

31 October 2014

COMS PLC

(‘Coms’, the ‘Group’ or the ‘Company’)

Interim Results for the six months to 31 July 2014

Coms plc, a leading provider of telecommunications products, services and infrastructure, today announces unaudited interim results for the six months ended 31 July 2014.

Period highlights

	6 months to 31 July 2014	6 months to 31 July 2013	% Change
	£	£	£
Continuing operations			
Revenue	23,101,605	2,476,194	833%
Gross profit	5,318,494	1,026,408	418%
EBITDA	89,158	31,869	180%
Loss before tax and exceptional items	(417,469)	(88,645)	-371%
Exceptional items*	202,933	(30,000)	776%
Loss for the period	(214,536)	(118,645)	-81%
Net cash balances	974,256	1,126,071	-13%
Consolidated net assets	23,745,600	6,470,217	267%

* Exceptional items in the six months to 31 July 2014 include £797,067 of one-off reorganisation costs and £1m release of a provision for contingent consideration

Highlights

- Significant increase in revenue generation through a combination of acquisitive and organic growth.
- Restructuring exercise to integrate the various acquisitions and reduce overheads. This was substantially completed in the first half but has not yet benefited EBITDA.
- Successful placing, that was more than twice oversubscribed, generating net proceeds of £7.9 million, used for the acquisition of certain subsidiaries of Actimax Acquisitions Limited (‘CloudXL’), a managed network and data services provider, Smarter Mobile UK, a mobile service provider, and other general purposes.
- Small cash outflow as a result of investing activities and also funding additional working capital in the enlarged Group’s business.

- Strengthened Board and management team, with the appointments of Frank Beechinor and Brendan Loughrey as Chairman and Chief Operating Officer respectively.

David Breith, CEO of Coms, said:

“The key challenge for Coms in the first half of its financial year has been to integrate the businesses that have been acquired, in particular CloudXL, in order to align our cost base and position the operating divisions to maximise growth opportunities. While this process is not yet complete, we have made good progress and the vast majority of restructuring costs have already been incurred.

In a short space of time, we have successfully built an all-encompassing telecoms business that offers a broad and technically robust range of services. Our aim now is to leverage this and ensure that all operations build on their current market positions and deliver the growth potential that I firmly believe exists within the Group.

The results we have reported today I believe do not fully reflect what the business has achieved to date but also provide an indication of what is possible in the future.”

A copy of these interim results together with further information on the Company is available on the Company’s website: www.coms.com

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Chief Executive's Statement

Introduction

Coms has made significant progress in a short period of time. The Company is very different from the business I entered in January 2013. Through focused effort and dedication we have started to develop a quality telecommunications and IT infrastructure business with substantial scale and an exciting platform on which we will continue to build.

The acquisitions of CloudXL, which now trades as Coms direct channel, and Smarter Mobile UK, which now trades as part of Coms Mobile, were of strategic importance. They, along with the numerous acquisitions the Company made in the prior financial year, have enabled Coms to offer the full range of telecoms services - encompassing Infrastructure and ICT Management, through Redstone, Wholesale and Retail VoIP Telecoms services, through CloudXL, and Mobile Telecoms services through Coms Mobile - to our growing client base.

Our immediate priority is to fully integrate the businesses that we have acquired and we hope to make further significant progress on this in the second half of the year. Our aim is to eliminate cost duplication wherever possible, introduce more effective systems, processes and controls across the Group. This, in turn, will ensure we extract maximum value and exploit cross-selling opportunities across all operations.

Acquisitions will continue to form part of our growth and we continue to enhance our capability to identify and integrate acquisition targets. This, over time, will help us to aim to be a consolidator in the markets in which we operate.

In terms of organic growth we are focusing on building our existing capability by cross-selling and upselling to existing customers. Our product teams are working on new offerings including integrated, 'out of the box' telecoms and mobile solutions for smaller businesses. The provisioning platform in Coms gives us the capability to quickly onboard large numbers of new customers. Our aim is to release this offering during the second half of the year.

Financial Results

The results reported today demonstrate the progress that the Company has made. There has been a significant leap in the Group's turnover, with revenue of £23.1 million (2013: £2.5 million), largely thanks to the acquisitions made in the latter part of the previous financial year and the early part of the first half of the current financial year. The gross margin in the first half was 23% compared with the margin over the comparative period of 41% and for the whole of 2014 of 34%. The lower margin reflects the higher proportion of the Company's business generated by the Infrastructure division which was acquired in November 2013 and which is generally lower margin than the other divisions.

EBITDA for the first half was £89,158 (2013: £31,869). As previously reported, the Company embarked on a restructuring exercise at the start of this year to integrate the businesses acquired and generate cost savings across the Group. This exercise, which included staff redundancies as well as moves into two new offices and the closure of 7 offices was substantially completed in the first half although a small amount of additional cost continued into the second half. The exceptional costs associated with the restructuring exercise, which amounted to £797,067 are disclosed separately in the income statement and were not deducted from the EBITDA. However, the business also suffered some disruption as well as duplicate running costs during the first half which impacted EBITDA. CloudXL, which was acquired in February 2014, was also trading at a loss at the time of its acquisition and continued to generate a loss for the first 2 months in the first half of the financial year.

The exceptional costs incurred in connection with the integration and restructuring exercise were offset by the release of a provision of £1m which related to the estimated contingent consideration payable in connection with the acquisition of CloudXL. As a result the loss before tax after exceptional items was reduced to £214,536 (2013: loss of £118,645).

During the period, the Company's cash resources reduced by £24,690 (2013: increase of £954,109). The £7.9m (net of costs) raised from the placing in February 2014 (2013 share issues of £1.6m) funded the operational cash outflow of £3.9m (2013: £0.4m), the investments in CloudXL and Smarter Mobile and deferred consideration paid in respect of Redstone as well as fixed asset investments which totalled a further £3.5m (2013: £0.1m).

The operational cash outflow of £3.9m (2013 £0.4m) largely resulted from a build-up of working capital utilised in CloudXL and the Infrastructure division. This comprised both work on projects which has not yet been invoiced and a build up in trade debtor days. The increased working capital requirement is partially because of higher trading levels but also as a result of poorer debtor collection. Work will be undertaken in the second half to control the Company's ongoing working capital requirements.

The cash invested in CloudXL amounted to £2.22m net of cash acquired with the business and the net cash invested in Smarter Mobile was £0.16m. The deferred consideration outstanding in respect of Redstone amounted to £1.85m at the start of the year. This has been reduced to £1.1m by payment of £559,766 in May 2014, earlier than required by the contract. The gain arising from early settlement accounts for the positive balance in finance costs in the income statement.

At the end of the period the Company had net cash balances of £1m (2013: £1.1m).

Management Team

Given the rapid expansion of Coms' business, it was essential that the Company strengthened its operational management team in order to ensure that the Group capitalises on the growth opportunities in the market. Brendan Loughrey was appointed Chief Operating Officer during the period. Brendan brings extensive knowledge, having over 20 years' experience within Redstone in both telecoms and infrastructure and is already proving to be a valuable asset to the business.

We strengthened our Board of Directors and I was delighted that Frank Beechinor agreed to join as Chairman in July.

We have also taken action to strengthen our finance function and audit process. We initiated a process to select a new auditor and in October KPMG LLP were appointed as auditor. There is a search process underway to appoint a new CFO with appropriate public company experience.

As a rapidly growing business I am highly conscious of the ongoing need to bring in talent in order to ensure that we maximise Coms' growth potential and deliver shareholder value. However, at both a Board and executive management level I am confident that we now have the right people in place, with the requisite knowledge, experience and drive, to ensure that the Company continues to grow and achieves the ambitions I have for the Group.

Summary and Outlook

As per our earlier announcements we have been successful in securing a number of new contracts and our sales pipeline has continued to grow which, together, give me confidence that we will achieve our revenue forecast for the full year. In saying this, the gross profit on new business in the infrastructure business has tended to be lower than we had originally expected but we are working on improving our margin. This is reflected in a slightly higher gross profit of 25% achieved in the first two months of the second half year, up from the 23% achieved in the first half year.

Dave Breith
Chief Executive Officer

COMS PLC

Consolidated Income Statement

For the six months ended 31 July 2014

	NOTE	Six months to 31 July 2014 Unaudited	Six months to 31 July 2013 Unaudited	Year ended 31 January 2014 Audited
Continuing operations		£	£	£
Revenue	3	23,101,605	2,476,194	14,002,866
Cost of Sales		(17,783,111)	(1,449,786)	(9,247,816)
Gross Profit		5,318,494	1,026,408	4,755,050
Administrative expenses		(5,774,833)	(1,115,053)	(3,930,130)
Operating (loss)/profit		(456,339)	(88,645)	824,920
Finance costs		38,870	-	415,175
Finance Income		-	-	1,360
(Loss)/profit before income tax		(417,469)	(88,645)	1,241,455
Exceptional items		202,933	(30,000)	-
Taxation		-	-	117,330
(Loss)/profit for the period after tax from continuing operations		(214,536)	(118,645)	1,358,785
Discontinued operations		-	-	(344,731)
(Loss)/profit for the period	3	(214,536)	(118,645)	1,014,054
Attributable to:				
- Owners of the parent		(214,536)	(118,645)	1,014,054
Basic and diluted (loss)/earnings per share				
Continuing operations - Basic	4	(0.02p)	(0.03p)	0.24p
Discontinued operations - Basic		(0.00p)	(0.00p)	(0.06p)
Total		(0.02p)	(0.03p)	0.18p
Continuing operations - Diluted		(0.02p)	(0.03p)	0.22p
Discontinued operations - Diluted		(0.00p)	(0.00p)	(0.05p)
Total		(0.02p)	(0.03p)	0.17p

There were no recognised gains or losses other than those recognised in the income statement above.

COMS PLC

Consolidated Statement of Financial Position as at 31 July 2014

	31 July 2014	31 July 2013	31 January 2014
	Unaudited	Unaudited	Audited
	£	£	£
ASSETS			
Non-current assets			
Intangibles	21,330,993	5,012,947	14,735,273
Property, plant and equipment	2,335,619	162,836	1,031,266
	<u>23,666,612</u>	<u>5,175,783</u>	<u>15,766,539</u>
Current assets			
Inventories	653,688	12,689	363,973
Trade and other receivables	13,870,479	1,562,195	8,703,890
Deferred tax asset	204,167	-	204,167
Cash and cash equivalents	974,256	1,126,071	998,946
	<u>15,702,590</u>	<u>2,700,955</u>	<u>10,270,976</u>
Total assets	<u>39,369,202</u>	<u>7,876,738</u>	<u>26,037,514</u>
EQUITY and LIABILITIES			
Capital and reserves attributable to equity shareholders			
Share capital	3,008,237	2,580,995	2,863,944
Share premium	27,763,527	13,779,616	19,964,275
Merger Relief reserve	1,911,111	-	1,911,111
Reverse acquisition reserve	(4,236,239)	(4,236,239)	(4,236,239)
Share based payment reserve	96,366	61,414	70,490
Accumulated deficit	(4,797,402)	(5,715,569)	(4,582,867)
Total equity	<u>23,745,600</u>	<u>6,470,217</u>	<u>15,990,714</u>
Current liabilities			
Financial liabilities - borrowings	-	-	-
Trade and other payables	15,623,602	1,406,521	10,046,801
	<u>15,623,602</u>	<u>1,406,521</u>	<u>10,046,801</u>
Non-current liabilities			
Financial liabilities - borrowings	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total equity and liabilities	<u>39,369,202</u>	<u>7,876,738</u>	<u>26,037,515</u>

COMS PLC

Consolidated Statement of Cash Flows

For the six months ended 31 July 2014

	Six months to 31 July 2014 Unaudited	Six months to 31 July 2013 Unaudited	Year ended 31 January 2014 Audited
Cash flows from operating activities	£	£	£
Operating (Loss)/profit	(456,339)	(88,645)	824,920
Discontinued operations	-	-	(344,731)
Depreciation and amortisation	536,122	120,514	227,524
One off reorganisation costs	(797,067)	(30,000)	-
Share based payment charge	25,876	17,901	26,977
Movement in provisions	(275,000)	-	(593,990)
Write off of intangible asset	9,375	-	35,500
Profit on sale of fixed assets	-	-	(225,096)
Decrease/(increase) in inventories	29,267	(7,898)	(62,678)
Increase in receivables	(3,765,329)	(588,258)	(940,327)
Increase in payables	822,931	162,492	675,992
Taxation	-	-	-
Net cash outflow from operating activities	(3,870,164)	(413,894)	(375,909)
Cash flows from investing activities			
Acquisition of subsidiaries	(2,938,119)	-	(7,308,836)
Acquisition of intangible assets	(87,866)	(52,974)	(312,480)
Acquisition of property, plant and equipment	(1,072,086)	(30,048)	(470,246)
Net cash from investing activities	(4,098,071)	(83,022)	(8,091,562)
Cash flows from financing activities			
Proceeds from issues of share capital	7,943,545	1,550,000	9,358,117
Finance costs	-	(98,975)	(63,173)
Repayment of finance leases	-	-	(1,860)
Finance income	-	-	1,371
Net cash from financing activities	7,943,545	1,451,025	9,294,455
Net (decrease)/increase in cash and cash equivalents	(24,690)	954,109	826,984
Cash and cash equivalents at start of period	998,946	171,962	171,962
Cash and cash equivalents at end of period	974,256	1,126,071	998,946

Consolidated Statement of Changes in Equity
For the six months ended 31 July 2014

	Six months to 31 July 2014	Six months to 31 July 2013	Year to 31 January 2014
	Unaudited	Unaudited	Audited
	£	£	£
As at beginning of period	15,990,714	2,070,880	2,070,880
(Deficit)/ profit for the period	(214,536)	(118,645)	1,014,054
Share based payments	25,876	17,901	26,977
Issue of share capital net of expenses	7,943,546	4,500,081	12,878,803
As at end of period	23,745,600	6,470,217	15,990,714

Notes to the Interim Financial Information

1. Basis of preparation

The consolidated interim financial information has been prepared in accordance with International Financial Reporting Standards and on the historical cost basis, using generally recognised accounting principles consistent with those used in the annual report and accounts for the year ended 31 January 2014 and expected to be used for the year ended 31 January 2015.

This interim report for the six months to 31 July 2014 which complies with IAS 34 'Interim Financial Reporting' was approved by the Board on 30 October 2014.

2. Significant Accounting Policies

The accounting policies and methods of computation applied are consistent with those of the annual financial statements for the year ended 31 January 2014, as described in those annual financial statements.

3. Segmental Analysis

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 Telecom and Cloud services
- Infrastructure

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

Revenue	Six months to	Six months to	Year ended
	31 July 2014	31 July 2013	31 January 2014
	Unaudited	Unaudited	Audited
	£	£	£
Telecom and Cloud services	7,979,299	2,476,194	5,982,485
Infrastructure	15,210,891	-	8,020,381
	23,190,190	2,476,194	14,002,866
Elimination of intragroup sales	(88,585)	-	-
	23,101,605	2,476,194	14,002,866

Notes to the Interim Financial Information

3. Segmental Analysis (continued)

(Loss)/profit for the period	Six months to 31 July 2014	Six months to 31 July 2013	Year ended 31 January 2014
	Unaudited	Unaudited	Audited
	£	£	£
Telecom and Cloud services	(519,842)	31,480	470,908
Infrastructure	561,714	-	1,537,063
Unallocated	(256,408)	(150,125)	(649,186)
Discontinued operations	-	-	(344,731)
	(214,536)	(118,645)	1,014,054

Loss in Telecom and Cloud Services includes a profit recognised on the release of a provision for contingent consideration of £1,000,000 and exceptional costs of £723,663 relating to restructuring.

Profit in Infrastructure is after deducting £73,404 of exceptional costs relating to restructuring.

Assets

	As at 31 July 2014	As at 31 July 2013	As at 31 January 2014
	Unaudited	Unaudited	Audited
	£	£	£
Telecom and Cloud services	18,854,218	5,402,877	9,044,839
Infrastructure	11,078,211	-	8,053,470
Unallocated	9,436,773	2,473,861	8,926,888
Discontinued Operations	-	-	12,318
	39,369,202	7,876,738	26,037,515

Notes to the Interim Financial Information

3. Segmental Analysis (continued)

Liabilities

	As at 31 July 2014	As at 31 July 2013	As at 31 January 2014
	Unaudited	Unaudited	Audited
	£	£	£
Telecom and Cloud services	(7,002,737)	(1,345,514)	(1,800,444)
Infrastructure	(7,432,832)	-	(6,350,621)
Unallocated	(1,188,033)	(61,007)	(1,839,360)
Discontinued Operations	-	-	(56,376)
	<u>(15,623,602)</u>	<u>(1,406,521)</u>	<u>(10,046,801)</u>

Capital additions

	Six months to 31 July 2014	Six months to 31 July 2013	Year ended 31 January 2014
	Unaudited	Unaudited	Audited
	£	£	£
Telecom and Cloud services	548,567	3,378,049	1,988,703
Infrastructure	611,385	-	667,423
	<u>1,159,952</u>	<u>3,378,049</u>	<u>2,656,126</u>

Depreciation and amortisation

	Six months to 31 July 2014	Six months to 31 July 2013	Year ended 31 January 2014
	Unaudited	Unaudited	Audited
	£	£	£
Telecom and Cloud services	299,363	120,514	182,609
Infrastructure	236,759	-	44,915
	<u>536,122</u>	<u>120,514</u>	<u>227,524</u>

Notes to the Interim Financial Information

4. (Loss)/earnings per Share

	Six months to 31 July 2014	Six months to 31 July 2013	Year ended 31 January 2014
Continuing operations – Basic	(0.02p)	(0.03p)	0.24p
Discontinued operations – Basic	(0.00p)	(0.00p)	(0.06p)
Total	(0.02p)	(0.03p)	0.18p
Continuing operations – Diluted	(0.02p)	(0.03p)	0.22p
Discontinued operations – Diluted	(0.00p)	(0.00p)	(0.05p)
Total	(0.02p)	(0.03p)	0.17p

Continuing operations

Profit for the period attributable to owners of the parent company

(£214,536) (£118,645) £1,358,785

Discontinued operations

Profit for the period attributable to owners of the parent company

- - (£344,731)

	Six months to 31 July 2014	Six months to 31 July 2013	Year ended 31 January 2014
Number of shares			
Basic weighted average shares	955,612,668	414,635,793	559,408,855
Diluted weighted average shares	955,612,668	414,635,793	612,427,892

5. Related-party transactions

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

Remuneration of key management personnel

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

Notes to the Interim Financial Information

Directors' fees

Director's fees of £46,160 (31 July 2013: £10,000; 31 January 2014: £39,000) were paid to Gladstone Consultancy Partnership, of which Iain Ross is a partner, in respect of services provided by Iain Ross; Nil (31 July 2013: Nil; 31 January 2014: £9,200) was outstanding at the period end. Director's fees of £15,445 (31 July 2013: Nil; 31 January 2014: £7,414) were paid to Warspite Limited, a company connected to Diana Dyer Bartlett, in respect of services provided by Diana Dyer Bartlett; £5,919 (31 July 2013: Nil; 31 January 2014: £2,083) was outstanding at the period end. Director's fees of £29,166 (31 July 2013: £2,750; 31 January 2014: £61,996) were paid to Iridian Consulting Services Limited, a company connected to Stephen Foster, in respect of services provided by Stephen Foster; £2,083 (31 July 2013: Nil; 31 January 2014: £1,500) was outstanding at the period end.

Director's remuneration of £4,167 (31 July 2013: Nil; 31 January 2014: Nil) was due to Frank Beechinor at the period end. Director's remuneration of £90,000 (31 July 2013: £80,769; 31 January 2014: £200,769) was paid to David Breith. Director's remuneration of £38,666 (31 July 2013: Nil; 31 January 2014: £53,333) was paid to Sue Alexander.

Directors' transactions

Products and services

During the period the Company entered into the following trading activities with companies or partnerships connected with David Breith:

- The Group sourced hardware for internal use from Vitrx Limited on arm's length terms. During the period, purchases amounting to £100,784 (31 July 2013: £60,089; 31 January 2014: £118,177) were made and the balance outstanding at 31 July 2014 to Vitrx was £38,963 (31 July 2013: £483; 31 January 2014: £1,717).
- The Group purchased marketing and website services from Blabbermouth Limited on arm's length terms. During the period services provided amounted to £46,731 (31 July 2013: £29,213; 31 January 2014: £52,866) and the amount due to Blabbermouth at 31 July 2014 was £17,331 (31 July 2013: £455; 31 January 2014: £1,800).
- Coms licenses its billing platform from AskMerlin Limited at a monthly charge of £17,500 per month. The licence is on arm's length terms. The cost of the licence during the period was £105,000 (31 July 2013: Nil; 31 January 2014: £63,000) and the amount owed to AskMerlin at the period end was Nil (31 July 2013: Nil; 31 July 2014: Nil).

6. Called up Share Capital

The issued share capital as at 31 July 2014 was 966,083,201 Ordinary Shares of 0.1p each (31 July 2013 – 538,640,571; 31 January 2014 - 821,789,868).

7. The unaudited results for period ended 31 July 2014 do not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 January 2014 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and which contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.
8. Copies of this interim statement are available from the Company at its registered office at Beacon House Stokenchurch Business Park, Ibstone Road, Stokenchurch, Buckinghamshire, HP14 3FE. The interim statement will also be available on the company website <http://www.comsplc.com/investors/annual-and-interim-reports.html>