Print Story

REG - Mobile Tornado Group - Interim Results

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Mobile Tornado Group PLC
30 September 2009

Mobile Tornado Group plc

('Mobile Tornado' or the 'Company')

Interim Results

Introduction

Mobile Tornado Group plc, the leading provider of mobile applications to the enterprise market, announces its results for the six month period to 30 June 2009.

Highlights

- Operating losses (excluding exchange differences) reduced to £969k compared to £1,749k in the comparable period ended 30 June 2008
- BB3G handset launched with first sale of 10,000 devices
- New managed service partners contracted in South Africa and Canada

Financial Results

Turnover in the six month period to 30 June 2009 amounted to £2,056,000 (30 June 2008: £300,000). Operating losses before exchange differences reduced significantly to £969,000 (30 June 2008: £1,749,000). After exchange losses of £889,000 (30 June 2008: exchange gain £464,000) and net financing costs of £110,000 (30 June 2008: £54,000) the loss on ordinary activities before taxation was £1,968,000 (30 June 2008: £1,339,000). Net cash outflow from operating activities decreased in the period to £1,172,000 (30 June 2008: £1,453,000).

The exchange losses of £889,000 relate to unrealised losses on the revaluation of dollar denominated liabilities resulting from the appreciation of sterling against the dollar over the reporting period.

The Group consolidated balance sheet shows net liabilities at 30 June 2009 of £7,499,000 compared to net liabilities of £3,948,000 at 30 June 2008. Cash at bank was £508,000 at 30 June 2009 compared to £446,000 at 30 June 2008. The Directors believe that the Group has sufficient working capital for the foreseeable future given its contracted revenue and anticipated contracts.

Review of operations

The period under review marked the launch of our own handset, the BB3G. The phone was developed in partnership with ZTE, one of the leading mobile phone producers in China, and launched in April 2009, with the delivery of the first order for 10,000 handsets to Intechnology plc. This sale accounts for the increase in turnover and cost of sales over the corresponding period last year.

Intechnology, as our exclusive partner in the UK, has been marketing the handset and has focussed initially on the Private Mobile Radio ('PMR') market. The handset showcases the Mobile Tornado applications suite, which combines Push to Talk ('PTT'), Push to Locate and Push to Alert on an integrated intuitive interface. There has been strong interest from enterprises throughout the UK given the enhanced functionality over traditional radio technology. We have also started to see interest from other territories with trials of the phone currently being conducted in Germany, Israel, South Africa, Spain and Canada. As a vehicle to showcase our software the BB3G is justifying its development. However, we are a software company first and foremost and will continue to engage with device manufacturers around the world who are interested in porting our applications onto their devices. We are currently in discussions with several manufacturers which would lead to increased penetration of our software into the enterprise market.

We are seeing increasing demand from other territories for our software applications, particularly PTT. We have agreed deals during the first half of the year to establish server platforms with partners in South Africa and Canada. Along with the partners we already have in the UK, Germany, Spain and Israel we are steadily increasing the breadth of opportunity. Although the sales traction has not yet built to the levels we would like there are encouraging signs that momentum is starting to develop. Negotiations are currently in progress with partners in Brazil and Turkey where there are significant existing PTT markets and we are also engaged with a partner in China. All of these relationships are built around the managed service model whereby the partner invests in our proprietary server platform, providing a managed service to enterprises, paying us a monthly license fee for every connection.

Our plans to launch in the US, which is the biggest PTT market in the world with over 25 million users, continue to progress. We are actively engaged with partners interested in leveraging our software platform in to the market. We will proceed cautiously, but I am very hopeful that the interest we have already generated will lead to a meaningful presence in this huge market.

As always, we continue to aggressively manage the Group's costbase seeking greater efficiencies where we can. On an annualised basis we have reduced the costbase (reflected in operating expenses in the income statement) by over £1 million when compared to the corresponding period last year resulting in the business operating from an aggregate £2 million costbase.

Current trading and future prospects

The Group's software applications are now being marketed across five different countries with partners in several more keen to invest in our technology platform. Sales progress is always slower than one would want, but I am greatly encouraged by the size and quality of partners with whom we are now engaged.

It is clear that there are some major changes taking place in the world of telecommunications with the whole Fixed Mobile Convergence story taking shape. I believe we have a platform that can sit at the heart of these developments with a set of applications to enhance the providers' product offerings.

We have confidence in our platform and our engineers to meet the needs of the market in the future and I look forward to reporting on progress in coming months.

Peter Wilkinson
Chairman
30 September 2009

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Consolidated income statement
For the six months ended 30 June 2009

	Note	Six months ended 30 June 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000	Year ended 31 December 2008 Audited £'000
Continuing Operations				
Revenue		2,056	300	466
Cost of sales		(1,782)	(46)	(48)
Gross profit		274	254	418
Operating expenses		(1,128)	(1,647)	(3,058)
Exchange differences		(889)	464	1,407
Depreciation and amortisation expense		(115)	(356)	(854)
Group operating loss		(1,858)	(1,285)	(2,087)
Finance costs		(112)	(75)	(153)
Finance income		2	21	21
Loss before tax		(1,968)	(1,339)	(2,219)
Income tax expense		-	(4)	-
Loss for the period		(1,968)	(1,343)	(2,219)
Attributable to:				
Equity holders of the parent		(1,968)	(1,343)	(2,219)
Loss per share (pence)				
Basic and diluted	3	(1.06)	(0.73)	(1.20)

Consolidated statement of comprehensive income
For the six months ended 30 June 2009

	Six months ended 30 June 2009	Six months ended 30 June 2008	Year ended 31 December 2008

	Unaudited £'000	Unaudited £'000	Audited £'000
Loss for the period	(1,968)	(1,343)	(2,219)
Other comprehensive income			
Exchange differences on translation of foreign operations	1,455	(507)	(2,683)
Total comprehensive income for the period	(513)	(1,850)	(4,902)

Consolidated balance sheet
As at 30 June 2009

	30 June 2009 Unaudited £'000	30 June 2008 Unaudited £'000	31 December 2008 Audited £'000
Assets			
Non-current assets			
Intangible assets	-	433	106
Property, plant & equipment	57	94	80
Available-for-sale investments	101	101	101
	158	628	287
Current assets			
Trade and other receivables	238	459	310
Cash and cash equivalents	508	446	206
	746	905	516
Liabilities			
Current liabilities			
Trade and other payables	(2,421)	(1,575)	(2,911)
Net current liabilities	(1,675)	(670)	(2,395)
Non-current liabilities			
Trade and other payables	(2,982)	(2,406)	(3,384)
Borrowings	(3,000)	(1,500)	(1,500)
Net liabilities	(7,499)	(3,948)	(6,992)
Shareholders' equity			
Share capital	3,699	3,692	3,699
Share premium	4,449	4,449	4,449
Reverse acquisition reserve	(7,620)	(7,620)	(7,620)

Merger reserve	10,938	10,938	10,938
Share option reserve	40	33	34
Foreign currency translation reserve	(1,662)	(941)	(3,117)
Retained earnings	(17,343)	(14,499)	(15,375)
Total equity	(7,499)	(3,948)	(6,992)

Consolidated cash flow statement
For the six months ended 30 June 2009

	Note	Six months ended 30 June 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000	Year ended 31 December 2008 Audited £'000
Operating activities				
Cash used in operations	5	(1,172)	(1,453)	(1,609)
Net cash used in operating activities		(1,172)	(1,453)	(1,609)
Investing activities				
Purchase of property, plant & equipment		(3)	(16)	(149)
Interest received		2	21	21
Interest paid		-	-	(3)
Net cash (used in)/generated from investing activities		(1)	5	(131)
Financing				
Net proceeds from issue of ordinary share capital		-	3	10
Issue of preference shares		1,500	-	-
Net cash inflow from financing		1,500	3	10
Effects of exchange rates on cash and cash equivalents		(25)	7	52
Net increase/(decrease) in cash and cash equivalents in the period		302	(1,438)	(1,678)
Cash and cash equivalents at beginning of period		206	1,884	1,884
Cash and cash equivalents at end of period		508	446	206

Notes to the interim report
For the six months ended 30 June 2009

1 General information

The 31 December 2008 accounts were prepared under the Companies Act 1985, whereas the 31 December 2009 accounts will be under the Companies Act 2006, the relevant sections of which have been enacted in the intervening period. The financial information in this announcement is unaudited and does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006. The comparative numbers for the year ended 31 December 2008 have been extracted from the audited accounts which have been filed at Companies House and which carried an unqualified audit report with no statement under section 237(2) or (3) of the Companies Act 1985.

1. Basis of preparation

The interim financial statements are for the six months ended 30 June 2009. They have been prepared using the recognition and measurement principles of IFRS.

The interim financial statements have been prepared under the historical cost convention.

The interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year ended 31 December 2008 with the exception of the adoption of IAS 1 (revised) which has had an impact on the presentation of the financial statements. The accounting policies have been applied consistently throughout the Group for the purpose of preparation of the interim financial statements.

3 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £1,968,000 (30 June 2008: £1,343,000, 31 December 2008: £2,219,000) by the weighted average number of ordinary shares in issue during the period of 184,953,708 (30 June 2008: 184,503,773, 31 December 2008: 184,503,773).

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

	Six months ended 30 June 2009 Unaudited Basic and diluted		Six months ended 30 June 2008 Unaudited Basic and diluted		Year ended 31 December 2008 Audited Basic and diluted	
	(Loss)/ earnings £'000	(Loss)/ earnings per share pence	(Loss)/ earnings £'000	(Loss)/ earnings per share pence	(Loss)/ earnings £'000	(Loss)/ earnings per share pence
Loss attributable to ordinary shareholders	(1,968)	(1.06)	(1,343)	(0.73)	(2,219)	(1.20)
Amortisation of goodwill	97	0.05	338	0.18	693	0.38
Adjusted basic loss per share	(1,871)	(1.01)	(1,005)	(0.55)	(1,526)	(0.82)

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.

4 Share capital and share premium

	Number of shares '000	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2008	184,431	3,689	4,449	8,138
Issue of shares	-	-	-	-
Employee share options:				
- proceeds from shares issued	162	3	-	3
As at 30 June 2008	184,593	3,692	4,449	8,141
Employee share options:				
- proceeds from shares issued	360	7	-	7
As at 31 December 2008 and 30 June 2009	184,953	3,699	4,449	8,148

Non-voting preference shares

	Number of shares '000	Value £'000
At 1 January 2008	18,750	1,500
Issue of preference shares of 8p each	-	-
As at 30 June 2008 and 31 December 2008	18,750	1,500
Issue of preference shares of 8p each	18,750	1,500
As at 30 June 2009	37,500	3,000

The above preference shares were issued at par and are classified as debt and therefore shown within creditors.

5 Cash used in operations

	Six months ended 30 June 2009 Unaudited £'000	Six months ended 30 June 2008 Unaudited £'000	Year ended 31 December 2008 Audited £'000
Loss before taxation	(1,968)	(1,339)	(2,219)
Adjustments for:			
Depreciation	18	18	161
Amortisation of non-financial assets	97	338	693
Share based payment charge/(credit)	6	(30)	(29)
Net finance costs	110	54	132
Changes in working capital			

Decrease in trade and other receivables	45	425	594
Increase/(decrease) in trade and other payables	520	(919)	(941)
Net cash used in operations	(1,172)	(1,453)	(1,609)

6 Shareholder information

Copies of this interim announcement will be available on request from the Company at Central House, Beckwith Knowle, Harrogate HG3 1UG. A copy will also be available on the Company's website www.mobiletornado.com

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