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## REG-Mobile Tornado Group Final Results

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Mobile Tornado Group PLC

29 June 2009

Mobile Tornado Group PLC

Preliminary announcement of results for the year ended 31 December 2008

Chairman's statement

Introduction

Mobile Tornado Group plc, the leading provider of mobile applications to the enterprise market, announces its results for the twelve month period to 31 December 2008.

Highlights

- \* Managed service platform launched in the UK
- \* Push to Locate (PTL) and Push to Alert (PTA) applications launched
- \* BB3G handset launched containing unique applications suite featuring Push to Talk, PTL and PTA
- \* Feasibility study commenced for the launch of managed service in the US
- \* Costs reduced by annualised  $\pounds 0.7m$  - currently running at  $\pounds 2m$  per annum

Financial Results

Turnover in the twelve month period to 31 December 2008 amounted to  $\pounds 466,000$  (18 months to 31 December 2007:  $\pounds 825,000$ ). Operating losses reduced to  $\pounds 2,087,000$  (18 months to 31 December 2007:  $\pounds 4,773,000$ ). After net financing costs of  $\pounds 132,000$  (18 months to 31 December 2007: net finance income -  $\pounds 75,000$ ) the loss on ordinary activities before taxation was  $\pounds 2,219,000$  (18 months to 31 December 2007:  $\pounds 4,698,000$ ). Net cash outflow from operating activities decreased significantly in the period to  $\pounds 1,609,000$  (18 months to 31 December 2007:  $\pounds 4,498,000$ ).

The Group consolidated balance sheet shows net liabilities at 31 December 2008 of  $\pounds 6,992,000$  compared to net liabilities of  $\pounds 2,071,000$  at 31 December 2007. Of this decline  $\pounds 2,683,000$  was accounted for by an increase in the foreign currency translation reserve caused by the decline in the value of sterling over the period.

Cash at bank was  $\pounds 206,000$  at 31 December 2008 compared to  $\pounds 1,884,000$  at 31 December 2007. In April 2009, the Company raised a further  $\pounds 1.5m$  in convertible

preference shares. The Directors believe that following this issue the Group has sufficient working capital for the foreseeable future given its contracted revenue and anticipated contracts.

#### Review of operations

The period under review featured two key developments; the launch of a managed service platform in the UK and the development and launch of our own handset, the BB3G.

The managed service platform, which has been developed with InTechnology plc, our principal shareholder and exclusive UK partner, allows our mobile applications to be sold to enterprises directly at a fixed monthly charge. After extensive development work and market trials, this platform was launched in the UK market towards the end of 2008. Intechnology has deployed a direct sales team who are developing the market through a number of sector verticals, which include retail, construction, emergency services, transport and logistics, healthcare and public sector. There has been an excellent reaction from enterprises with traction being established in each vertical sector. This momentum has accelerated in recent weeks with the introduction of the BB3G.

We had been considering the development of our own handset for some time. Even though our software can be installed on any handset and function across all operating platforms we had identified a real need for a ruggedised mobile phone, fully integrated with our applications, to serve the particular needs of the blue collar vertical markets that are being targeted. We developed the handset in partnership with ZTE, one of the leading mobile phone producers in China. The phone was launched in April 2009 with the delivery of the first order for 10,000 handsets to InTechnology plc.

Whilst there are other rugged handsets on the market, the key feature that differentiates the BB3G is our own embedded applications suite which has been integrated into an intuitive interface on the device. This applications suite comprises Push to Talk (PTT), Push to Locate (PTL) and Push to Alert (PTA). The key features of these applications are as follows -

- \* PTT allows users to exchange real time voice messages between mobile phones and/or personal computers. As with instant messaging on the internet, users signal their availability status, known as presence, which is then displayed on phones across their group of contacts. This allows very quick instant messaging without having to text. Like a PMR radio, the BB3G has a dedicated PTT button which enables the user to broadcast to every member of the team at the touch of a button.

- \* PTL uses the Global Positioning System ('GPS') technology to allow employers to know where their employees are instantly, delivering real time information to a PC interface controlled by the employer. The ability to track employees will enhance the ability for enterprises to manage their remote workforces more effectively. This new application will also integrate with PTT allowing efficient and effective communication with employees.

- \* PTA allows the user of a BB3G to alert a central control unit in the event that they find themselves in difficulty. The BB3G features a dedicated PTA button which when pressed will activate an alert in a receiving centre allowing the employer to communicate through PTT with the employee, or respond with assistance using the PTL application for guidance.

This suite of applications is unique in the enterprise marketplace. Although certain devices fulfil each of the functions individually, none allow for the seamless integration of these functions onto one device. For this reason, there has been a huge amount of interest in the handset and InTechnology's sales team is engaged with many enterprises with deals already having been concluded with companies involved in the hotels, facilities management, health service and emergency services sectors.

There has been a high level of interest in the device within the Private Mobile Radio ('PMR') market. There are in excess of 33 million PMR device users worldwide with over 1.5 million in the UK alone. As a ruggedised handset, the BB3G suits the typical environment within which PMR is normally found. In addition, the functionality provided by our PTT application provides several advantages over PMR as follows:

- \* PTT has global coverage whilst PMR has localised coverage that is licence dependent
- \* No additional network infrastructure is required for PTT whereas with PMR investment in permanent or temporary masts is often needed to deliver the required coverage
- \* PTT is device and network agnostic and devices are standard mobile handsets - PMR on the other hand is delivered over specialist devices that can be extremely expensive
- \* PTT can be deployed remotely to users anywhere in the world whereas PMR devices will only operate in a local environment

The BB3G also benefits from the enhanced functionality that PTL and PTA brings, ensuring it not only satisfies the 'walkie-talkie' requirements of PMR, but covers personal tracking and lone worker protection in a single device. A number of PMR resellers have been contracted to sell the proposition into their existing customer bases and a significant pipeline of prospective customers has been established.

I have highlighted in previous statements the need to ensure we develop our business efficiently with a focus on the costbase employed in the UK and Israel. We have made adjustments to our operations to accommodate our new strategy and as a result have reduced our total operating expenses before exchange differences to £3.1m for the year, which represents an annualised saving compared to the previous year of £0.7m. I am pleased to say that the annual operating expenses for the Group is now running at the £2m per annum we targeted 12 months ago.

During the period we launched a partnership with Intermec, a global handheld device manufacturer, to promote the deployment of our PTT application on their devices. We are in discussions with several more device manufacturers both in Europe and the US who are interested in embedding our applications in their devices. I expect to announce further deals in this respect over the coming months.

#### Current trading and future prospects

The markets in which we operate are developing very quickly in response to both legislation and the advance of technology. The introduction of the Corporate Manslaughter and Corporate Homicide Act in April 2008 requires employers to ensure that appropriate communications can be maintained with their lone workers at all times, especially when continuing supervision is required. To facilitate this the lone worker should be equipped with a means of two-way communication, a pager or a personal alarm and the system should enable the worker to raise an instant alarm and be located accurately if assistance is required. The BB3G, with our integrated applications suite, meets these requirements in full, and all on a single device. I believe we can help enterprises within both the public and private sectors meet the requirements of this legislation.

The BB3G has allowed us to move decisively into the markets currently served by PMR. Early feedback from the partners that have already been appointed suggests that the BB3G is capable of being sold as an alternative to a PMR device. The ability to disrupt a technology that has been around for many, many years presents our Company with an exciting opportunity. I anticipate that sales momentum in the UK will begin to build over the second half of the year, and I look forward to updating shareholders on progress in due course.

The US is the most developed market in the world for PTT with over 25 million users. Through our relationship with Intermec we have established some interest

amongst certain US enterprises who are looking for a different PTT application than the ones being offered by existing providers. The quality of our application compares very favourably with those already operating in the market and we have had extremely positive feedback from the trials we have run. As a result of this we are now assessing the feasibility of launching a managed service platform in the US which will mirror that which is currently deployed in the UK. We are in the process of assessing the suitability of various potential partners and will advise shareholders when negotiations are concluded. We will continue to assess the opportunities that present themselves in other territories and are currently in negotiations with partners in Canada, Brazil and South Africa.

These financial statements represent another period of significant progress for the Company;

\* We now have a proven technical platform through which our applications can be sold to enterprises directly

\* We now have a series of mobile applications which satisfy the workforce management requirements of enterprises

\* We now have a device which delivers these applications to the customer in one simple, cost effective package

The discussions we are having with enterprises, channel partners, mobile operators, and device manufacturers make me very positive for the future of this Company. We have a technical platform that allows us to deliver multiple mobile applications directly into enterprises, satisfying the various workforce management related issues they face. We have an extremely talented team of engineers that will continue to focus on the development of applications that meet the needs of our customers. The introduction of PTL and PTA this year is a testament to the flexibility of our technical platform.

I am confident that the progress we have made will continue and look forward to updating shareholders over the coming months.

Peter Wilkinson

Chairman

29 June 2009

For further information contact

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Consolidated income statement

For the year ended 31 December 2008

|             |             |
|-------------|-------------|
| Year ended  | 18 mths to  |
| 31 December | 31 December |
| 2008        | 2007        |

Note i£'000

i£'000

|   |   |         |         |
|---|---|---------|---------|
| Revenue   | 2 | 466     | 825     |
| Cost of sales   |   | (48)    | (143)   |
| Gross profit  |   | 418     | 682     |
| Total operating expenses before depreciation and amortisation |   | (1,651) | (4,512) |
| Depreciation of property, plant & equipment                   |   | (161)   | (51)    |
| Amortisation of intangible assets                             |   | (693)   | (892)   |
| Total operating expenses                                      |   | (2,505) | (5,455) |
| Group operating loss  | 3 | (2,087) | (4,773) |
| Finance costs   | 4 | (153)   | (25)    |
| Finance income  | 4 | 21      | 100     |
| Loss on continuing operations before tax                      |   | (2,219) | (4,698) |
| Tax   | 5 | -       | (18)    |
| Loss sustained for the period                                 |   | (2,219) | (4,716) |
| Loss per share (pence)  |   |         |         |
| Basic and diluted   | 6 | (1.20)  | (3.00)  |

## Consolidated statement of changes in equity

For the year ended 31 December 2008

| Translation reserve                 | Retained reserve | Total earnings | Share capital equity | Share premium | Reverse acquisition reserve | Merger |
|-------------------------------------|------------------|----------------|----------------------|---------------|-----------------------------|--------|
| £'000                               | £'000            | £'000          | £'000                | £'000         | £'000                       |        |
| Balance at 1 July 2006              |                  |                | 1,844                | 1,624         | (7,620)                     |        |
| 10,938                              | -                | (8,408)        | (1,622)              |               |                             |        |
| Changes in equity                   |                  |                |                      |               |                             |        |
| Exchange differences on translation |                  |                |                      |               |                             |        |
| of foreign operations               |                  |                | -                    | -             | -                           | -      |
| (434)                               | -                | (434)          |                      |               |                             |        |
| Net income recognised               |                  |                |                      |               |                             |        |
| directly in equity                  |                  |                | -                    | -             | -                           | -      |
| (434)                               | -                | (434)          |                      |               |                             |        |
| Loss for the period                 |                  |                |                      |               |                             |        |
| -                                   |                  | (4,716)        | (4,716)              |               |                             |        |
| Total recognised income and         |                  |                |                      |               |                             |        |

|                                     |          |         |       |         |
|-------------------------------------|----------|---------|-------|---------|
| expense for the period              | -        | -       | -     | -       |
| (434)                               | (4,716)  | (5,150) |       |         |
| Equity settled share-based payments | -        | -       | -     | -       |
| -                                   | 31       | 31      |       |         |
| Issue of share capital              |          | 1,845   | 2,825 | -       |
| -                                   | -        | 4,670   |       |         |
| Balance at 31 December 2007         |          | 3,689   | 4,449 | (7,620) |
| (434)                               | (13,093) | (2,071) |       | 10,938  |

| Translation reserve | Retained reserve | Total earnings | Share capital equity | Share premium | Reverse acquisition reserve | Merger |
|---------------------|------------------|----------------|----------------------|---------------|-----------------------------|--------|
| £'000               | £'000            | £'000          | £'000                | £'000         | £'000                       |        |

|                           |          |         |       |       |         |        |
|---------------------------|----------|---------|-------|-------|---------|--------|
| Balance at 1 January 2008 |          |         | 3,689 | 4,449 | (7,620) | 10,938 |
| (434)                     | (13,093) | (2,071) |       |       |         |        |

#### Changes in equity

##### Exchange differences on translation

|                       |   |         |   |   |   |
|-----------------------|---|---------|---|---|---|
| of foreign operations | - | -       | - | - | - |
| (2,683)               | - | (2,683) |   |   |   |

##### Net income recognised

|                    |   |         |   |   |   |
|--------------------|---|---------|---|---|---|
| directly in equity | - | -       | - | - | - |
| (2,683)            | - | (2,683) |   |   |   |

|                   |         |         |   |   |   |
|-------------------|---------|---------|---|---|---|
| Loss for the year | -       | -       | - | - | - |
| -                 | (2,219) | (2,219) |   |   |   |

##### Total recognised income and

|                      |         |         |   |   |   |
|----------------------|---------|---------|---|---|---|
| expense for the year | -       | -       | - | - | - |
| (2,683)              | (2,219) | (4,902) |   |   |   |

|                                     |      |      |   |   |   |
|-------------------------------------|------|------|---|---|---|
| Equity settled share-based payments | -    | -    | - | - | - |
| -                                   | (29) | (29) |   |   |   |

|                        |   |    |   |   |   |
|------------------------|---|----|---|---|---|
| Issue of share capital |   | 10 | - | - | - |
| -                      | - | 10 |   |   |   |

|                             |          |         |       |       |         |        |
|-----------------------------|----------|---------|-------|-------|---------|--------|
| Balance at 31 December 2008 |          |         | 3,699 | 4,449 | (7,620) | 10,938 |
| (3,117)                     | (15,341) | (6,992) |       |       |         |        |

#### Consolidated balance sheet

As at 31 December 2008

|   |       | 2008     | 2007     |
|---|-------|----------|----------|
|   | Notes | £'000    | £'000    |
| <b>Assets</b>                           |       |          |          |
| <b>Non-current assets</b>               |       |          |          |
| Intangible assets                       | 7     | 106      | 722      |
| Property, plant & equipment             | 8     | 80       | 94       |
| Available-for-sale investments          | 9     | 101      | -        |
|   |       | 287      | 816      |
| <b>Current assets</b>                   |       |          |          |
| Trade and other receivables             | 10    | 310      | 844      |
| Cash and cash equivalents               |       | 206      | 1,884    |
|   |       | 516      | 2,728    |
| <b>Liabilities</b>                      |       |          |          |
| <b>Current liabilities</b>              |       |          |          |
| Trade and other payables                | 11    | (2,911)  | (1,740)  |
| <b>Net current (liabilities)/assets</b> |       |          |          |
|   |       | (2,395)  | 988      |
| <b>Non-current liabilities</b>          |       |          |          |
| Trade and other payables                | 11    | (3,384)  | (2,375)  |
| Borrowings                              | 12    | (1,500)  | (1,500)  |
| Net assets                              |       | (6,992)  | (2,071)  |
| <b>Shareholders' equity</b>             |       |          |          |
| Share capital                           | 13    | 3,699    | 3,689    |
| Share premium                           | 13    | 4,449    | 4,449    |
| Reverse acquisition reserve             |       | (7,620)  | (7,620)  |
| Merger reserve                          |       | 10,938   | 10,938   |
| Share option reserve                    |       | 34       | 63       |
| Foreign currency translation reserve    |       | (3,117)  | (434)    |
| Retained earnings                       |       | (15,375) | (13,156) |
| Total equity                            |       | (6,992)  | (2,071)  |

## Consolidated cash flow statement

For the year ended 31 December 2008

| 18 mths to                                       |      | Year ended  |
|--|------|-------------|
| 31 December                                      |      | 31 December |
| 2007   |      | 2008        |
| £'000  | Note | £'000       |
| <b>Operating activities</b>                      |      |             |
| Cash used in operations<br>(4,498)               | 15   | (1,609)     |
| Net cash used in operating activities<br>(4,498) |      | (1,609)     |
| <b>Investing activities</b>                      |      |             |

|  |       |
|--|-------|
| Purchase of property, plant & equipment                | (149) |
| (79)   |       |
| Interest received                                      | 21    |
| 100  |       |
| Interest paid  |       |
| (3)  | -     |
| Net cash (used in)/generated from investing activities | (131) |
| 21   |       |

## Financing

|  |         |
|--|---------|
| Net proceeds from issue of ordinary share capital                  | 10      |
| 4,670  |         |
| Issue of preference shares   | -       |
| 1,500  |         |
| Net cash inflow from financing                                     | 10      |
| 6,170  |         |
| Effects of exchange rates on cash and cash equivalents             | 52      |
| (2)  |         |
| Net (decrease)/increase in cash and cash equivalents in the period | (1,678) |
| 1,692  |         |
| Cash and cash equivalents at beginning of period                   | 1,884   |
| 192  |         |
| Cash and cash equivalents at end of period                         | 206     |
| 1,884  |         |

## Financial statements

The consolidated financial statements are presented under International Financial Reporting Standards for the first time. The only changes to the consolidated results reported previously are in their presentation. The financial statements of the company continue to be prepared under United Kingdom Generally Accepted Accounting Practice.

These preliminary financial statements do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The information for the year ended 31 December 2008 is an extract from the group's statutory financial statements on which the company's auditor, Grant Thornton UK LLP, has given an unqualified opinion in accordance with Section 235 of the Companies Act 1985, and which are to be delivered to the Registrar of Companies.

The announcement has been agreed with the company's auditor for release.

## Segmental analysis

Revenue is reported by geographical location of customers. Non-current assets are reported by geographical location of assets.

|                              |         |      |                     |                    |
|------------------------------|---------|------|---------------------|--------------------|
| Year ended 31 December 2008  | Revenue | '000 | At 31 December 2008 | Non-current assets |
| 18 mnths to 31 December 2007 | Revenue | '000 | At 31 December 2007 | Non-current assets |

|               |     |     |
|---------------|-----|-----|
| Europe        | 30  | 246 |
| 117           |     |     |
| 781           |     |     |
| North America | 83  | -   |
| 338           | -   |     |
| South America | 153 | -   |
| 80            | -   |     |
| Middle East   | 98  | 41  |
| 37            |     |     |
| 35            |     |     |
| Africa        | 76  | -   |
| 48            | -   |     |
| Asia/Pacific  | 26  | -   |
| 205           | -   |     |
| Total         | 466 | 287 |
| 825           |     |     |
| 816           |     |     |

#### Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £2,219,000 (2007: £4,716,000) by the weighted average number of ordinary shares in issue during the year of 184,503,773 (2007: 157,181,628).

The adjusted basic loss per share has been calculated to provide a better understanding of the underlying performance of the Group as follows:

| 18 months to 31 December 2007              | Year ended 31 December 2008    |      |
|--|--------------------------------|------|
|  | Basic and diluted              |      |
| Basic and diluted                          | (Loss) /earnings'000           |      |
| (Loss) /earnings per sharepence            | (Loss)/earnings(Restated)£'000 |      |
| (Loss)/earnings per share(Restated)pence   |                                |      |
| Loss attributable to ordinary shareholders | (2,219)                        |      |
| (1.20)                                     | (4,716)                        |      |
| (3.00)                                     |                                |      |
| Amortisation of goodwill                   | 693                            | 0.38 |
| 892  | 0.57                           |      |
| Adjusted basic loss per share              | (1,526)                        |      |
| (0.82)                                     | (3,824)                        |      |
| 2.43)                                      |                                |      |

The loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options is not dilutive under the terms of IAS 33.

The Annual General Meeting of the Company will be held at Central House, Beckwith Knowle, Harrogate, HG3 1UG on 28 July 2009 at 10.00 a.m. The audited results for the year ended 31 December 2009 will be posted to shareholders shortly and can be obtained from the Company's website at [www.mobiletornado.com](http://www.mobiletornado.com)

This information is provided by RNS

The company news service from the London Stock Exchange

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