

[Print Story](#)

REG-Mobile Tornado Group Issue of Equity

Released : 25/09/2006

RNS Number:3754J
Mobile Tornado Group PLC
25 September 2006

Mobile Tornado Group plc
("Mobile Tornado" or "the Company")

The Company announces that, conditionally on the passing of the resolutions to be put to the Company's shareholders at an extraordinary general meeting to be held on 23 October 2006 (the "EGM") (the "Resolutions"), InTechnology Plc has subscribed for 80,000,000 new ordinary shares in the Company ("Ordinary Shares") at an issue price of 5p per share (the "Subscription").

On 27 June 2006 the Company announced that it had not received payment for the ordinary shares issued to Mr Pinievsky in the placing on 26 April 2006 ("April Placing").

Since the announcement of 27 June 2006, the Company's management has sought to protect the financial position of the Company and its subsidiaries (the "Group") against the shortfall of the proceeds of the April Placing by taking action to reduce development costs, delay the Group's proposed expansion programme, manage creditors and access funding under shareholder loans.

However, the Group still intends to accelerate its global marketing and extend its fixed-mobile convergence products. This requires additional funding. In order to secure the Group's financial position, InTechnology Plc has conditionally agreed to subscribe for 80,000,000 new ordinary shares.

The Directors have examined fundraising options available to the Company given its current stage of development and the non-payment of the substantial element of the consideration due from Jorge Pinievsky in respect of the April Placing. The Directors have considered the size of the funding required to sustain and to further expand the Group's sales and development activities, the need for sufficient working capital, and the current share price. After careful consideration, the Directors believe that the Proposals are in the best interests of Shareholders as a whole.

The Directors believe that the absence of the proceeds of the Subscription would seriously impair the ability of the Company to expand its business. The funds are required to support the Company's medium term growth plans and it is unlikely that short term sales targets will be met in the absence of such funding.

The Board has considered how best to deal with the debt owed by Mr Pinievsky in respect of his non-payment for Shares in the April Placing. In its deliberations, the Board has taken into account the importance of the Israeli co-founders (Mr Fishler and Mr Pinievsky) to the continuing operations of the Group.

The Board is of the view that the commencement of formal debt recovery proceedings at this time is not in the best interests of the Company. Mr Pinievsky's unpaid Shares, which have been surrendered to the Company, will be held by the Company and either re-allotted or cancelled in due course. If the surrendered Shares are not re-allotted within three years of their surrender, they must be cancelled. Mr Pinievsky remains liable to the Company for the unpaid issue price (less any amount realised by the Company if the Shares are re-allotted).

In the meantime, an offer for funding has been made by InTechnology Plc by means of the Subscription and the Directors believe that this will secure the Group's financial position in the medium term.

Following the issue of the new Ordinary Shares, a concert party of shareholders (the "Concert Party") will increase their interests from an interest in 70,519,619 Ordinary Shares representing 76.50 per cent. of the existing issued share capital, to an interest in 150,519,619 Ordinary Shares, being 87.42 per cent. of the enlarged share capital of the Company. Upon full exercise of the existing options and warrants in the Company in accordance with their terms, the aggregate holding of the Concert Party would be 87.60 per cent. (assuming no

other Ordinary Shares are issued).

The Panel on Takeovers and Mergers (the "Panel") has been consulted and has agreed that it will not require the members of the Concert Party, individually or collectively, to make a general offer under Rule 9 of the City Code in cash for Ordinary Shares in the Company which might otherwise arise as a result of the issue of the new Ordinary Shares to InTechnology Plc pursuant to the Subscription, subject to Resolution 1 (as set out in the notice convening the EGM) being passed on a poll by the independent shareholders (the "Code Waiver").

The Subscription constitutes a related party transaction for the purposes of the AIM rules. Chris Akers, the independent director of the Company ("Independent Director") having been so advised by Corporate Synergy, the Company's nominated adviser, considers that the terms of the subscription by InTechnology Plc and the Code Waiver are fair and reasonable insofar as Independent Shareholders are concerned.

In providing advice to the Independent Director, Corporate Synergy has taken into account the Directors' commercial assessments.

Financial Trading and Prospects

In June 2006, the Company announced that revenues for MTIL (the main trading entity in the Group) for the 12 months to June 2006 were expected to be e290,000.

The Group continues to pursue a number of significant business opportunities around the world. The Group hopes that it will soon enter into a contract to supply its Push to Talk service to its first small US mobile operator. It has entered into small, paid-for trials/developments with a European mobile operator and a significant North American mobile operator. Together with existing contracts, the Directors expect that these new contracts should result in a significant improvement in the Group's operating performance over the next 18 months.

Use of Funds

The net proceeds of the Subscription are expected to be approximately £3.8m and the Directors intend to use such net proceeds to expand the Group's sales and development activities, including the emerging hosted PTT services market, and to provide additional working capital.

Board Changes

Mark Hughes has expressed his intention to resign as Finance Director and Secretary following the EGM and has entered into a compromise agreement with the Company to that effect. It is intended that Richard James be appointed as Secretary with effect from the date of Mr Hughes' resignation. The Company expects to announce a successor Finance Director shortly.

The Subscription

Pursuant to a subscription agreement dated 22 September 2006 (the "Subscription Agreement"), InTechnology Plc has conditionally agreed to subscribe for 80,000,000 new Ordinary Shares at 5p per share. The new Ordinary Shares will represent approximately 43.38 per cent. of the enlarged ordinary share capital. Peter Wilkinson and Richard James, directors of InTechnology Plc, will together also own approximately 14.91 per cent. of the enlarged share capital. Peter Wilkinson is also a 57 per cent. shareholder in InTechnology Plc.

The Subscription Agreement is conditional on the Resolutions being passed at the EGM and the new Ordinary Shares to be issued pursuant thereto being admitted to AIM.

Admission to AIM

Application will be made to the London Stock Exchange for all of the new Ordinary Shares to be admitted to trading on AIM. Conditional upon the passing of the Resolutions, Admission is expected to become effective and trading in the New Ordinary Shares will commence on 24 October 2006.

For further details please contact:

Mobile Tornado Group plc John Swingewood, Chairman	Tel: +44 (0) 208 104 1992
Corporate Synergy Romil Patel / Rhod Cruwys	Tel: +44 (0) 207 448 4400
Buchanan Communications James Strong	Tel: +44 (0)20 7466 5000