



Coms PLC

Final Results

RNS Number : 1091J

Coms PLC

09 June 2014

9 June 2014

Coms plc **("Coms", the "Company" or the "Group")**

Preliminary Annual results for the year ended 31 January 2014

Coms plc (AIM:COMS) a leading provider of telecommunications and infrastructure is pleased to announce its unaudited annual results for year ended 31 January 2014 and full audited accounts will be made available on the company's website shortly at www.coms.com

Dave Breith (CEO) states, "I am pleased and honoured to report on the Company's performance for my first full year as Chief Executive. The year was extremely fast paced, hard work and great fun. I cannot thank the Board, all my staff and the shareholders enough for their support during the course of my first year."

FINANCIAL HIGHLIGHTS

	2014	2013
	£	£
Continuing operations		
Revenue	14,002,866	1,621,960
Gross profit	4,755,050	929,576
EBITDA/(LBITDA)	1,495,958	(797,421)
Profit/(loss) before taxation	1,241,455	(936,415)
Net cash balances	998,947	171,962
Consolidated net assets	15,990,716	2,070,880
Earnings per share per share - basic	0.22p	(0.40p)
Earnings per share per share - diluted	0.20p	(0.40p)

CHAIRMAN'S STATEMENT

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

upon which he and his professional management team can build a truly outstanding company.

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

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

Corporate Governance

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

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

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

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

Iain G Ross
Chairman

(SUMMARY) CHIEF EXECUTIVE'S STATEMENT

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

The 2013/14 accounts are extremely positive in that during the year we generated revenues in excess of £14m which coupled with a significantly re-aligned cost base resulted in the Company starting the 2014 financial year with £0.98m of cash available to it. The EBITDA for the year was £1.50m (excluding discontinued operations) and the profit before tax reported was £1.24m (excluding discontinued operations). These numbers speak for themselves when compared to the previous year's performance but more importantly on an annual run rate basis the business has solid revenues and gross profit in order to make informed decisions on the long term EBITDA and PBT impact.

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

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

- Systems - Integrating multiple platforms, systems and software
- Personnel - Aligning the now c.400 staff
- Location, Location, Location. - Shutting down and opening several locations
- Creating the right working environment and motivation for our people - Harmonising staff benefits, contracts and salaries
- New Initiatives - Training, constant investment
- Cash Management and Finance - dealing with multiple billing platforms, banks and group management information policy

Turning to some of the other aspects of the year under review:

Since the MITIE contract was announced in April 2013, Coms has commenced the installation of lines, whilst establishing the initial processes and workflows of the project with MITIE and its respective third parties. Together we have been securing the resources to deliver a best in class service across the social housing sector. However the roll out of this project has been a lot slower than anticipated and aspects of the project had to be delayed due to general roll out process. As a result the Company saw very little revenues during the year from this project with only c.£60k being billed. Having said this as a result of intense discussions we have been able to sort out all the teething problems and remain confident we will start to see a major impact in the 2014/15 and 2015/16 financial years.

In November 2013 the Company acquired Comunica Holdings Limited and its wholly owned subsidiaries Comunica Group Limited and Redstone Converged Solutions Limited (together "Redstone"), a significant player in the UK Information Technology and Communications sector. Redstone has a list of blue chip clients and partners, including Cisco, IBM and HP, and Coms has identified potential for growth in new markets and industries for the enlarged Coms Group.

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

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

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

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

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

David Breith
CEO

CONSOLIDATED INCOME STATEMENT

	Year ended 31-Jan-14	Year ended 31-Jan-13
	£	£
Continuing operations		
Revenue	14,002,866	1,621,960
Cost of Sales	(9,247,816)	(692,384)
Gross Profit	4,755,050	929,576
Administrative expenses	(3,930,130)	(1,863,927)
Operating profit/(loss)	824,920	(934,351)
Finance costs	415,176	(2,064)
Finance Income	1,360	-
Profit/(loss) before income tax	1,241,456	(936,415)
Taxation	117,329	-
Profit for the year after tax from continuing operations	1,358,785	(936,415)
Discontinued operations	(344,731)	(291,104)

Profit/(loss) for the period	1,014,054	(1,227,519)
Attributable to:		
- Owners of the parent	1,014,054	(1,227,519)
Basic and diluted earnings/(loss) per share		
Continuing operations - Basic	0.22p	(0.40p)
Discontinued operations - Basic	(0.05p)	(0.12p)
Total	0.17p	(0.52p)
Continuing operations - Diluted	0.20p	(0.40p)
Discontinued operations - Diluted	(0.05p)	(0.12p)
Total	0.15p	(0.52p)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	31 January 2014 £	31 January 2013 £
ASSETS		
Non-current assets		
Goodwill	12,884,440	1,951,884
Other intangible assets	1,850,833	169,662
Property, plant and equipment	1,031,266	30,597
	<u>15,766,539</u>	<u>2,152,143</u>
Current assets		
Inventories	363,973	4,791
Trade and other receivables	8,703,889	392,838
Deferred tax asset	204,167	-
Cash and cash equivalents	998,947	171,962
	<u>10,270,976</u>	<u>569,591</u>
Total assets	<u>26,037,515</u>	<u>2,721,734</u>
EQUITY and LIABILITIES		
Capital and reserves attributable to equity shareholders		
Share capital	2,863,944	2,363,292
Share premium	19,964,275	9,497,234
Merger Relief reserve	1,911,111	-
Reverse acquisition reserve	(4,236,239)	(4,236,239)
Share based payment reserve	70,490	43,513
Accumulated deficit	<u>(4,582,867)</u>	<u>(5,596,920)</u>

Total equity	15,990,714	2,070,880
Current liabilities		
Financial liabilities - borrowings	-	1,860
Trade and other payables	10,046,801	648,994
	10,046,801	650,854
Non-current liabilities		
Financial liabilities - borrowings	-	-
	-	-
Total equity and liabilities	26,037,515	2,721,734

CONSOLIDATED STATEMENT OF CASH FLOWS

	Year ended 31 January 2014 £	Year ended 31 January 2013 £
Cash flows from operating activities		
Profit before taxation	896,724	(1,227,519)
Depreciation and amortisation	227,524	95,482
Loss on disposal of subsidiary	-	257,227
Share based payment charge	26,977	43,513
Finance costs	(415,165)	2,064
Movement in provisions	(593,990)	-
Write off of intangible asset	35,500	-
Profit on sale of fixed assets	(225,096)	-
Increase in inventories	(62,678)	(84,047)
Increase in receivables	(940,327)	(115,331)
Increase in payables	674,622	371,649
Taxation	-	-
Net cash outflow from operating activities	(375,909)	(656,962)
Cash flows from investing activities		
Acquisition of subsidiaries	(7,308,836)	(146,543)
Acquisition of intangible assets	(312,480)	-
Acquisition of property, plant and equipment	(470,246)	(15,152)
Net proceeds from disposal of subsidiary	-	158,869
Net proceeds from disposal of fixed assets	-	-
Net cash from investing activities	(8,091,562)	(2,826)
Cash flows from financing activities		
Proceeds from issues of share capital	9,294,944	739,075
Finance costs	-	(2,064)
Repayment of finance leases	(1,860)	-
Finance income	1,371	-
Net cash from financing activities	9,294,455	737,011

Net increase in cash and cash equivalents	826,984	77,223
Cash and cash equivalents at start of year	171,962	94,739
Cash and cash equivalents at end of year	998,946	171,962

NOTES

Basis of preparation

The preliminary consolidated financial statements of Coms plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS's as adopted by the EU), IFRS Interpretations Committee and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of land and buildings, available-for-sale financial assets, and financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

Segmental reporting

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

These are as follows:

- Provision of telephony and VOIP services and equipment
- Infrastructure.

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

Revenue	Year ended 31 January 2014 Continuing operations £	Year ended 31 January 2013 Continuing operations £
Telephony services:		
- General VOIP telephony services	4,716,324	1,379,268
- PSTN	-	131,085
- Recurring Service Charges	462,542	
- Equipment	175,696	111,607
- Data	627,923	
Infrastructure		
- Infrastructure	8,020,381	
Consolidated	14,002,866	1,621,960
 Profit & Loss for the year	 Year ended 31 January 2014 £	 Year ended 31 January 2013 £
Telephony services	470,908	(310,462)
Infrastructure	1,537,063	
Central administration costs	(649,186)	(623,889)
Finance costs	-	(2,064)
Income tax charge	-	-
Discontinued operations	(344,731)	(291,104)
Consolidated	1,014,054	(1,227,519)

	31 January 2014		31 January 2013	
	Assets	Liabilities	Assets	Liabilities
	£	£	£	£
Telephony services	9,044,838	(1,800,443)	2,373,811	(493,061)
Infrastructure	8,053,470	(6,350,621)	-	-
Central administration costs	8,926,887	(1,839,360)	347,923	(157,793)
Discontinued Operations	12,318	(56,376)	-	-
	<u>26,037,513</u>	<u>(10,046,800)</u>	<u>2,721,734</u>	<u>(650,854)</u>

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

Discontinued operations

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

	Year ended	Year ended
	31-Jan-14	31-Jan-13
	£	£
Revenue	104,558	1,980,959
Cost of Sales	<u>(24,739)</u>	<u>(1,699,599)</u>
Gross Profit	79,819	281,360
Administrative expenses	<u>(424,550)</u>	<u>(307,175)</u>
Operating loss (see below)	(344,731)	(25,815)
Finance costs	-	(8,062)
Loss on disposal of subsidiary	-	(257,227)
Loss before income tax	<u>(344,731)</u>	<u>(291,104)</u>
Income tax expense	-	-

Loss for the year after tax for discontinued operations

(344,731)

(291,104)

Taxation

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

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

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

At the end of the year, the Group made the strategic decision to discontinue the PSTN subsidiary which had previously been treated as a separate segment and is disclosed as a discontinued operation in these financial statements. The PSTN services have been integrated into the current operations.

	Group		Company	
	Year ended	Year ended	Year ended	Year ended
	31-Jan-14	31-Jan-13	31-Jan-14	31-Jan-13
	£	£	£	£
Profit/(loss)Loss before taxation	896,725	(1,227,519)	(622,209)	(670,077)
Tax at the UK corporation tax rate of 23.75% (2013: 20%)	212,972	(245,504)	(147,775)	(134,015)
Depreciation and amortisation	54,037	18,475	10,925	6,899
Disallowed	19,523	1,285	2,969	155
Capital Allowances/Profit on disposal	(175,603)			
Surrendered for group relief			100,411	
Losses brought forward	(108,674)			
Losses carried forward	60,651	225,744	33,470	126,961
Tax charge for period	62,906			

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

Post Balance Sheet Events

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

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

On 10 March the Company acquired Smarter Mobile UK Limited for a total

consideration of £225,000 payable in cash.

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

Earnings per share

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

	Year ended 31-Jan-14			Year ended 31-Jan-13		
	Continuing operations	Discontinued operations	Total	Continuing operations	Discontinued operations	Total
Basic earnings/loss per share	0.22p	(0.06p)	0.16p	(0.40p)	(0.12p)	(0.52p)
Diluted earnings/loss per share	0.20p	(0.05p)	0.15p	(0.40p)	(0.12p)	(0.52p)
Profit/(loss) for the year attributable to owners of the parent company	£1,358,785	-£344,731	£1,014,054	-£936,415	-£291,104	-£1,227,519

Goodwill

	£
Cost at 31 January 2013	1,951,884
Additions	8,724,463
Disposal	(35,500)
At 31 January 2014	10,640,847
Accumulated impairment losses at 31 January 2013 and 31 January 2014	-
Carrying value at 31 January 2014	10,640,847
Carrying value at 31 January 2013	1,951,884

Carrying value of goodwill is allocated as follows:

	2014	2013
	£	£
Telephony Services	4,159,977	1,951,884
Infrastructure	8,724,463	
	12,884,440	1,951,884

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

In November 2013 the Company acquired Comunica Holdings Limited, the ICT infrastructure, data centre and smart building solutions business for a consideration of £9.5 million, to be settled by a payment of £7.65 million and a deferred consideration of £1.85 million. The fair value of the deferred consideration, discounted at a discount factor of 15.82% is £1,597,306.16.

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

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

Fair Value

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

Goodwill on consolidation has been allocated for impairment testing purposes to two cash-generating units ("CGU"). The CGU being the Telephony provision & services, and Infrastructure. The recoverable amount of a CGU is determined based on value in use calculations using cash flow projections based on financial budgets approved by the Directors covering a three year period. The projections are based on the assumption that the Group can realise projected sales. A prudent approach has been applied with no residual value being factored into these calculations. If the projected sales do not materialise there is a risk that the total value of the intangible assets shown above would be impaired. The company, in its prudent approach has based its projections on annualised incremental growth in revenue and costs of 2% with 1% attributed to administrative costs.

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

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

Preliminary statement

The financial information set out in this preliminary announcement does not constitute statutory accounts as defined by section 434 and 435 of the Companies Act 2006. The financial information for the period ended 31 January 2014 has been extracted from the Group's financial statements upon which the auditor's expected opinion is unqualified and does not include any statement under section 498(2) or 493(2) of the Companies Act 2006.

The statutory accounts for the period ended 31 January 2014 will be posted to shareholders.

They will, in due course, be delivered to the Registrar of Companies. The statutory accounts for the period ended 31 January 2013 have been delivered to the Registrar

of Companies.

For further information, please contact:

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Notes to Editors

About Coms plc

Coms is a leading organisation in the provision of end-to-end communication, connectivity and business services:

Business infrastructure

Cloud based solutions

Connectivity

Creative marketing and media solutions

Integrated and hosted telephony

IT support

Mobile

Smart buildings

We put stakeholders at the heart of everything we do, and by innovating and offering other robust technologies our solutions are resilient and cost effective. For more information, please visit: www.coms.com

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