 32 days).

#### **Post-balance sheet events**

Details of post-balance sheet events are disclosed in note 26 to the financial statements.

#### **Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union. Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and Group and of the profit or loss for that year. In preparing those financial statements, the directors are required to:

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

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. 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 to detect fraud and other irregularities.

#### **Publication of financial statements**

The Company's financial statements will be made available on the Company's web-site [www.coms.com](http://www.coms.com).

#### **Auditors**

In accordance with Section 385 of the Companies Act 1985, a resolution proposing that Jeffrey's Henry LLP be re-appointed will be put to the Annual General Meeting.

#### **Annual General Meeting Business**

The Report of the Directors was approved by the Board on 28 July 2008 and signed on its behalf by:

**T Martin**

*Chief Executive*

28 July 2008

# AUDITOR'S REPORT

## Report of the Independent Auditors to the members of Coms Plc

We have audited the group and parent company financial statements of Coms plc for the year ended 31 January 2008, which comprise the Group and Parent Company Income Statement, the Group and Parent Company Balance Sheet, the Group and Parent Company Cash Flow Statement, the Group and Parent Company Statement of Changes in Equity and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards as adopted for use in the European Union are set out on page 14.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and as regard group financial statements, Article 4 of the IAS Regulation. We also report to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements. The information given in the Director's report includes that specific information mentioned in the Chairman's Statement and Business Review that is cross referred from the Review of the Business and Future Developments sections of the Directors' report.

In addition, we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Directors' Report, the Chairman's Statement and Business Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion:

- the Group financial statements give a true and fair view, in accordance with International Financial Reporting Standards as adopted for use in the European Union, of the state of affairs of the Company and the Group as at 31 January 2008 and of its loss and cash flows of the Group for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with IFRS's as adopted by the European Union as applied in accordance with provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 January 2008;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regard the group financial statements, article 4 of the IAS regulation; and
- the information given in the Report of the Directors is consistent with the financial statements.

Jeffreys Henry LLP  
Chartered Accountants and  
Registered Auditors

Finsgate  
5-7 Cranwood Street  
London, EC1V 9EE

28 July 2008

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 January 2008

	<i>Note</i>	<b>Year ended 31 January 2008 £</b>	<b>Year ended 31 January 2007 £</b>
Revenue	5	<b>1,297,728</b>	106,380
Cost of Sales		<b>(854,378)</b>	(79,334)
Gross Profit		<b>443,350</b>	27,046
Administrative expenses		<b>(1,300,345)</b>	(699,590)
Operating loss	7	<b>(856,995)</b>	(672,544)
Finance expense	9	<b>(7,065)</b>	(1,594)
Finance income	10	<b>3,618</b>	9,807
Loss before taxation for the year		<b>(860,442)</b>	(664,331)
Taxation	11	<b>30,232</b>	–
<b>Loss for the year attributable to equity shareholders</b>		<b>(830,210)</b>	(664,331)
<b>Basic and diluted loss per share</b>	12	<b>(0.09)p</b>	(0.17)p

The notes on pages 25 to 45 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

for the year ended 31 January 2008

	Note	31 January 2008 €	31 January 2007 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	13	2,307,613	1,949,734
Other intangible assets	14	45,590	10,162
Property, plant and equipment	15	37,349	22,266
		<b>2,390,552</b>	<b>1,982,162</b>
<b>Current assets</b>			
Inventories	16	187,311	4,635
Trade and other receivables	17	757,891	94,649
Cash and cash equivalents		21,859	178,522
		<b>967,061</b>	<b>277,806</b>
<b>Total assets</b>		<b>3,357,613</b>	<b>2,259,968</b>
<b>EQUITY and LIABILITIES</b>			
<b>Capital and reserves attributable to equity shareholders</b>			
Share capital	20	1,056,378	793,878
Share premium		7,347,958	6,098,658
Reverse acquisition reserve		(4,236,239)	(4,236,239)
Accumulated deficit		(1,544,171)	(713,961)
<b>Total equity</b>		<b>2,623,926</b>	<b>1,942,336</b>
<b>Current liabilities</b>			
Bank overdrafts		1,889	-
Bank loans	18	36,667	-
Trade and other payables	19	652,353	317,632
		<b>690,909</b>	<b>317,632</b>
<b>Non-current liabilities</b>			
Bank loans	18	42,778	-
		<b>42,778</b>	<b>-</b>
<b>Total equity and liabilities</b>		<b>3,357,613</b>	<b>2,259,968</b>

The financial statements were approved by the board of directors and authorised for issue on 28 July 2008. They were signed on its behalf by:

**T Martin**

*Chief Executive*

28 July 2008

The notes on pages 25 to 45 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 January 2008

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
<b>Cash flows from operating activities</b>		
Loss before taxation	(860,442)	(664,331)
Share-based payments	–	29,850
Write-off of intangibles	–	125,887
Depreciation and amortisation	34,054	28,860
Finance income	(3,618)	(9,807)
Finance expense	7,065	1,594
(Increase)/decrease in inventories	(130,016)	7,679
Increase in receivables	(475,325)	(11,085)
Increase in payables	11,364	26,808
<b>Net cash outflow from operating activities</b>	<b>(1,416,918)</b>	<b>(464,545)</b>
<b>Cash flows from investing activities</b>		
Acquisition of intangible assets	14 <b>(39,390)</b>	(110,129)
Acquisition of property, plant and equipment	15 <b>(39,637)</b>	(7,128)
Acquisition of subsidiaries	27 <b>(45,582)</b>	(486,504)
Cash in subsidiaries at acquisition	27 <b>2,121</b>	–
<b>Net cash from investing activities</b>	<b>(122,488)</b>	<b>(603,761)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of share capital	20 <b>1,411,800</b>	916,697
Repayment of bank loans	<b>(27,499)</b>	–
Finance income	10 <b>3,618</b>	9,807
Finance expense	9 <b>(7,065)</b>	(1,594)
<b>Net cash from financing activities</b>	<b>1,380,854</b>	<b>924,910</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(158,552)</b>	<b>(143,396)</b>
<b>Cash and cash equivalents at start of year</b>	<b>178,522</b>	<b>321,918</b>
<b>Cash and cash equivalents at end of year</b>	<b>19,970</b>	<b>178,522</b>

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

The notes on pages 25 to 45 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 January 2008

	Note	Attributable to equity shareholders of the Company				Total £
		Share capital £	Share premium £	Reverse acquisition reserve £	Accumulated deficit £	
At 1 February 2006 in Coms Limited		50,000	–	–	(79,480)	(29,480)
Loss for the year		–	–	–	(664,331)	(664,331)
Total recognised in income and expense for the year		–	–	–	(664,331)	(664,331)
Equity of legal parent on acquisition of Coms Limited		121,750	354,089	–	–	475,839
Shares issues for the acquisition of Coms Limited		550,000	4,950,000	–	–	5,500,000
Effect on equity of reverse acquisition of Coms Limited		(50,000)	–	(4,236,239)	–	(4,286,239)
Equity-settled share-based payments		–	–	–	29,850	29,850
Other shares issued in the year		122,128	1,099,154	–	–	1,221,282
Share issue costs		–	(304,585)	–	–	(304,585)
At 31 January 2007		793,878	6,098,658	(4,236,239)	(713,961)	1,942,336
At 1 February 2007		793,878	6,098,658	(4,236,239)	(713,961)	1,942,336
Loss for the year		–	–	–	(830,210)	(830,210)
Total recognised in income and expense for the year		–	–	–	(830,210)	(830,210)
Shares issued in the year	20	262,500	1,327,500	–	–	1,590,000
Share issue costs	20	–	(78,200)	–	–	(78,200)
<b>At 31 January 2008</b>		<b>1,056,378</b>	<b>7,347,958</b>	<b>(4,236,239)</b>	<b>(1,544,171)</b>	<b>2,623,926</b>

Share capital Amount subscribed for shares at nominal value.

Share premium Amount subscribed for share capital in excess of nominal value.

Reverse acquisition reserve Effect on equity of the reverse acquisition of Coms Limited.

Accumulated deficit Cumulative loss of the Group attributable to equity shareholders.

The notes on pages 25 to 45 form part of the financial statements.

## COMPANY INCOME STATEMENT

for the year ended 31 January 2008

	<i>Note</i>	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Administrative expenses		(245,641)	(195,646)
Loss from operations	7	(245,641)	(195,646)
Finance income	10	2,534	21,285
Operating loss		(243,107)	(174,361)
Taxation	11	-	-
<b>Loss for the year attributable to equity shareholders</b>		<b>(243,107)</b>	<b>(174,361)</b>

The notes on pages 25 to 45 form part of the financial statements.

# COMPANY BALANCE SHEET

for the year ended 31 January 2008

	Note	31 January 2008 €	31 January 2007 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	25	6,132,086	5,986,504
Amounts due from subsidiaries	17	1,581,758	637,282
		<b>7,713,844</b>	<b>6,623,786</b>
<b>Current assets</b>			
Trade and other receivables	17	423,169	22,646
Cash and cash equivalents		4,019	178,118
		<b>427,188</b>	<b>200,764</b>
<b>Total assets</b>		<b>8,141,032</b>	<b>6,824,550</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves attributable to equity shareholders			
Share Capital	20	1,056,378	793,878
Share premium		7,347,958	6,098,658
Accumulated deficit		(420,447)	(177,340)
<b>Total equity</b>		<b>7,983,889</b>	<b>6,715,196</b>
<b>Current liabilities</b>			
Trade and other payables	19	157,143	109,354
<b>Total liabilities</b>		<b>157,143</b>	<b>109,354</b>
<b>Total equity and liabilities</b>		<b>8,141,032</b>	<b>6,824,550</b>

The financial statements were approved by the board of directors and authorised for issue on 28 July 2008. They were signed on its behalf by:

T Martin  
Chief Executive  
28 July 2008

The notes on pages 25 to 45 form part of the financial statements.

# COMPANY CASH FLOW STATEMENT

for the year ended 31 January 2008

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
	<i>Note</i>	
<b>Cash flows from operating activities</b>		
Loss before taxation	(243,107)	(174,361)
Share-based payments	–	29,850
Finance income	(2,534)	(21,285)
Increase in receivables	(1,344,999)	(651,888)
Increase in payables	47,789	96,010
<b>Net cash outflow from operating activities</b>	<b>(1,542,851)</b>	<b>(721,674)</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries	(45,582)	(486,504)
<b>Net cash from investing activities</b>	<b>(45,582)</b>	<b>(486,504)</b>
<b>Cash flows from financing activities</b>		
Proceeds from issues of share capital	20 1,411,800	916,697
Finance income	10 2,534	21,285
<b>Net cash from financing activities</b>	<b>1,414,334</b>	<b>937,982</b>
Net decrease in cash and cash equivalents	(174,099)	(270,196)
Cash and cash equivalents at start of year	178,118	448,314
<b>Cash and cash equivalents at end of year</b>	<b>4,019</b>	<b>178,118</b>

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

The notes on pages 25 to 45 form part of the financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 January 2008

	<i>Note</i>	Share capital £	Share premium £	Accumulated deficit £	31 January Total £
At 1 February 2006		121,750	354,089	(32,829)	443,010
Loss for the year		–	–	(174,361)	(174,361)
Total recognised in income and expense for the year		–	–	(174,361)	(174,361)
Shares issues for the acquisition of Coms Limited		550,000	4,950,000	–	5,500,000
Equity-settled share-based payments		–	–	29,850	29,850
Other shares issued in the year		122,128	1,099,154	–	1,221,282
Share issue costs		–	(304,585)	–	(304,585)
At 31 January 2007		793,878	6,098,658	(177,340)	6,715,196
At 1 February 2007		793,878	6,098,658	(177,340)	6,715,196
Loss for the year		–	–	(243,107)	(243,107)
Total recognised in income and expense for the year		–	–	(243,107)	(243,107)
Shares issued in the year	20	262,500	1,327,500	–	1,590,000
Share issue costs	20	–	(78,200)	–	(78,200)
<b>At 31 January 2008</b>		<b>1,056,378</b>	<b>7,347,958</b>	<b>(420,447)</b>	<b>7,983,889</b>

Share capital                      Amount subscribed for shares at nominal value.

Share premium                    Amount subscribed for share capital in excess of nominal value.

Accumulated deficit              Cumulative loss of the Company attributable to equity shareholders.

The notes on pages 25 to 45 form part of the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 January 2008

## 1. General information

Coms plc is a company incorporated in England and Wales under the Companies Act 1985. The address of the registered office is given on page 10. The nature of the Group's operations and its principal activities are set out in the Chairman's Statement on page 4 and in the Business Review on pages 5 to 7.

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 operations in the Group.

## 2. Basis of preparation and significant accounting policies

These consolidated financial statements of Coms plc have been prepared in accordance with accepted International Financial Reporting Standards (IFRSs), International Accounting Standards (IAS) and International Financial Reporting Interpretations Committee (IFRIC) interpretations (collectively "IFRSs") as adopted for use in the European Union and as issued by the International Accounting Standards Board and with those parts of the Companies Act 1985 applicable to companies reporting under IFRS.

### Changes in accounting policies

*IFRIC 8, Scope of IFRS 2* (effective for accounting periods beginning on or after 1 May 2006).

IFRIC 8 requires consideration of transactions involving the issue or grant of equity instruments to establish whether or not they fall within the scope of IFRS 2. It applies to situations where the identifiable consideration received is or appears to be less than the fair value of the equity instruments issued. There was no impact on the Group's accounts from its adoption.

*IFRIC 9, Reassessment of embedded derivatives* (effective for accounting periods beginning on or after 1 June 2006).

IFRIC 9 requires an assessment of whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when an entity becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. There was no impact on the Group's accounts from its adoption.

*IFRIC 10, Interim Financial Reporting and Impairment* (effective for accounting periods beginning on or after 1 November 2006).

IFRIC 10 prohibits impairment losses recognised in an interim period on goodwill and investments in equity instruments and on financial assets carried at cost to be reversed at a subsequent balance sheet date. There was no impact on the Group's accounts from its adoption.

### Standards, interpretations and amendments to published standards effective in 2007 but which are not relevant to the Group

The following standards, amendments and interpretations to published standards are mandatory for accounting periods beginning on or after 1 January 2007 but are currently not relevant to the Group's operations:

*IFRIC 7, Applying the restatement approach under IAS 29, Financial Reporting in Hyperinflationary Economies* (effective for accounting periods beginning on or after 1 March 2006).

IFRIC 7 provides guidance on the application of IAS 29 requirements in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the company was not hyperinflationary in the prior period. IFRIC 7 is not relevant to the Group as none of the Group companies has a currency of a hyperinflationary economy as its functional currency.

2. **Basis of preparation and significant accounting policies** *continued*

**Standards, amendments and interpretations to published standards not yet effective**

Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2008 or later periods and which the Group has decided not to adopt early. These are:

*IFRS 8, Operating Segments* (effective for accounting periods beginning on or after 1 January 2009).

This standard sets out requirements for the disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers. It replaces IAS 14, Segmental Reporting. The Group expects to apply this standard in the accounting period beginning on 1 January 2009. As this is a disclosure standard it will not have impact on the results or net assets of the Group.

*IAS 23, Borrowing Costs (revised)* (effective for accounting periods beginning on or after 1 January 2009).

The revised IAS 23 is still to be endorsed by the EU. The main change from the previous version is the removal of the option of immediately recognising as an expense borrowing costs that relate to qualifying assets, broadly being assets that take a substantial period of time to get ready for use or sale. The impact on the Group's accounts from its adoption is being considered by the Board.

*IFRIC 11, IFRS 2 – Group and Treasury Share Transactions* (effective for accounting periods beginning on or after 1 March 2007).

IFRIC 11 requires share-based payment transactions in which an entity receives services as consideration for its own equity instruments to be accounted for as equity settled. This applies regardless of whether the entity chooses or is required to buy those equity instruments from another party to satisfy its obligations to its employees under the share-based payment arrangement. It also applies regardless of whether: (a) the employee's rights to the entity's equity instruments were granted by the entity itself or by its shareholder(s); or (b) the share-based payment arrangement was settled by the entity itself or by its shareholder(s). There is not expected to be an impact on the Group's accounts from its adoption.

*IFRIC 12, Service Concession Arrangements* (effective for accounting periods beginning on or after 1 January 2008).

IFRIC 12 is still to be endorsed by the EU. IFRIC 12 gives guidance on the accounting by operators for public-to-private service concession arrangements. IFRIC 12 is not relevant to the Group's operations due to the absence of such arrangements.

*IFRIC 13, Customer Loyalty Programmes* (effective for accounting periods beginning on or after 1 July 2008).

IFRIC 13 is still to be endorsed by the EU. IFRIC 13 addresses sales transactions in which the entities grant their customers award credits that, subject to meeting any further qualifying conditions, the customers can redeem in future for free or discounted goods or services. IFRIC 13 is not relevant to the Group's operations due to the absence of such arrangements.

*IFRIC 14, IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction* (effective for accounting periods beginning on or after 1 January 2008).

IFRIC 14 is still to be endorsed by the EU. IFRIC 14 clarifies when refunds or reductions in future contributions should be regarded as available in accordance with paragraph 58 of IAS 19, how a minimum funding requirement might affect the availability of reductions in future contributions and when a minimum funding requirement might give rise to a liability. IFRIC 14 is not relevant to the Group's operations due to the absence of such arrangements.

## 2. Basis of preparation and significant accounting policies *continued*

*Revised IFRS 3, Business Combinations and complementary Amendments to IAS 27, 'Consolidated and separate financial statements* (both effective for accounting periods beginning on or after 1 July 2009).

This revised standard and amendments is still to be endorsed by the EU. The revised IFRS 3 and amendments to IAS 27 arise from a joint project with the Financial Accounting Standards Board (FASB), the US standards setter, and result in IFRS being largely converged with the related, recently issued, US requirements. There are certain very significant changes to the requirements of IFRS, and options available, if accounting for business combinations. Management is currently assessing the impact of revised IFRS 3 and amendments to IAS 27 on the accounts.

*Amendment to IFRS 2, Share-based payments: vesting conditions and cancellations* (effective for accounting periods beginning on or after 1 January 2009).

This amendment is still to be endorsed by the EU. The Amendment to IFRS 2 is of particular relevance to companies that operate employee shares save schemes. This is because it results in an immediate acceleration of the IFRS 2 expense that would otherwise have been recognised in future periods should an employee decide to stop contributing to the savings plan, as well as a potential revision to the fair value of the awards granted to factor in the probability of employees withdrawing from such a plan. This amendment is not relevant to the Group's operations due to absence of such arrangements.

*Amendments to IAS1 Presentation of Financial statements: A Revised Presentation* (effective for periods beginning on or after 1 January 2009).

This amendment is still to be endorsed by the EU. The revised version of IAS1 (revised 2007) replaces IAS1 Presentation of Financial Statements (Revised 2003) as amended in 2005 and key changes include: the requirement to aggregate information in the financial statements on the basis of shared characteristics; changes in the titles of some primary statements (non-mandatory); introducing the possibility of a single Statement of Comprehensive income (combining the Income Statement and the Statement of Recognised Income and Expense); Only the total of comprehensive income is to be shown in the Statement of Changes in Equity. Management is currently assessing the impact of the Amendment on the accounts.

*Amendments to IAS32 Financial Instruments: Presentation and IAS1 Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation* (effective for beginning on or after 1 January 2009).

This amendment is still to be endorsed by the EU. The amendments result in certain types of financial instrument that meet the definition of a liability, but represent the residual interest in the net assets of the entity, being classified as equity. Management is currently assessing the impact of the Amendment on the accounts.

*Amendments to IFRS1 and IAS27 Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate* (effective for accounting periods beginning on or after 1 January 2009).

These amendments are still to be endorsed by the EU. The amendments permits the entity at the date of transition to IFRSs in its separate financial statements to use deemed cost to account for its investment in subsidiary, jointly controlled entity or associate. The deemed cost of such investment could be either the fair value of the investment at the date of transition, which would be determined in accordance with IAS39 Financial Instruments: Recognition and Measurement or; the carrying amount of the investment under previous GAAP at the date of transition. Management is currently assessing the impact of the Amendment on the accounts.

*Improvements to IFRS* (effective date for accounting periods beginning on or after 1 July 2009).

This improvements project is still to be endorsed by the EU. The amendments take various forms, including the clarification of the requirements of IFRS, the elimination of inconsistencies between standards. Management is currently assessing the impact of the Amendment on the accounts.

**2. Basis of preparation and significant accounting policies** *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 where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

On acquisition, the assets and liabilities and contingent liabilities of a subsidiary are measured at their fair values at the date of acquisition. Any excess of the cost of acquisition over the fair values of the identifiable net assets acquired is recognised as goodwill. Any deficiency of the cost of acquisition below the fair values of the identifiable net assets acquired (i.e. discount on acquisition) is credited to profit and loss in the year of acquisition. The interest of minority shareholders is stated at the minority's proportion of the fair values of the assets and liabilities recognised. Subsequently, any losses applicable to the minority interest in excess of the minority interest are allocated against the interests of the parent.

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

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

**Reverse acquisition accounting**

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

The consolidated financial statements prepared following the reverse takeover were issued in the name of Coms plc, but they are a continuance of the financial statements of Coms.Com Limited. Therefore the assets and liabilities of Coms.Com Limited were recognised and measured in the consolidated financial statements at their pre-combination carrying values. The financial statements reflect the continuance of the financial statements of Coms Limited.

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

Under reverse acquisition accounting:

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

Both adjustments have been included in the reverse acquisition reserve.

**Goodwill**

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

Goodwill is recognised as an asset and reviewed for impairment at least annually. Any impairment is recognised immediately in profit or loss and is not subsequently reversed.

## 2. Basis of preparation and significant accounting policies *continued*

### Revenue recognition

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

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

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

### Operating loss

Operating Loss is stated before investment income and finance costs.

### Property, plant and equipment

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

Buildings, plant and equipment unrelated to production are depreciated using the straight-line method based on estimated useful lives.

The annual rate of depreciation for each class of depreciable asset is:

- Fixtures and fittings – 25% straight line
- Motor vehicles – 25% straight line
- Computer equipment – 25% straight line

The carrying value of tangible fixed assets is assessed annually and any impairment is charged to the income statement.

### Financial instruments

#### *Financial assets*

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

**Trade receivables and other debtors:** These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise principally through the provision of goods and services but also incorporate other types of contractual monetary assets. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

**Cash and cash equivalents:** These include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within current liabilities on the balance sheet.

#### *Financial liabilities*

The Group classifies its financial liabilities as:

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

2. **Basis of preparation and significant accounting policies** *continued*

**Provisions**

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

**Taxation**

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

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

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

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

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

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

**Internally-generated Intangible Assets – Research and Development Expenditure**

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

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

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

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

## 2. Basis of preparation and significant accounting policies *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 behavioural considerations.

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

**2. Basis of preparation and significant accounting policies** *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 retranslated at the rates prevailing at the balance sheet date.

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

**Investments in subsidiaries**

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

**Operating leases**

Amounts payable under operating leases are charged to the income statement on a straight-line basis over the lease term.

**3. Critical accounting estimates and judgements**

The Group makes estimates and assumptions concerning the future, which by definition will seldom result in actual results that match the accounting estimate. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

**Valuation of Goodwill and other intangible assets**

The value of the Group's goodwill and other intangible assets is dependent upon the success of the Group in exploiting its current technology and business base. The estimation of future revenue flows relating to these assets is uncertain and will also be affected by competition and potential new regulatory legislation and related requirements.

#### 4. Restatement – share-based payment reserve

In 2007 the Group and the Company accounted for the credit to equity for the share-based payment as a separate part of equity. In 2008 this treatment has been amended such that the credit to equity is now included as part of the retained deficit. An amount of £20,490 was also deducted from the share premium account in 2007 in respect of share-based payments. The share premium account has been credited for this difference in 2008 and the corresponding amount deducted from the share-based payment credit to equity. There was no effect on the Group or the company's net equity attributable to shareholders from this restatement. The effect of the change in disclosure is shown below.

	Share premium £	Share-based payment reserve £	Retained deficit £
<b>Group</b>			
At 31 January 2007 as originally stated	6,078,168	50,340	(743,811)
Restatement	20,490	(50,340)	29,850
At 31 January 2007 revised	6,098,658	–	(713,961)
<b>Company</b>			
At 31 January 2007 as originally stated	6,078,168	50,340	(207,190)
Restatement	20,490	(50,340)	29,850
At 31 January 2007 revised	6,098,658	–	(177,340)

#### Re-presentation of reverse accounting reserve

The presentation of the effect of the reverse acquisition accounting in 2007 arising from the acquisition accounting treatment of Coms Limited has been revised to disclose the effect of the transaction within a separate reverse acquisition reserve. This is a presentation adjustment only and there was no effect on net equity. The revised presentation is shown in the Group and Company statements of changes in equity.

#### 5. Revenue

An analysis of the Group's revenue is as follows:

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Sales of telephony services	1,297,728	106,380

#### 6. Business and geographical segments

For management purposes, the Group is currently organised into a single operating business and only operates in the United Kingdom. Consequently no further business and geographical segmentation is provided.

**7. Operating loss**

Operating Loss from operations is arrived at after charging:

	Group		Company	
	Year ended 31 January 2008 £	Year ended 31 January 2007 £	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Amortisation of intangibles	11,145	24,912	-	-
Loss on intangibles written off (see below)	-	125,887	-	-
Depreciation of property, plant and equipment	22,909	3,947	-	-
Staff costs (see note 8)	764,503	339,204	78,291	80,000
Auditors' remuneration for audit services	21,500	10,000	8,500	6,500
Auditors' remuneration for other services	15,000	-	15,000	15,000

Loss on intangibles relate to the Group's original VOIP platform. The specification and functionality developed on this platform were migrated to the newly acquired ExchangeXT platform, resulting in the original platform becoming obsolete.

**8. Staff costs**

The average monthly number of employees (including executive directors) was:

	Group		Company	
	Year ended 31 January 2008 £	Year ended 31 January 2007 £	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Administrative	16	7	1	2

Their aggregate remuneration comprised:

	£	£	£	£
Wages and salaries	683,302	304,857	70,000	80,000
Social security costs	81,201	34,347	8,291	-
	764,503	339,204	78,291	80,000

**9. Finance expense**

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Interest on bank overdrafts and loans	7,065	1,594

## 10. Finance income

	Group		Company	
	Year ended 31 January 2008 £	Year ended 31 January 2007 £	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Bank interest	3,618	9,807	2,534	21,285

## 11. Taxation

	Group		Company	
	Year ended 31 January 2008 £	Year ended 31 January 2007 £	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Current tax:				
UK corporation tax charge/(credit)	-	-	-	-
Deferred tax charge/(credit)	(30,232)	-	-	-
Current year charge/(credit)	(30,232)	-	-	-

The Group tax credit (Company £-) for the year can be reconciled to the loss as disclosed in the income statement as follows:

	Group		Company	
	Year ended 31 January 2008 £	Year ended 31 January 2007 £	Year ended 31 January 2008 £	Year ended 31 January 2007 £
Loss before taxation	860,442	664,331	243,107	174,361
Tax at the UK corporation tax rate of 19% (2007: 19%)	(163,484)	(126,223)	(46,190)	(33,129)
Depreciation and amortisation	34,054	5,962	-	-
Expenses	-	292	-	-
Losses carried forward	99,198	119,969	46,190	33,129
Tax credit	(30,232)	-	-	-

At 31 January 2008 the Group had estimated tax losses of £1,850,000 (2007: £1,069,865) to carry forward against future profits. The deferred tax asset arising from certain of these losses of £30,232 (2007: £203,274) has been provided in these financial statements (see note 17).

At 31 January 2008 the Company had estimated tax losses of £389,000 (2007: £176,000) to carry forward against future profits. The deferred tax asset arising from these losses of £73,910 (2007: £33,440) has not been provided in the accounts due to the uncertainty of recovery.

**12. Loss per share**

Loss per share data is based on the group loss for the year and the weighted average number of shares in issue.

	Year ended 31 January 2008	Year ended 31 January 2007
Basic and diluted loss per share	0.09p	0.17p
Loss for the purposes of basic and diluted loss per share	<b>£(830,210)</b>	£(664,331)

	No.	No.
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>953,887,789</b>	394,284,174

In order to calculate diluted earnings per share, the weighted average number of ordinary shares in issue would be adjusted to assume conversion of all dilutive potential ordinary shares according to IAS 33. In each of the years ended 31 January 2008 and 2007 the Group has made a loss after taxation and the effect of the potential ordinary shares is anti-dilutive and therefore the diluted earnings per share is the same as basic earnings per share.

**13. Goodwill**

	£
<b>Cost</b>	
At 1 February 2006	–
Recognised on acquisition of parent	1,350,556
Recognised on acquisition of ExchangeXT Limited	599,178
At 31 January 2007	1,949,734
Recognised on acquisition of VComm (UK) Limited (see note 27)	357,879
<b>At 31 January 2008</b>	<b>2,307,613</b>
<b>Accumulated impairment losses</b>	
At 1 February 2006	–
At 31 January 2007	–
<b>At 31 January 2008</b>	<b>–</b>
<b>Carrying amount</b>	
At 31 January 2008	2,307,613
At 31 January 2007	1,949,734
At 31 January 2006	–

An impairment review was conducted by the Directors of the Company on 15 July 2008 and it was concluded, after due consideration, that the business prospects, market potential and product development were in line with expectations set at the time of acquisition. It was therefore concluded that no impairment of goodwill had incurred as at the balance sheet date.

#### 14. Other intangible assets

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

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

- an asset is created that can be identified (such as software and new processes);
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

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

	Development costs £
<b>Cost or valuation</b>	
At 1 February 2006	73,405
Additions	110,129
Disposals	(173,200)
At 31 January 2007	10,334
On acquisition of VComm (UK) Limited	5,144
Transfer from property, plant and equipment	2,901
Additions	39,390
<b>At 31 January 2008</b>	<b>57,769</b>
<b>Accumulated amortisation and impairment</b>	
At 1 February 2006	22,573
Charge for the year	24,912
On disposals	(47,313)
At 31 January 2007	172
Acquisition of VComm (UK) Limited	862
Charge for the year	11,145
<b>At 31 January 2008</b>	<b>12,179</b>
<b>Carrying amount</b>	
At 31 January 2008	45,590
At 31 January 2007	10,162
At 31 January 2006	50,832

**15. Property, plant and equipment**

	Plant & Machinery £	Fixtures & Fittings £	Computer Equipment £	Total £
<b>Cost</b>				
At 1 February 2006	-	-	-	-
On acquisition of ExchangeXT Limited	50,000	4,234	82,050	136,284
Additions	2,500	4,628	-	7,128
At 31 January 2007	52,500	8,862	82,050	143,412
On acquisition of VComm (UK) Limited	3,790	-	-	3,790
Transfer to other intangible assets	(2,901)	-	-	(2,901)
Additions	34,177	3,103	2,357	39,637
<b>At 31 January 2008</b>	<b>87,566</b>	<b>11,965</b>	<b>84,407</b>	<b>183,938</b>
<b>Accumulated depreciation and impairment</b>				
At 1 February 2006	-	-	-	-
On acquisition of ExchangeXT Limited	39,167	4,234	73,798	117,199
Charge for the year	875	368	2,704	3,947
At 31 January 2007	40,042	4,602	76,502	121,146
On acquisition of VComm (UK) Limited	2,534	-	-	2,534
Charge for the year	17,112	1,091	4,706	22,909
<b>At 31 January 2008</b>	<b>59,688</b>	<b>5,693</b>	<b>81,208</b>	<b>146,589</b>
<b>Carrying amount</b>				
At 31 January 2008	27,878	6,272	3,199	37,349
At 31 January 2007	12,458	4,260	5,548	22,266
At 31 January 2006	-	-	-	-

**16. Inventories**

	31 January 2008 £	31 January 2007 £
Finished goods	187,311	4,635

## 17. Trade and other receivables

Trade and other receivables at the balance sheet date comprise amounts receivable from customers, prepayments, other debtors and taxes and social security costs.

	Group		Company	
	31 January 2008 £	31 January 2007 £	31 January 2008 £	31 January 2007 £
<b>Current receivables</b>				
Trade receivables	221,533	10,139	-	-
Other debtors	499,772	58,334	423,169	21,432
Taxes and social security costs	6,354	24,962	-	-
Deferred tax (see note 11)	30,232	-	-	-
Prepayments and accrued income	-	1,214	-	1,214
	<b>757,891</b>	<b>94,649</b>	<b>423,169</b>	<b>22,646</b>
<b>Non-current receivables</b>				
Amounts due from subsidiaries	-	-	1,581,758	637,282

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

Bank balances and cash comprise cash and short-term bank deposits with an original maturity of three months or less. The carrying amount of these assets approximates their fair value.

## 18. Bank loans

Bank loans bear interest at 3.4% over Barclays base rate. The repayment profile is as follows:

	31 January 2008 £	31 January 2007 £
Due within one year	36,667	-
Due within one to two years	36,667	-
Due within two to five years	6,111	-
	<b>42,778</b>	<b>-</b>

**19. Trade and other payables**

Trade and other payables principally comprise amounts outstanding for trade purchases, social security and other taxes, other creditors and accruals. The average credit period taken for trade purchases was 51 days (2007: 32 days).

	Group		Company	
	31 January 2008 £	31 January 2007 £	31 January 2008 £	31 January 2007 £
Trade creditors	<b>332,341</b>	129,170	–	–
Social Security and other taxes	<b>50,180</b>	27,702	–	–
Other creditors	<b>173,158</b>	75,000	<b>134,143</b>	75,000
Accruals and deferred income	<b>96,674</b>	85,760	–	34,354
Amounts due to subsidiaries	–	–	<b>23,000</b>	–
	<b>652,353</b>	317,632	<b>157,143</b>	109,354

**20. Share capital**

Details of the share capital for Coms plc is set out in the following table

	31 January 2008 Number	31 January 2007 Number	31 January 2008 £	31 January 2007 £
	<b>Authorised</b>			
Ordinary shares of 0.1p each	5,000,000,000	5,000,000,000	5,000,000	5,000,000
	5,000,000,000	5,000,000,000	5,000,000	5,000,000
<b>Allotted, called up and fully paid:</b>				
Ordinary shares of 0.1p each	1,056,378,200	793,878,200	1,056,378	793,878
	1,056,378,200	793,878,200	1,056,378	793,878

## 20. Share capital *continued*

	Number	Pence per share	Share Capital £	Share Premium £	Total £
<b>Movements in issued, allotted and fully paid share capital</b>					
<b>Shares issued for cash</b>					
Issued 0.1p ordinary shares in connection with placing on 8 February 2007	114,166,667	0.6	114,167	570,833	685,000
Issued 0.1p ordinary shares in connection with exercise of warrants on 17 September 2007	1,000,000	0.1	1,000	–	1,000
Issued 0.1p ordinary shares in connection with placing on 18 October 2007	134,000,000	0.6	134,000	670,000	804,000
Less : Issue costs	–		–	(78,200)	(78,200)
	249,166,667		249,167	1,162,633	1,411,800
<b>Shares issued for non-cash consideration</b>					
Issued 0.1p ordinary shares in connection with acquisition of VComm (UK) Limited on 18 May 2007	13,333,333	0.75	13,333	86,667	100,000
Total movement in the year	262,500,000		262,500	1,249,300	1,511,800
At 1 February 2007	793,878,200		793,878	6,098,658	6,892,536
At 31 January 2008	1,056,378,200		1,056,378	7,347,958	8,404,336

On 17 April 2008 the Company issued 162,083,333 ordinary shares of 0.1p each for cash at 0.3p per share. The net amount raised after issue costs amounted to £471,659.

## 21. Retirement benefit schemes

The Group does not operate any retirement benefit schemes.

## 22. 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. There were no transactions between the company and its subsidiaries.

### Remuneration of key management personnel

	Year ended 31 January 2008 £	Year ended 31 January 2007 £
J C Cole	–	–
J K Drummond	–	–
J P Drummond	–	–
R A Bennett	70,000	91,463
A N Branson	10,000	18,475
T Martin	75,000	108,508
Total	155,000	218,446

**Directors' transactions**

During the year, Jason Drummond was paid £2,500 in respect of commission in connection with the placing of shares on 18 October 2007.

The Group paid £16,450 (2007: £17,400) for salary costs and £5,061 (2007: £6,155) for computer equipment to Computer Warehouse Limited, a company of which both A N Branson and J C Cole are directors. In addition sales were made to Computer Warehouse for £4,923 (2007: £nil) relating to goods supplied. At the year end a balance of £3,068 was receivable by the Group (2007: £615 payable by the Group).

During the year, the Group paid rent of £38,716 (2007: £16,800) and consultancy fees of £15,667 (2007: £7,800) to Media Corp plc, a company in which J K Drummond and J P Drummond are directors. At the year end a balance of £7,274 (2007: £14,270) was payable by the Group.

**23. Commitments**

**a) Capital commitments**

There were no capital commitments at 31 January 2008 (2007: £nil).

**b) Operating lease commitments**

There were no operating lease commitments at 31 January 2008 (2007: £nil).

**24. 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 note 1.

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:

<b>Group</b>	<b>Year ended 31 January 2008 £</b>	<b>Year ended 31 January 2007 £</b>
Trade receivables	221,553	10,139
Other debtors	506,126	84,510
Cash and cash equivalents	21,859	178,522
Bank overdraft	(1,889)	–
Bank loans	(79,445)	–
Trade payables	(332,341)	(129,170)
Other creditors	(320,012)	(188,462)

## 24. Financial instruments *continued*

### **General objectives, policies and processes**

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, while retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Board receives regular reports from the Finance director through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

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

### **Credit risk**

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

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

### **Liquidity risk**

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

The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. The principal liabilities of the Group arise in respect of committed expenditure in respect of its ongoing product development work. To achieve this aim, it seeks to raise new equity finance and debt sufficient to meet the next phase of exploration and where relevant development expenditure.

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

The Board receives cash flow projections on a monthly basis as well as information on cash balances. The Board will not commit to material expenditure in respect of its ongoing development work prior to being satisfied that sufficient funding is available to the Group to finance the planned programmes.

Other than bank loans, all of the Group's financial instruments are due for repayment in less than one year.

### **Interest rate risk**

The Group has interest-bearing liabilities in the form of long-term bank borrowings. Details of the Group's outstanding liabilities in respect of bank borrowings are set out in note 18 of the financial statements. All borrowings are on variable rate terms and the Group is exposed to interest rate risk in respect of these borrowings. The Group does not enter into derivative or similar contracts to convert variable rate interest payments into fixed or capped rates.

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.

**24. Financial instruments** *continued*

**Capital**

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

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

**Currency risk**

The Group operates only in the United Kingdom. All equity and financial liabilities are contracted in Sterling. Hence there is no significant currency risk.

**25. Subsidiaries**

Details of the Company's subsidiaries at 31 January 2008 are as follows:

Subsidiary	Place of incorporation and operation	Proportion of ownership interest %	Proportion of voting power held %	Method used to account for investment
ExchangeXT Limited	England	100	100	equity method
Superline Telecommunications Limited <sup>1</sup>	England	100	100	equity method
Coms.Com Limited	England	100	100	equity method
VComm (UK) Limited	England	100	100	equity method

<sup>1</sup> Superline Telecommunications Limited is a wholly-owned subsidiary of ExchangeXT Limited.

The registered office of each of the subsidiaries is 39-49 Commercial Road, Southampton, S015 1GA.

**Investment in subsidiaries**

	£
<b>Cost</b>	
At 1 February 2006	–
Acquisition of Coms.Com Limited	5,500,000
Acquisition of ExchangeXT Limited	486,504
At 31 January 2007	5,986,504
Acquisition of VComm (UK) Limited	145,582
At 31 January 2008	6,132,086

**26. Post-balance sheet events**

On 17 April 2008 the Company issued 162,083,333 ordinary shares of 0.1p each for cash at 0.3p per share. The net amount raised after issue costs amounted to £471,659.

## 27. Acquisition of VComm (UK) Limited

On 18 May 2007, the Company acquired 100% of the issued share capital of VComm (UK) Limited. The following table sets out the fair value ascribed to the assets and liabilities acquired.

	Book value £	Fair value adjustments £	Fair value £
Property, plant and equipment	1,256	-	1,256
Other intangible assets	4,282	-	4,282
Inventories	52,660	-	52,660
Trade and other receivables	157,684	-	157,684
Cash	2,121	-	2,121
Trade and other payables	(223,356)	-	(223,356)
Bank loan	(106,944)	-	(106,944)
Other loans	(100,000)	-	(100,000)
Acquisition costs	-	(45,582)	(45,582)
Net liabilities on acquisition	(212,297)	(45,582)	(257,879)
Cost of investment			100,000
Goodwill arising			357,879

## NOTICE OF ANNUAL GENERAL MEETING

Notice is given that an Annual General Meeting of the above-named Company will be held on 21 August 2008 at Coms plc, 46 Cannon Street, London EC4N 6JJ at 12 pm for the purposes of considering and, if thought fit, passing the following resolutions, of which resolutions 1 to 6 will be proposed as ordinary resolutions and resolution 7 will be proposed as a special resolution:

### ORDINARY RESOLUTIONS

1. That the Company's accounts for the financial year ended 31 January 2008 together with the directors' report and auditors' report on those accounts are adopted.
2. That the Company reappoints Richard Bennett as a director appointed since the last Annual General Meeting (**AGM**)
3. That the Company reappoints Terry Martin as a director appointed since the last AGM.
4. That the Company reappoints Jeffreys Henry LLP as auditors who hold office from the conclusion of the meeting to the conclusion of the next meeting at which accounts are laid before the Company in general meeting, at a remuneration to be determined by the directors.
5. That the board of directors of the Company or any duly authorised committee thereof, be and are hereby generally and unconditionally authorised for the purposes of section 80 of the Companies Act 1985 (the Act) to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £1,500,057<sup>1</sup> provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in the calendar year 2009 except that the Company may at any time prior to the expiry of such authority make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may allot relevant securities pursuant to such an offer or agreement as if such authority had not expired and that this authority shall be in substitution for all previous authorities conferred upon the directors pursuant to section 80 of the Act.
6. That the [1,221,961,533] shares of £0.001 each be consolidated so as to become [12,219,615.33] shares of £0.1 each.

### SPECIAL RESOLUTION

That conditional on the passing of Resolution 5:

Pursuant to section 95(1) of the Act, the Directors be and are hereby empowered to allot equity securities (as so defined) for cash pursuant to the authority conferred by Resolution 5, as if section 89(1) did not apply to the allotment, provided that this power shall be limited to:

- the allotment of equity securities in connection with an offer of such securities by rights issue to Shareholders and other persons entitled to participate therein where the equity securities respectively attributable to the interests of all of the Shareholders and such other persons are proportionate (as nearly as may be practicable) to their respective holdings of such shares, but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of any territory, or the requirements of any regulatory body or stock exchange; and
- otherwise than pursuant to Resolution 7.1.1, the allotment of equity securities up to an aggregate nominal amount of £264,098.55<sup>2</sup>

<sup>1</sup> If shares have been allotted since the general meeting in June 2008 then this figure will need to be adjusted.

<sup>2</sup> If shares have been allotted since the general meeting in June 2008 then this figure will need to be adjusted.

provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in the calendar year 2009 except that the Company may at any time prior to the expiry of such authority make an offer or enter into an agreement which would or might require relevant securities to be allotted after the expiry of such period and the directors of the Company may allot relevant securities pursuant to such an offer or agreement as if such authority had not expired and that this authority shall be in substitution for all previous authorities conferred upon the directors pursuant to section 80 of the Act.

Dated:

BY ORDER OF THE BOARD

Secretary

Registered Office:

Coms plc

Finsgate

5-7 Cranwood Street

London

EC1V 9EE

# NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

## Entitlement to attend and vote

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those members registered on the Company's register of members at: 12.00 pm on 19 August 2008; or if this Meeting is adjourned, at 12.00 pm on the day two days prior to the adjourned meeting shall be entitled to attend and vote at the Meeting.

## Appointment of proxies

1. If you are a member of the Company at the time set out in note 1 above, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.
2. A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to them.
3. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please notify Share Registrars Limited at Craven House, West Street, Farnham, Surrey GU9 7EN.
4. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will abstain from voting.

## Appointment of proxy using hard copy proxy form

5. The notes to the proxy form explain how to direct your proxy, how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;  
sent or delivered to Share Registrars Limited at Craven House, West Street, Farnham, Surrey GU9 7EN or faxed by fax to Share Registrars Limited to 01252 719232; and
- received by Share Registrars Limited no later than 12.00 pm on 19 August 2008.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

## Appointment of proxy by joint members

6. In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

## Changing proxy instructions

7. To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Share Registrars Limited at Craven House, West Street, Farnham, Surrey GU9 7EN.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

#### **Termination of proxy appointments**

8. In order to revoke a proxy instruction you will need to inform the Company by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Craven House, West Street, Farnham, Surrey GU9 7EN. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice. The revocation notice must be received by Share Registrars Limited no later than 12.00 pm on 19 August 2008. If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid. Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

#### **Issued shares and total voting rights**

9. As at the date of this notice being 16 May 2008, the Company's issued share capital comprised 1,221,961,533 ordinary shares of 0.1 pence each. Each ordinary share carries the right to one vote at a general meeting of the Company and, therefore, the total number of voting rights in the Company as at 16 May 2008 is 1,221,961,533.

#### **Documents on display**

10. Copies of the directors' report and auditors report will be available:
  - for at least 15 minutes prior to the Meeting; and
  - during the Meeting.

#### **Communication**

11. Except as provided above, members who have general queries about the Meeting should use the following means of communication (no other methods of communication will be accepted):

- call Share Registrars Limited general helpline on 01252 82139.

You may not use any electronic address provided either:

- in this notice of annual general meeting; or
- any related documents (including the chairman's letter and proxy form),

communicate with the Company for any purposes other than those expressly stated.







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