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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 admitted to AIM in September 2006. Since admission the Company has acquired ExchangeXT Limited, Superline Limited and VCOMM (UK) Limited which have both strengthened the service and product portfolios as well as opened new routes to market.

## FINANCIAL HIGHLIGHTS

	2009	2008
Income	<b>£2,429,334</b>	£1,297,728
Gross Profit	<b>£635,547</b>	£443,350
Loss before taxation	<b>(£1,006,343)</b>	(£860,442)
Net cash balances	<b>£57,359</b>	£19,970
Consolidated net assets	<b>£2,190,710</b>	£2,623,926
Loss per share	<b>(8.5)p</b>	(8.7)p

# CHAIRMAN'S STATEMENT

## Overview

Coms plc has seen 87% top-line revenue growth during the last financial year.

This does buck the trend from our contemporaries in this difficult recessionary period. We attribute this to the fact that internet telephony services and solutions provided by Coms plc group companies genuinely save businesses money both in terms of initial outlay and ongoing service costs.

During the recent bull markets, potential customers in our target market have been focused on growth and their choice of telephone service provider has often not been top priority; now as companies focus on reducing costs, they are overcoming their inertia and are now switching to Coms, not least because we save on call and operating costs, but also because of the flexibility they can scale up and down their businesses as well as facilitate remote working.

However, investor sentiment does not currently favour early stage loss making technology companies, and as such we are in the process of revising our corporate strategy from focusing on top-line growth and increasing market share to one of sustainable growth and short-term profitability.

The management team, post the end of period, have now completed a restructure of the business to create operational efficiencies between the telecom services subsidiary, Coms.com (UK) Limited, and the telecoms distribution subsidiary VCOMM (UK) Limited. This has resulted in many cost savings in senior management, support and accounting. The results of these cost savings will become apparent at the end of H1 and I expect to be reflected in the H2 results.

Our core business remains 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. We continue to make progress signing up SME customers and new reference customers include Glastonbury festivals and Help the Aged.

These are no doubt difficult times for small companies, but the directors remain both committed to Coms plc and to the AIM market. It is difficult to raise equity at the moment as the share price is consistently trading below the nominal value, so the directors have offered up to £500,000 in the form of a drawdown convertible loan facility to ensure the company has sufficient working capital. In addition, we are recommending that the company change the nominal value of the AIM listed shares from 10p to 1p to enable future equity placings should they be necessary.

Providing market conditions don't significantly worsen, I am confident that Coms plc will survive this downturn and be amongst the first to thrive.

**Jason Drummond**

*Executive Chairman*

# OPERATIONAL REVIEW

## Introduction

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 to 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.

### 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 breath 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 the goal is to become cash flow positive.

We are also optimistic that the current trading environment is likely to create potential acquisitions 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.

**Richard Bennett**

*Director*

## 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.COM) and FairFX plc.

### **Terry Martin** *(CEO)*

Terry Martin graduated from the University of Bradford with a degree in Manufacturing Systems Engineering. Between 1982 and 1988 he worked with Hewlett Packard as a sales engineer and then as a dealer account manager. Mr. Martin then spent nine years at Apple Computers (UK) Limited in the sales organisation rising to the position of Channel Sales Director. He joined Scoot UK Limited in 1999 as Sales Director and was appointed to the board of Scoot.com plc in August 2001 as Managing Director. He had responsibility for the sale of the business to BT plc.

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

Richard Bennett started his career working with GE. In 1994, Richard was a co-founder of JFAX Inc., 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 companies including The Carbon Advisory.

### **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. Andrew was the Finance Director of Computer Warehouse Ltd, a leading Apple computer distributor, from 1996 until January 2009 when he joined the Coms Group on a full time basis.

### **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 that processes real time payments 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

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London EC2A 2EA

### NOMINATED STOCKBROKER

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London EC2A 1AD

### SOLICITORS

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Oceana House  
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Hants SO15 1GA

### AUDITORS

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

### REGISTRARS

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

### BANKERS

Barclays Bank plc  
1 Churchill Place  
London E14 5HP

## 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 2009.

### 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 15. 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 Operational and Financial Review on pages 5 and 6.

### Key performance indicators ("KPIs")

While the focus of the telephony segment of the Group is to achieve growth in the monthly recurring subscription and call revenues from our business telephone service, a simple indicator of our performance is the monthly call minutes handled by the Coms Platform. The principal key performance indicators in the remainder of the group are revenues and gross margin. Other KPI's are also noted below.

	31 January 2009	31 January 2008
Call minutes (total for the year)	<b>6.75 million mins</b>	3.71 million mins
Equipment Revenues	<b>£1,811,591</b>	£670,560
Administrative expenses	<b>£1,632,189</b>	£1,300,345
Net cash and cash equivalents at the year-end	<b>£57,359</b>	£19,970

### 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 2009, all of which are beneficial, in the share capital of the Company, were as follows:

	At 31 January 2009 Shares of 10p each	At 31 January 2008 Shares of 0.1p each
JK Drummond	<b>6,269,041</b>	502,512,366
JC Cole	<b>1,162,682</b>	87,951,100
JP Drummond	<b>575,564</b>	31,431,400
T Martin	<b>280,250</b>	2,500,000
RA Bennett	<b>35,000</b>	2,500,000
AN Branson	<b>160,000</b>	500,000

**Directors Share Warrants and Options**

As at 31 January 2009 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
JK Drummond	10p	995,000	Warrants	17/11/08
J Cole	10p	250,000	Warrants	17/11/08
JP Drummond	10p	150,000	Warrants	17/11/08
T Martin	100p	50,000	B Warrants	09/08/06
T Martin	50p	120,000	Options	20/05/08
T Martin	10p	250,000	Warrants	17/11/08
RA Bennett	100p	50,000	B Warrants	09/08/06
RA Bennett	50p	100,000	Warrants	20/05/09
RA Bennett	10p	10,000	Warrants	17/11/08
AN Branson	100p	10,000	B Warrants	09/08/06
AN Branson	50p	40,000	Options	20/05/08
AN Branson	10p	150,000	Warrants	17/11/08

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 2009 or 31 January 2008, 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 19 of the financial statements.

**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 ZA 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 2009 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 27 July 2009, the following interests in 3% or more of the issued ordinary share capital appear in the register:

Shareholder	Number of shares	Percentage of issued share capital
JK Drummond	6,269,041	42.61%
J Cole	1,162,682	7.44%
JP Drummond	575,564	3.39%

### **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 2009 was 55 days (2008: 51 days).

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

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

### **Directors' Responsibilities**

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and 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 and as regards the Group for Article 4 of the IAS regulations. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### **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 485 of the Companies Act 2006, 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 2009 and signed on its behalf by:

**Jason Drummond**

*Executive Chairman*

28 July 2009

# AUDITOR'S REPORT

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

We have audited the consolidated and company financial statements of Coms plc for the year ended 31 January 2009, which comprise the Consolidated and Company Income Statement, the Consolidated and Company Balance Sheet, the Consolidated and Company Cash Flow Statement, the Consolidated and 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 for no purpose other than to draw to the attention of the Company's members those matters which we are required to include in an auditor's report addressed to them. To the fullest extent permitted by law, we do not accept or assume responsibility to any party other than the Company and Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and Auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

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 regards the group financial statements, Article 4 of the IAS Regulation. We also report to you if, in our opinion, the Directors' report is consistent with the financial statements. The information given in the Directors' report includes that specific information mentioned in the Chairman's statement that is cross referred from the Review of the business section 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 the directors' remuneration and other transactions is not disclosed.

We read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The information comprise only the Directors' report, the Chairman's statement and Chief executive Officers report and 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 Group and 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 financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's and the parent company's affairs as at 31 January 2009 and of the group and the parent company's loss for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the group financial statements, Article 4 of the IAS Regulation;
- the information given in the Directors' Report is consistent with the financial statements.

Jeffreys Henry LLP  
Chartered Accountants  
Registered Auditors

Finsgate  
5-7 Cranwood Street  
London EC1V 9EE

28 July 2009

# CONSOLIDATED INCOME STATEMENT

for the year ended 31 January 2009

	Note	Year ended 31 January 2009 £	Year ended 31 January 2008 £
Revenue	4	2,429,334	1,297,728
Cost of Sales		(1,793,787)	(854,378)
Gross Profit		635,547	443,350
Administrative expenses		(1,632,189)	(1,300,345)
Operating loss	5	(996,642)	(856,995)
Finance expense	7	(10,518)	(7,065)
Finance income	8	817	3,618
Loss before taxation for the year		(1,006,343)	(860,442)
Taxation	9	11,783	(30,232)
<b>Loss for the year attributable to equity shareholders</b>		<b>(1,018,126)</b>	<b>(830,210)</b>
<b>Basic and diluted loss per share</b>	10	<b>(8.5)p</b>	<b>(8.7)p</b>

The notes on pages 23 to 44 form part of these financial statements.

# CONSOLIDATED BALANCE SHEET

for the year ended 31 January 2009

	Note	31 January 2009 £	31 January 2008 £
<b>ASSETS</b>			
<b>Non-current assets</b>			
Goodwill	11	2,317,863	2,307,613
Other intangible assets	12	79,682	45,590
Property, plant and equipment	13	59,049	37,349
		<b>2,456,594</b>	<b>2,390,552</b>
<b>Current assets</b>			
Inventories	14	252,455	187,311
Trade and other receivables	15	524,374	757,891
Cash and cash equivalents		57,359	21,859
		<b>834,188</b>	<b>967,061</b>
<b>Total assets</b>		<b>3,290,782</b>	<b>3,357,613</b>
<b>EQUITY and LIABILITIES</b>			
<b>Capital and reserves attributable to equity shareholders</b>			
Share capital	19	1,412,712	1,056,378
Share premium		7,576,534	7,347,958
Reverse acquisition reserve		(4,236,239)	(4,236,239)
Accumulated deficit		(2,562,297)	(1,544,171)
<b>Total equity</b>		<b>2,190,710</b>	<b>2,623,926</b>
<b>Current liabilities</b>			
Bank overdrafts		–	1,889
Bank loans	16	36,667	36,667
Trade and other payables	18	1,019,794	652,353
		<b>1,056,461</b>	<b>690,909</b>
<b>Non-current liabilities</b>			
Bank loans	16	6,111	42,778
Convertible loan notes	17	37,500	–
		<b>43,611</b>	<b>42,778</b>
<b>Total equity and liabilities</b>		<b>3,290,782</b>	<b>3,357,613</b>

The financial statements were approved by the board of directors and authorised for issue on 28 July 2009. They were signed on its behalf by:

**Jason Drummond**  
*Executive Chairman*

28 July 2009

The notes on pages 23 to 44 form part of these financial statements.

# CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 January 2009

	Year ended 31 January 2009 £	Year ended 31 January 2008 £
<b>Cash flows from operating activities</b>		
Loss before taxation	(1,006,343)	(860,442)
Depreciation and amortisation	33,965	34,054
Finance income	(817)	(3,618)
Finance expense	10,518	7,065
Increase in inventories	(65,144)	(130,016)
(Increase)/decrease in receivables	221,734	(475,325)
Increase/(decrease) in payables	367,441	11,364
Net cash outflow from operating activities	<b>(438,646)</b>	(1,416,918)
<b>Cash flows from investing activities</b>		
Acquisition of intangible assets	12 (49,495)	(39,390)
Acquisition of property, plant and equipment	13 (40,262)	(39,637)
Acquisition of subsidiaries	-	(45,582)
Cash in subsidiaries at acquisition	-	2,121
Net cash from investing activities	<b>(89,757)</b>	(122,488)
<b>Cash flows from financing activities</b>		
Proceeds from issues of share capital	19 574,660	1,411,800
Proceeds from issues of convertible loan notes	37,500	-
Repayment of bank loans	(36,667)	(27,499)
Finance income	8 817	3,618
Finance expense	7 (10,518)	(7,065)
Net cash from financing activities	<b>565,792</b>	1,380,854
Net decrease in cash and cash equivalents	<b>37,389</b>	(158,552)
Cash and cash equivalents at start of year	<b>19,970</b>	178,522
Cash and cash equivalents at end of year	<b>57,359</b>	19,970

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 23 to 44 form part of these financial statements.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 31 January 2009

	Note	Attributable to equity shareholders of the Company				Total £
		Share capital £	Share premium £	Reverse acquisition reserve £	Accumulated deficit £	
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		262,500	1,327,500	-	-	1,590,000
Share issue costs		-	(78,200)	-	-	(78,200)
At 31 January 2008		1,056,378	7,347,958	(4,236,239)	(1,544,171)	2,623,926
At 1 February 2008		1,056,378	7,347,958	(4,236,239)	(1,544,171)	2,623,926
Loss for the year		-	-	-	(1,018,126)	(1,018,126)
Total recognised in income and expense for the year		-	-	-	(1,018,126)	(1,018,126)
Shares issued in the year	19	356,334	324,167	-	-	680,501
Share issue costs	19	-	(95,591)	-	-	(95,591)
<b>At 31 January 2009</b>		<b>1,412,712</b>	<b>7,576,534</b>	<b>(4,236,239)</b>	<b>(2,562,297)</b>	<b>2,190,710</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 23 to 44 form part of these financial statements.

## COMPANY INCOME STATEMENT

for the year ended 31 January 2009

		Year ended 31 January 2009 £	Year ended 31 January 2008 £
Administrative expenses		<b>(192,383)</b>	(245,641)
Loss from operations	5	<b>(192,383)</b>	(245,641)
Finance expense	7	<b>(2,300)</b>	–
Finance income	8	<b>583</b>	2,534
Operating loss		<b>(194,100)</b>	(243,107)
Taxation	9	–	–
<b>Loss for the year attributable to equity shareholders</b>		<b>(194,100)</b>	(243,107)

The notes on pages 23 to 44 form part of these financial statements.

# COMPANY BALANCE SHEET

for the year ended 31 January 2009

	<i>Note</i>	31 January 2009 €	31 January 2008 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Investment in subsidiaries	24	6,142,336	6,132,086
Amounts due from subsidiaries	15	2,332,241	1,581,758
		<b>8,474,577</b>	<b>7,713,844</b>
<b>Current assets</b>			
Trade and other receivables	15	24,085	423,169
Cash and cash equivalents		463	4,019
		<b>24,548</b>	<b>427,188</b>
<b>Total assets</b>		<b>8,499,125</b>	<b>8,141,032</b>
<b>EQUITY AND LIABILITIES</b>			
Capital and reserves attributable to equity shareholders			
Share Capital	19	1,412,712	1,056,378
Share premium		7,576,534	7,347,958
Accumulated deficit		(614,547)	(420,447)
<b>Total equity</b>		<b>8,374,699</b>	<b>7,983,889</b>
<b>Current liabilities</b>			
Trade and other payables	18	86,926	157,143
		<b>86,926</b>	<b>157,143</b>
<b>Non-current liabilities</b>			
Convertible loan notes	17	37,500	–
		<b>37,500</b>	<b>–</b>
<b>Total equity and liabilities</b>		<b>8,499,125</b>	<b>8,141,032</b>

The notes on pages 23 to 44 form part of these financial statements.

# COMPANY CASH FLOW STATEMENT

for the year ended 31 January 2009

	Year ended 31 January 2009 £	Year ended 31 January 2008 £
<b>Cash flows from operating activities</b>		
Loss before taxation	(194,100)	(243,107)
Finance expense	2,300	-
Finance income	(583)	(2,534)
Increase in receivables	(351,399)	(1,344,999)
Increase/(decrease) in payables	(70,217)	47,789
Net cash outflow from operating activities	<b>(613,999)</b>	<b>(1,542,851)</b>
<b>Cash flows from investing activities</b>		
Acquisition of subsidiaries	-	(45,582)
Net cash from investing activities	-	(45,582)
<b>Cash flows from financing activities</b>		
Proceeds from issues of share capital	19 574,660	1,411,800
Proceeds from issue of convertible loan notes	37,500	-
Finance expense	7 (2,300)	-
Finance income	8 583	2,534
Net cash from financing activities	<b>610,443</b>	<b>1,414,334</b>
Net decrease in cash and cash equivalents	<b>(3,556)</b>	<b>(174,099)</b>
Cash and cash equivalents at start of year	<b>4,019</b>	<b>178,118</b>
Cash and cash equivalents at end of year	<b>463</b>	<b>4,019</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 23 to 44 form part of these financial statements.

## COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 January 2009

	<i>Note</i>	Share capital €	Share premium €	Accumulated deficit €	31 January Total €
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		262,500	1,327,500	-	1,590,000
Share issue costs		-	(78,200)	-	(78,200)
At 31 January 2008		1,056,378	7,347,958	(420,447)	7,983,889
At 1 February 2008		1,056,378	7,347,958	(420,447)	7,983,889
Loss for the year		-	-	(194,100)	(194,100)
Total recognised in income and expense for the year		-	-	(194,100)	(194,100)
Shares issued in the year	19	356,334	324,167	-	680,501
Share issue costs	19	-	(95,591)	-	(95,591)
<b>At 31 January 2009</b>		<b>1,412,712</b>	<b>7,576,534</b>	<b>(614,547)</b>	<b>8,374,699</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 23 to 44 form part of these financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

for the year ended 31 January 2009

## 1. General information

Coms plc is a company incorporated in England and Wales under the Companies Act 1985 and is quoted on the Alternative Investment Market of the London Stock Exchange. The address of the registered office is given on page 8. 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 Operational Review on pages 5 and 6.

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.

### Going concern

These financial statements have been prepared on the assumption that the Group is a going concern.

When assessing the foreseeable future, the directors have looked at a period of twelve months from the date of approval of this report. The forecast cash-flow requirements of the business are contingent upon the ability of the group to generate future sales.

The Group is still at an early stage of its commercialisation and the success of the business depends on the realisation of projected sales together with existing customers extending the use of Coms products within their organisations.

The uncertainty as to the timing and volume of the future growth in sales, require the directors to consider the group's ability to continue as a going concern. Notwithstanding this uncertainty, the directors believe that the group has demonstrated progress in achieving its objective of positioning the Group as a major supplier of VOIP technology to the industries served by the group.

After making enquiries, the directors firmly believe that the Company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

In June 2009, the Group agreed a facility of up-to £500,000, through the issue of secured convertible loan notes, of which £185,000 is still available to be utilized at the date of this report. In addition the group has obtained confirmation from a director of his intention to provide limited financial support if required on the basis that projected sales growth in the next twelve months is limited to the rate achieved in the past six months.

Were the Group to be unable to continue as a going concern, adjustments may have to be made to the balance sheet of the Group to reduce balance sheet values of assets to their recoverable amounts, to provide for future liabilities that might arise and to reclassify non-current assets and long-term liabilities as current assets and liabilities.

### Standards and interpretations effective during the year

There are no standards and interpretations beginning on or after 1 February 2008 that are relevant to the Group operations.

### Standards and amendments early adopted by the Group

The Group has not early adopted any standards or amendments.

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

**Interpretations effective in the year but not relevant**

The following interpretations to published standards are mandatory for accounting periods beginning on or after 1 February 2008 but are not relevant to the Group's operations:

IFRIC 12, Service concession arrangements.

IFRIC 13, Customer loyalty programmes.

**Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group**

The following standards and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 February 2009 or later periods, but the Group has not early adopted them:

IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009).

IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009).

IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009).

IFRS 8, 'Operating segments', (effective from 1 January 2009).

IAS 16 (Amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).

IAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009).

IAS 36 (Amendment), 'Impairment of assets' (effective from 1 January 2009).

IAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009).

IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009).

There are a number of minor amendments to IFRS 7, 'Financial instruments: Disclosures', IAS 8, 'Accounting policies, changes in accounting estimates and errors', IAS 10, 'Events after the reporting period', IAS 18, 'Revenue' and IAS 34, 'Interim financial reporting'.

**Interpretations and amendments to existing standards that are not yet effective and not relevant for the Group's operations**

The following interpretations and amendments to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 February 2009 or later periods but are not relevant for the Group's operations:

IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009).

IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendments to IFRS 1, 'First-time adoption')(effective from 1 July 2009).

IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).

IAS 19 (Amendment), 'Employees benefits' (effective from 1 January 2009).

IAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).

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

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).

IAS 28 (Amendment), 'Investments in associates' (and consequential amendments to IAS32, 'Financial Instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).

IAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).

IAS 31 (Amendment), 'Interest in joint ventures' (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).

IAS 40 (Amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).

IAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009).

IFRIC 15, 'Agreements for construction of real estate' (effective from 1 January 2009).

The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance', and IAS 20, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property', and IAS 41, 'Agriculture'.

IFRIC 16, 'Hedges of a net investment in a foreign operation'.

### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to 31st January each year. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities.

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

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.

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

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.

**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 – 20-25% straight line
- Plant and machinery – 20-25% straight line
- Computer equipment – 33% straight line

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

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

### 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.

### 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.

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

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

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

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

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

An internally-generated intangible asset arising from the development of the Group's VOIP system, the Group'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 of 5 years. Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the year in which it is incurred.

**Impairment of tangible and intangible assets excluding goodwill**

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

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.

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

### Share-based payments

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

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

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

### Foreign currency

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

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

### Plant and equipment, intangible assets and impairment of goodwill

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

**3. Critical accounting estimates and judgements** *continued*

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

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

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

The directors have carried out a detailed impairment review in respect of goodwill. The group assesses at each reporting date whether there is an indication that an asset may be impaired, by considering the net present value of discounted cash flows forecasts which have been discounted at 16.67%. The cash flow projections are based on the assumption that the group can realise projected sales. A prudent approach has been applied with no residual value being factored. At the period end, based on these assumptions there was no indication of impairment of the value of goodwill.

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

**Business combinations**

The fair value of instruments issuable in a business combination are determined on the basis of their published prices.

**Share based payments**

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

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

**4. Business and geographical segments**

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

These are as follows:

- Provision of telephony services
- Supply and distribution of telephony equipment and related services.

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

#### 4. Business and geographical segments *continued*

	2009 £	2008 £
<b>Revenue</b>		
Telephony services:		
– VOIP	227,219	67,522
– PSTN	432,304	559,646
	<b>659,523</b>	627,168
Telephony equipment and related services – external	1,769,811	670,560
Telephony equipment and related services – internal	41,780	–
Elimination	(41,780)	–
Consolidated	<b>2,429,334</b>	1,297,728

	2009 £	2008 £
<b>Profit/(Loss) for the year</b>		
Telephony services	(617,643)	(497,733)
Telephony equipment and related services	(186,615)	(113,621)
Group activities	(192,384)	(245,640)
Finance income	817	3,618
Finance costs	(10,518)	(7,065)
Income tax (charge)/credit	(11,783)	30,232
Consolidated	<b>(1,018,124)</b>	(830,210)

Balance sheet analysis of business segments	2009		2008	
	Assets £	Liabilities £	Assets £	Liabilities £
Telephony services	2,237,193	(250,334)	2,154,198	(231,288)
Telephony equipment and related services	1,029,040	(750,312)	776,075	(368,105)
Group activities	24,549	(99,426)	427,340	(134,294)
	<b>3,290,782</b>	<b>(1,100,072)</b>	<b>3,357,613</b>	<b>(733,687)</b>

Capital additions, depreciation and amortisation by business segment	2009		2008	
	Capital additions £	Depreciation & amortisation £	Capital additions £	Depreciation & amortisation £
Telephony services	72,764	27,818	70,804	26,350
Telephony equipment and related services	16,992	6,147	8,223	7,704
Group activities	–	–	–	–
Unallocated	–	–	–	–
	<b>89,756</b>	<b>33,965</b>	<b>79,027</b>	<b>34,054</b>

**5. Operating loss**

Operating loss from operations is arrived at after charging:

	Group		Company	
	Year ended 31 January 2009 £	Year ended 31 January 2008 £	Year ended 31 January 2009 £	Year ended 31 January 2008 £
Amortisation of intangibles	15,403	11,145	–	–
Depreciation of property, plant and equipment	18,562	22,909	–	–
Stock write downs	42,838	–	–	–
Staff costs (see note 6)	989,391	764,503	78,264	78,291
(Profit)/loss on foreign exchange	20,286	378	–	–
Rentals under operating leases	59,223	–	–	–
Auditors' remuneration for audit services	25,200	21,500	8,000	8,500
Auditors' remuneration for other services	3,365	15,000	1,118	15,000

**6. Staff costs**

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

	Group		Company	
	Year ended 31 January 2009 £	Year ended 31 January 2008 £	Year ended 31 January 2009 £	Year ended 31 January 2008 £
Administrative	20	16	1	1

Their aggregate remuneration comprised:

	£	£	£	£
Wages and salaries	888,701	683,302	70,000	70,000
Social security costs	100,690	81,201	8,264	8,291
	989,391	764,503	78,264	78,291

**7. Finance expense**

	Group		Company	
	Year ended 31 January 2009 £	Year ended 31 January 2008 £	Year ended 31 January 2009 £	Year ended 31 January 2008 £
Interest on bank overdrafts and loans	8,218	7,065	–	–
Interest on convertible loan notes	2,300	–	2,300	–
	10,518	7,065	2,300	–

## 8. Finance income

	Group		Company	
	Year ended 31 January 2009 £	Year ended 31 January 2008 £	Year ended 31 January 2009 £	Year ended 31 January 2008 £
Bank interest	<b>817</b>	3,618	<b>583</b>	2,534

## 9. Taxation

	Group		Company	
	Year ended 31 January 2009 £	Year ended 31 January 2008 £	Year ended 31 January 2009 £	Year ended 31 January 2008 £
Current tax:				
UK corporation tax charge/(credit)	-	-	-	-
Deferred tax charge/(credit)	<b>11,783</b>	(30,232)	-	-
Current year charge/(credit)	<b>11,783</b>	(30,232)	-	-

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

	Group		Company	
	Year ended 31 January 2009 £	Year ended 31 January 2008 £	Year ended 31 January 2009 £	Year ended 31 January 2008 £
Loss before taxation	<b>1,006,343</b>	860,442	<b>194,100</b>	243,107
Tax at the UK corporation tax rate of 21% (2008: 19%)	<b>(211,332)</b>	(163,484)	<b>(40,761)</b>	(46,190)
Depreciation and amortisation	<b>3,898</b>	34,054	-	-
Expenses	<b>971</b>	-	<b>360</b>	-
Deferred tax	<b>11,783</b>	(30,232)	-	-
Losses carried forward	<b>206,463</b>	129,430	<b>40,401</b>	46,190
Tax credit	<b>11,783</b>	(30,232)	-	-

The applicable tax rate has changed to 21% due to a change in the UK corporation tax rate.

At 31 January 2009 the Group had estimated tax losses of £3,014,627 (2008: £1,850,000) to carry forward against future profits. The deferred tax asset arising from certain of these losses of £18,449 (2008: £30,232) has been provided in these financial statements (see note 15).

At 31 January 2009 the Group had estimated tax losses of £2,954,000 (2008: £1,733,000) to carry forward against future profits. The potential deferred tax asset calculated at 21% arising from these losses of £620,000 (2008: £364,000) has not been provided in the accounts due to the uncertainty of recovery.

At 31 January 2009 the Company had estimated tax losses of £546,000 (2008: £389,000) to carry forward against future profits. The potential deferred tax asset calculated at 21% arising from these losses of £115,000 (2008: £73,910) has not been provided in the accounts due to the uncertainty of recovery.

**10. 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. The comparative figures for the year ended 31 January 2008 have been restated to reflect the share consolidation on 22 August 2008.

	Year ended 31 January 2009	Year ended 31 January 2008
Basic and diluted loss per share	<b>(8.5p)</b>	(8.7p)
Loss for the purposes of basic and diluted loss per share	<b>£(1,018,126)</b>	£(830,210)
	No.	No.
<b>Number of shares</b>		
Weighted average number of ordinary shares for the purposes of basic earnings per share	<b>11,909,522</b>	9,538,878

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 2009 and 2008 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. The weighted average number of potentially dilutive shares for the year ended 31 January 2009 was 846,973 (2008: 144,740).

**11. Goodwill**

	£
<b>Cost</b>	
At 1 February 2007	1,949,734
Recognised on acquisition of VComm (UK) Limited	357,879
At 31 January 2008	2,307,613
Recognised on acquisition of VComm (UK) Limited (see note 24)	10,250
<b>At 31 January 2009</b>	<b>2,317,863</b>
<b>Accumulated impairment losses</b>	
<b>At 31 January 2009</b>	-
At 31 January 2008	-
At 31 January 2007	-
<b>Carrying amount</b>	
<b>At 31 January 2009</b>	<b>2,317,863</b>
At 31 January 2008	2,307,613
At 31 January 2007	1,949,734

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

Goodwill on consolidation has been allocated for impairment testing purposes to the individual entities which are also the cash-generating units ("CGU") identified. The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by the Directors covering a two year period. The projections are based on the assumption that the Group can realise projected sales. A prudent approach has been applied with no residual value being factored into these calculations. If the projected sales do not materialise there is a risk that the total value of the intangible assets shown above would be impaired. A pre-tax discount rate of 16.67% per annum was applied to the cash flow projections, after taking into consideration the Group's cost of borrowings, the expected rate of return and various risks relating to the CGU.

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

#### Key assumptions

	Coms.com Ltd	Vcomm (UK) Ltd
Revenue growth	100%	50%
GP Margin	44%	23%
Expenses growth	15%	15%
Discount rate	16.67%	16.67%

A significant proportion of goodwill on consolidation relates to the acquisition of Coms.com Limited which is a CGU and has a carrying amount of £1,350,556. It's recoverable amount has been determined based on value in use using cash flow projections and key assumptions as described above.

#### 12. 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 2007	10,334
On acquisition of VCOMM (UK) Limited	5,144
Transfer from property, plant and equipment	2,901
Additions	39,390
At 31 January 2008	57,769
Additions	49,495
<b>At 31 January 2009</b>	<b>107,264</b>

12. Other intangible assets *continued*

	Development costs £
<b>Accumulated amortisation and impairment</b>	
At 1 February 2007	172
On acquisition of VCOMM (UK) Limited	862
Charge for the year	11,145
At 31 January 2008	12,179
Charge for the year	15,403
<b>At 31 January 2009</b>	<b>27,582</b>
<b>Carrying amount</b>	
<b>At 31 January 2009</b>	<b>79,682</b>
At 31 January 2008	45,590
At 31 January 2007	10,162

13. Property, plant and equipment

	Plant & Machinery £	Fixtures & Fittings £	Computer Equipment £	Total £
<b>Cost</b>				
At 1 February 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
At 31 January 2008	87,566	11,965	84,407	183,938
Additions	29,307	10,954	-	40,261
<b>At 31 January 2009</b>	<b>116,873</b>	<b>22,919</b>	<b>84,407</b>	<b>224,199</b>
<b>Accumulated depreciation and impairment</b>				
At 1 February 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
At 31 January 2008	59,688	5,693	81,208	146,589
Charge for the year	13,281	3,484	1,797	18,562
At 31 January 2008	72,969	9,177	83,005	165,151
<b>Carrying amount</b>				
<b>At 31 January 2009</b>	<b>43,905</b>	<b>13,742</b>	<b>1,402</b>	<b>59,049</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

#### 14. Inventories

	31 January 2009 £	31 January 2008 £
Finished goods	252,455	187,311

#### 15. 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 2009 £	31 January 2008 £	31 January 2009 £	31 January 2008 £
<b>Current receivables</b>				
Trade receivables	355,194	221,533	-	-
Other receivables	48,275	499,772	14,813	423,169
Taxes and social security costs	15,565	6,354	8,404	-
Deferred tax (see note 9)	18,449	30,232	-	-
Prepayments and accrued income	86,891	-	868	-
	524,374	757,891	24,085	423,169
<b>Non-current receivables</b>				
Amounts due from subsidiaries	-	-	2,332,241	1,581,758

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

Included within trade receivables there are amounts due from the customers of VCOMM (UK) Limited which have been transferred to another company. VCOMM (UK) Limited is exposed to the risks of ownership as it is obligated to make certain payments to the transferee, regardless of whether equivalent amounts have been collected from their customers. Therefore, it retains substantially all of the risks and rewards of ownership.

The carrying amount of the trade receivables transferred and the associated liabilities are £222,257 and £109,035 respectively.

Included within other debtors is an amount of £13,813 (2008: £nil) that is secured against monies due under an operating lease.

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.

#### 16. Bank loans

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

	31 January 2009 £	31 January 2008 £
Due within one year	36,667	36,667
Due within one to two years	6,111	36,667
Due within two to five years	-	6,111
	6,111	42,778

**17. Convertible loan notes**

Convertible loan notes bear interest at 3% over Bank of England base rate. The repayment profile is as follows:

	31 January 2009	31 January 2008
Due within one year	–	–
Due within one to two years	37,500	–
	<b>37,500</b>	–

**18. 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 55 days (2008: 51 days).

	Group		Company	
	31 January 2009 £	31 January 2008 £	31 January 2009 £	31 January 2008 £
Trade payables	544,253	332,341	–	–
Social Security and other taxes	154,531	50,180	–	–
Other payables	121,599	173,158	500	134,143
Accruals and deferred income	199,411	96,674	61,426	–
Amounts due to subsidiaries	–	–	25,000	23,000
	<b>1,019,794</b>	652,353	<b>86,926</b>	157,143

Included within other payables is an amount of £109,035 which is secured by way of a debenture over all of VCOMM (UK) Limited's assets and undertakings including specific fixed charges.

**19. Share capital**

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

	Group		Company	
	31 January 2009 Number	31 January 2008 Number	31 January 2009 £	31 January 2008 £
<b>Authorised</b>				
Ordinary shares of 10p each (2008: 0.1p each)	<b>50,000,000</b>	5,000,000,000	<b>5,000,000</b>	5,000,000
	31 January 2009 Number	31 January 2008 Number	31 January 2009 £	31 January 2008 £
<b>Allotted, called up and fully paid:</b>				
Ordinary shares of 10p each (2008: 0.1p each)	14,117,116	1,056,378,200	1,412,712	1,056,378

## 19. 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 the exercise of 'A' warrants on 23 March 2008	3,500,000	0.1	3,500	-	3,500
Issued 0.1p ordinary shares in connection with placing on 17 April 2008	162,083,400	0.3	162,084	324,167	486,251
Less : Issue costs				(95,591)	(95,591)
Adjustment relating to share consolidation on 22 August 2008 (every 100 0.1p ordinary shares converted to one 10p share)	(1,209,741,984)		-	-	-
Issued 10p ordinary shares in connection with conversion of convertible loan on 29 January 2009	1,805,000	10	180,500	-	180,500
			346,084	228,576	574,660
<b>Shares issued for non-cash consideration</b>					
Issued 10p ordinary shares in connection with deferred consideration payable relating to acquisition of VCOMM (UK) Limited	102,500	10	10,250	-	10,250
Total movement in the year	(1,042,251,084)		356,334	228,576	584,910
At 1 February 2008	1,056,378,200		1,056,378	7,347,958	8,404,336
At 31 January 2009	14,127,116		1,412,712	7,576,534	8,989,246

The company has one class of ordinary share which have no rights to fixed income.

## 20. Retirement benefit schemes

The Group does not operate any retirement benefit schemes.

**21. Related-party transactions**

Transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. There were no transactions between the company and its subsidiaries.

**Remuneration of key management personnel**

	Year ended 31 January 2009 £	Year ended 31 January 2008 £
JC Cole	-	-
JK Drummond	-	-
JP Drummond	-	-
RA Bennett	70,000	70,000
AN Branson	12,532	10,000
TMartin	75,000	75,000
Total	<b>157,532</b>	155,000

**Directors' transactions**

During the year, Jason Drummond was paid £2,500 in respect of commission in connection with the placing of shares on 17 April 2008.

At 31 January 2009 there were the following amounts owing to/by Directors of the Group:

R Bennett – £1,000 (2008: £nil) payable to the Group

T Martin – £10,000 (2008: £nil) payable by the Group

The Company paid £18,875 (2008: £16,450) for salary costs and £984 (2008: £5,061) for computer equipment to Computer Warehouse Limited, a company of which JC Cole is a director. In addition sales were made to Computer Warehouse Limited for £5,108 (2008: £4,923) relating to goods and services supplied. At the year end, a balance of £19,659 was payable by the Group (2008: £3,068 was receivable by the Group).

During the year, the Group paid rent of £Nil (2008: £38,716) and consultancy fees of £Nil (2008: £15,667) to Media Corp plc, a company in which JK Drummond and JP Drummond are directors. In addition sales were made to Media Corp plc for £6,435 (2008: £Nil) relating to goods and services supplied. At the year end, a balance of £4,549 was receivable by the Group (2008: £7,274 was payable by the Group).

## 22. Commitments

### a) Capital commitments

There were no capital commitments at 31 January 2009.

### b) Operating lease commitments

The Company leases an office building under a licence/lease to occupy. The lease has a life of 14 months terminating on 20 June 2009. The information below is presented on the basis of continued occupation of the premises until the expiry of the agreement on 20 June 2009.

Future minimum lease payments under cancellable operating leases at 31 January 2009 are as follows:

	2009 £	2008 £
Within one year	21,444	–
Between one and two years	–	–
Between two and five years	–	–
After five years	–	–

## 23. Financial instruments

### Financial instruments

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

The significant accounting policies regarding financial instruments are disclosed in note 2.

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

### Principal financial instruments

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

Group	Year ended 31 January 2009 £	Year ended 31 January 2008 £
Trade receivables	355,194	221,553
Other receivables	58,440	506,126
Cash and cash equivalents	57,359	21,859
Bank overdraft	–	(1,889)
Bank loans	(42,778)	(79,445)
Convertible loan notes	(37,500)	–
Trade payables	(544,523)	(332,341)
Other payables	(475,541)	(320,012)

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

**23. 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. Included within trade receivables there are amounts due from the customers of VCOMM (UK) Limited which have been transferred to another company. Further details are given in Note 15.

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 16 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.

## 23. 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 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.

## 24. Subsidiaries

Details of the Company's subsidiaries at 31 January 2009 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 46 Cannon Street, London, EC4N 6JJ.

### Investment in subsidiaries

	£
<b>Cost</b>	
At 1 February 2007	5,986,504
Acquisition of VCOMM (UK) Limited	145,582
At 31 January 2008	6,132,086
Acquisition of VCOMM (UK) Limited (deferred consideration)	10,250
<b>At 31 January 2009</b>	<b>6,142,336</b>

The cost of the deferred consideration on the acquisition of VCOMM (UK) Limited consisted of the fair value based on the published price of the issue of ordinary shares as disclosed in Note 19.

## 25. Post-balance sheet events

On 23 June 2009 the company agreed a facility of up to £500,000 through the issue of secured convertible loan notes, of which £215,000 were subscribed for at issue.

**26. Options and Warrants**

The company has the following share warrants and options outstanding at 31 January 2009:

	Number	Date granted	Price	Period of Exercise
B Warrants	155,000	09/08/08	100p	6 Sept 06 – 6 Sep 09
Warrants	100,000	20/05/08	50p	20 May 08 – 20 May 18
Unapproved options	260,000	20/05/08	50p	20 May 08 – 20 May 18
Warrants	2,105,000	17/11/08	10p	17 Nov 08 – 17 Nov 10

**27. Share based payments**

Since incorporation the company has issued warrants and options enabling the holders to subscribe for ordinary shares of 10p each.

	31 January 2009		31 January 2008	
	Number	Weighted average exercise price	Number	Weighted average exercise price
Outstanding at 1 February 2008	215,000	97.0p	225,000	93.0p
Granted during the year	2,465,000	15.8p	–	–
Lapsed during the year	(25,000)	200.0p	–	–
Exercised during the year	(35,000)	10.0p	(10,000)	10p
Outstanding at 31 January 2009	2,620,000	20.8p	215,000	97.0p
Exercisable at 31 January 2009	2,587,500	20.5p	215,000	97.0p

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

	31 January 2009	31 January 2008
Weighted average share price	10.5p	–
Weighted average exercise price	15.8p	–
Expected volatility	90%	–
Expected life	2-10 years	–
Risk free rate	1.0%	–
Expected dividends	0.0%	–

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

No charge (2008: £nil) has been made for the share based payments as it is not considered to be material.

**28. Contingent Liabilities**

The company has provided a cross guarantee on behalf of one of its subsidiaries, VCOMM (UK) Limited, for an amount due of £109,035.

NOTICE OF ANNUAL GENERAL MEETING



NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING



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