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

Final results

Mobile Tornado Group plc, the leading provider of instant communication mobile applications to the enterprise market, announces its results for the twelve month period to 31 December 2014.

Financial Highlights

- Revenue down by 34% to £1.75m (2013: £2.65m)
  - Recurring revenues up by 45% to £1.20m (2013: £0.82m)
  - Hardware and 3rd party software sales reduced to £0.20m (2013: £1.42m)
  - Professional service sales reduced slightly to £0.29m (2013: £0.37m)
- Adjusted EBITDA* loss of £2.50m (2013: £1.82m)
- Adjusted operating loss* of £2.67m (2013: £2.02m)
- Loss after tax of £2.95m (2013: £2.34m)
- Basic loss per share of 1.31p (2013: 1.18p)
- Cash at bank of £0.04m (2013: £2.44m) with net debt of £6.56m (2013: £3.19m)

*excluding exchange differences

Operating highlights

- Commercial launch of services in Canada, Mexico and Brazil
- Strong recurring revenue growth in early period since launch of services
- Monthly recurring revenues at 31 December 2014 of £120,000 – up 52% on prior year (31 December 2013: £79,000)
- Further momentum across the Americas – Ecuador deployed and Columbia soon to follow.
- Restructure of business initiated to re-focus business into its key markets and customers and deliver annualised savings of c£1m from FY15.

Jeremy Fenn, Chief Executive Officer of Mobile Tornado, said: "The outlook remains positive for the business as recurring revenue levels continue to increase. The macro picture is also positive and we have developed one of the leading technical platforms in this space. The current year has started in line with our expectations and I look forward to further updates as the year progresses."

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Financial results and key performance indicators

Total revenue for the year ended 31 December 2014 declined by 34% to £1.75m (2013: £2.65m). As reported in the Company's trading update on 5 December 2014, the decrease in total revenue was largely due to the significant decrease in hardware and software license sales to Tier 1 Mobile Network Operators. Furthermore, a significant proportion of the revenue in the previous period was as a result of work completed for our Canadian customer. There were no major Tier 1 Mobile Network Operator installations during this financial period.

Encouragingly, recurring revenue, a key performance indicator for the business, was up by 45% to £1.20m (2013: £0.82m).

Gross profit increased to £1.47m (2013: £1.30m) as the growth in higher margin recurring revenues offset the decline in hardware and software license revenues. Gross margin is expected to continue to increase as our Mobile Network Operator customers move out of installation and trial phase into commercial deployment.

Operating expenses increased by 27% to £3.97m (2013: £3.12m) during the period, due to the investment in additional human resources across sales, technical and customer service functions. The Board made this investment based on the increasing levels of interest from Tier 1 Mobile Network Operators and the opportunities in the Homeland Security markets in particular. However, the longer than expected sales cycles have led management to re-evaluate its priorities for 2015. These are outlined in the business review below.

As a result of the increased operating expenses, the Group operating loss before exchange differences, depreciation and amortization increased to £2.50m from £1.82m in 2013. Reported Group operating losses were £2.66m (2013: £2.02m). The loss before tax for the year was £3.17m (2013: £2.47m). This resulted in a basic loss per share of 1.31p (2013: 1.18p).

The net cash outflow from operating activities was £2.75m (2013: £1.25m). At 31 December 2014 the Company had £0.04m cash at bank (31 December 2013: £2.44m) and net debt of £6.56m (2013: £3.19m).

Results and dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2014 (year ended 31 December 2013: nil). The Company currently intends to reinvest future earnings to finance the growth of the business over the near term.

Business review

The Company made good operational progress during 2014 across each of its primary routes to market, namely:

- Mobile Network Operators (MNOs) reselling to their business customers;
- Independent Solution Vendors (ISVs) reselling to their enterprise customers;
- Hardware manufacturers embedding the Company's PTT application into their devices; and
- Government agencies procuring solutions for Homeland Security.

Mobile network operators

The growth in recurring revenues has been driven by the commercial launch of services in Canada during the second half of 2014. We have worked closely with this customer during the last 6 months and look forward to increased sales momentum during the rest of this year.

I am pleased to report that our business has finally launched in South America, with our Tier 1 customers in Mexico and Brazil launching commercial services during the first quarter of 2015. South America is the largest PTT ("Push-to-Talk") market in the world, with existing users predominantly using the iDEN technology. It has been well publicised that this platform is now approaching end of life, with service provision no longer available from the end of 2018. The opportunity to provide an alternative is significant and we are now working closely with our partners in these key territories to ensure a successful transition of customers to our own platform. We are also working on technical installations for Colombia and Ecuador, as our presence in South America gathers momentum.

Instacom, our exclusive partner in South Africa has made great progress during the year and is now commercially engaged with all three national Tier 1 mobile operators. In a short space of time it has become the leading provider of PTT services in this market and we are exploring ways to strengthen our collaboration in other African markets.

There is increasing interest from mobile operators around the globe, for our PTT proposition, as they seek out incremental revenue opportunities. The new management team will approach each new opportunity with caution, as we seek to ensure that our resources are deployed into only those customers and markets that can give us returns in the short to medium term.

Our experience in new markets, for example in France, has to date been frustrating with a commercial service yet to launch. There is no doubt, that the key markets to focus on are those that are already familiar with PTT, such as South America, or those that are anxious to adopt due to the rapid deployment of 3G/4G networks, such as Africa. We are strategically well placed with a presence in each of these vast continents, and will give these our principal focus over the coming financial year.

I'm pleased to confirm that following our creation of a new division in Israel which was set up to capture the PTT opportunities in that territory, we have been approached by the established Tier 1 operators looking to explore potential collaboration opportunities. This represents a more cost effective route to market, and given our focus on overheads and speed to market, is one we will adopt more widely across the Company.

Independent Solution Vendors (ISVs)

Integrating our communication solution to an existing software application is a channel we are keen to develop more widely. The workforce management sector has seen significant growth in recent years and created a plethora of software companies delivering solutions to improve the efficiency of the workforce. Our application is a 'fit for purpose' communication tool that enhances the offerings provided by any number of these companies.

During the second half of the year we concluded an agreement with an ISV providing solutions to the transportation sector. Our PTT application has been used in a contract with a train company in Brazil, to provide instant communications to both the train operatives and customers. We are in discussions with a number of ISVs in North and South America, all with existing enterprise customers that we could access immediately, post integration.

Hardware manufacturers

The Board has resolved that the Company will no longer invest in the development of its own handsets. The market is now well served by manufacturers producing rugged handsets for our target markets, with quality and functionality to meet each price point. We will engage with the key players to ensure where possible, that our application is embedded in the handset, making end user customer activation much easier.

Homeland security

The development of our SPOC proposition (Secure PTT Over Cellular) continued during the period, although we have been frustrated with our financial progress in this area. Despite completing successful trials with our customer in South East Asia, the sales cycle has extended and the resourcing required to deliver has expanded. Although The Ministry of Public Safety in this Asian country has deployed the service into six provinces we have been informed that Government budget constraints has pushed any further installations into 2016. Significant technical engagement continued throughout 2014 as we refined the proposition and the integration protocols with the customer's required hardware specification.

Given this lack of visibility and our absolute focus on delivering results within our existing markets and customers, we have curtailed the technical development of this proposition and disbanded the dedicated sales team set up to manage this opportunity.

Technical development

We have continued to invest in our technical platform during the period. It has been gratifying to see certain of our Tier 1 customers independently test our service against those provided by our competitors and to find ours delivering a better quality of service and functionality.

Principal risks and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks.

The Directors have set out below the principal risks facing the business. The Directors are of the opinion that a thorough risk management process is adopted, which involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

Product obsolescence

Due to the nature of the market in which the Group operates, products are subject to technological advances and as a result, obsolescence. The Directors are committed to the research and development strategy in place, and are confident that the Group is able to react effectively to the developments within the market.

Indirect route to market

As described above, one of the Group's primary channels to market are mobile network operators (MNOs) reselling our services to their business customers. Whilst MNOs are ideally positioned to forward sell our services and are likely to possess material resources for doing so, there remains an inherent uncertainty arising from the Group's inability to exert full control over the sales and marketing strategies of these customers.

Going concern and funding

The Company announced on 15 April 2015 a placing of 22.5 million shares at 6p to raise a total of £1.35m. InTechnology Plc and the Directors have subscribed for 18,581,907 shares comprising 82.6% of the issue. The placing will be used to fund the working capital requirements of the Company.

Outlook

The period under review represented one of mixed fortunes. Whilst we are delighted to see our recurring revenues increase by 45%, and finished the year with an annualised recurring revenue run rate of £1.44m, based on December 2014 results, we were disappointed that installation revenues from new deals did not materialize in the final quarter of the year as we had hoped. Since we had invested in our cost base in anticipation of these increased sales, the outcome for the year was not in line with our original expectations at the beginning of 2014.

We completed a detailed review of our business activities and resourcing to ensure we are well positioned to deliver shareholder value moving forward. The review clearly highlighted the need to focus much more on our existing customers and markets, and to restrict our pursuit of new engagements to those deemed strategically important.

The major global markets for PTT are in North and South America with millions of users across older iDEN platforms and traditional radio networks. As these platforms reach the end of their useful life, and customers seek out IP based solutions delivered across 3G/4G, we are strategically well placed to deliver, given the existing customers we have in these territories, and our market leading technical platform.

Having strengthened our operational management team, we are now placing much greater emphasis on our account management activity. If we simply deliver the full potential from our existing customer base, we should be able to deliver significant shareholder value.

It is our intention, of course, to source new customers, but we will be much more strategic, to ensure that our focussed resources are deployed effectively.

To provide the business with the necessary funds to continue this development, I am delighted to confirm that we have completed a placing on 16 April 2015, raising £1.35m with existing shareholders. The Company therefore has a sufficiently solid financial base with which to actively pursue the various exciting opportunities in the short to medium term.

The outlook remains positive for the business as recurring revenue levels continue to increase. The macro picture is also positive and we have developed one of the leading technical platforms in this space. The current year has started in line with our expectations and I look forward to further updates as the year progresses.

Peter Wilkinson
Chairman
16 April 2015

Consolidated income statement
For the year ended 31 December 2014

	Year ended 31 December 2014	Year ended 31 December 2013
	£'000	£'000
Continuing operations		
Revenue	**1,746**	2,653
Cost of sales	**(280)**	(1,353)
Gross profit	**1,466**	1,300
Operating expenses		
Other operating expenses	**(3,969)**	(3,124)
Group operating loss before exchange differences, depreciation and amortisation expense	**(2,503)**	(1,824)
Exchange differences	**(13)**	(68)
Depreciation and amortisation expense	**(146)**	(124)
Total operating expenses	**(4,128)**	(3,316)
Group operating loss	**(2,662)**	(2,016)
Finance costs	**(513)**	(536)
Finance income	**7**	85
Loss before tax	**(3,168)**	(2,467)
Income tax credit	**220**	132
Loss for the year	**(2,948)**	(2,335)
Loss per share (pence)		
Basic and diluted	**(1.31)**	(1.18)

Consolidated statement of comprehensive income
For the year ended 31 December 2014

	Year ended 31 December 2014	Year ended 31 December 2013
	£'000	£'000
Loss for the year	**(2,948)**	(2,335)

Other comprehensive income		
Item that will subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(18)**	5
Total comprehensive loss for the period	**(2,966)**	(2,330)
Attributable to:		
Equity holders of the parent	**(2,966)**	(2,330)

Consolidated statement of changes in equity
For the year ended 31 December 2014

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Preference shares £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2013	**3,699**	**4,449**	**(7,620)**	**10,938**	**2,390**	**(2,151)**	**(22,324)**	**(10,619)**
Equity settled share-based payments	-	-	-	-	-	-	25	25
Issue of share capital	800	6,776	-	-	-	-	-	7,576
Preference shares	-	-	-	-	(2,390)	-	-	(2,390)
Transactions with owners	**800**	**6,776**	**-**	-	**(2,390)**	**-**	**25**	**5,211**
Loss for the year	-	-	-	-	-	-	(2,335)	(2,335)
Exchange differences on translation of foreign operations	-	-	-	-	-	5	-	5

Total comprehensive income / (loss) for the year	-	-	-	-	**-**	**5**	**(2,335)**	**(2,330)**
Balance at 31 December 2013	**4,499**	**11,225**	**(7,620)**	**10,938**	**-**	**(2,146)**	**(24,634)**	**(7,738)**

	Share capital £'000	**Share premium £'000**	**Reverse acquisition reserve £'000**	**Merger reserve £'000**	**Preference shares £'000**	**Translation reserve £'000**	**Retained earnings £'000**	**Total equity £'000**
Balance at 1 January 2014	**4,499**	**11,225**	**(7,620)**	**10,938**	**-**	**(2,146)**	**(24,634)**	**(7,738)**
Equity settled share-based payments	-	-	-	-	-	-	(10)	(10)
Issue of share capital on exercise of options	2	-	-	-	-	-	-	2
Transactions with owners	**2**	**-**	**-**	-	**-**	**-**	**(10)**	**(8)**
Loss for the year	-	-	-	-	-	-	(2,948)	(2,948)
Exchange differences on translation of foreign operations	-	-	-	-	-	(18)	-	(18)
Total comprehensive loss for the year	-	-	-	-	**-**	**(18)**	**(2,948)**	**(2,965)**
Balance at 31 December 2014	**4,501**	**11,225**	**(7,620)**	**10,938**	**-**	**(2,164)**	**(27,592)**	**(10,712)**

Consolidated statement of financial position
As at 31 December 2014

	2014	2013
	£'000	£'000
Assets		
Non-current assets		
Property, plant and equipment	**213**	204
	213	204
Current assets		
Trade and other receivables	**1,472**	1,060
Inventories	**109**	133
Cash and cash equivalents	**41**	2,437
	1,622	3,630
Liabilities		
Current liabilities		
Trade and other payables	**(3,303)**	(3,537)
Borrowings	**(1,047)**	-
Net current (liabilities) / assets	**(2,728)**	93
Non-current liabilities		
Trade and other payables	**(2,643)**	(2,412)
Borrowings	**(5,554)**	(5,623)
	(8,197)	(8,035)
Net liabilities	**(10,712)**	(7,738)
Equity attributable to the owners of the parent		
Share capital	**4,501**	4,499
Share premium	**11,225**	11,225
Reverse acquisition reserve	**(7,620)**	(7,620)
Merger reserve	**10,938**	10,938
Foreign currency translation reserve	**(2,164)**	(2,146)
Retained earnings	**(27,592)**	(24,634)
Total equity	**(10,712)**	(7,738)

Consolidated statement of cash flows
For the year ended 31 December 2014

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Operating activities		
Cash used in operations	**(2,751)**	(1,245)
Tax received	**220**	132
Interest received	**7**	6
Net cash used in operating activities	**(2,524)**	(1,107)
Investing activities		
Purchase of property, plant & equipment	**(148)**	(132)
Net cash used in investing activities	**(148)**	(132)
Financing		
Issue of ordinary share capital	**2**	4,000
Share issue costs	**-**	(424)
Proceeds from borrowings	**270**	-
Net cash inflow from financing	**272**	3,576
Effects of exchange rates on cash and cash equivalents	**4**	-
Net (decrease) / increase in cash and cash equivalents in the period	**(2,396)**	2,337
Cash and cash equivalents at beginning of period	**2,437**	100
Cash and cash equivalents at end of period	**41**	2,437

1 Financial information

The financial information set out in this final results announcement does not constitute statutory accounts within the meaning of s495(2) or s495(3) of the Companies Act 2006. Statutory accounts for the year ended 31 December 2014 will be dispatched to shareholders for approval at the Annual General Meeting to be held on 1 July 2015. The statutory accounts contain an unqualified audit report, which did not include a statement under s498(2) or s498(3) of the Companies Act 2006, and will be delivered to the Registrar of Companies.

The statutory accounts for the year ended 31 December 2013 which have been delivered to the Registrar of Companies, contained an unqualified audit report and did not include a statement under s498(2) or s498(3) of the Companies Act 2006.

2 Segmental analysis

The Group presents its results in accordance with internal management reporting information. At 31 December 2014 the Board continued to monitor operating results by category of revenue within a single operating segment, the provision of instant communication solutions. Under IFRS 8 the Group has only one operating segment. Therefore the results presented in the income statement are the same as those required under IFRS 8, save for the year end entry of IFRS 2 share option credit of £10,000 (year ended 31 December 2013: £25,000 charge).

Revenue by category

	Year ended 31 December 2014 £'000	Year ended 31 December 2013 £'000
Licences	**981**	689
Hardware & software	**196**	1,424
Professional services	**287**	371
Other	**282**	169
Total	**1,746**	2,653

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

	Year ended 31 December 2014 Revenue £'000	**At 31 December 2014 Non-current assets £'000**	Year ended 31 December 2013 Revenue £'000	At 31 December 2013 Non-current assets £'000
UK	**169**	**19**	57	-
Europe	**546**		392	

		-		-
North America	**440**	**46**	1,348	76
South America	**112**	**-**	76	40
Israel	**48**	**148**	-	88
Africa	**379**	**-**	327	-
Asia/Pacific	**52**	**-**	453	-
Total	**1,746**	**213**	2,653	204

Our mobile network operator customer in Canada represents 24% (2013: 48%) of the total revenue of the Group.

3 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £2,949,000 (2013: £2,335,000) by the weighted average number of ordinary shares in issue during the year of 224,990,775 (2013: 198,036,027).

	Year ended 31 December 2014		Year ended 31 December 2013	
	Basic and diluted		Basic and diluted	
	Loss	**Loss per share**	Loss	Loss per share
	£'000	**pence**	£'000	pence
Loss attributable to ordinary shareholders	**(2,948)**	**(1.31)**	(2,335)	(1.18)
Adjusted basic loss per share	**(2,948)**	**(1.31)**	(2,335)	(1.18)

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 are anti-dilutive under the terms of IAS 33.

4 Annual General Meeting

The Annual General Meeting of the Company will be held at Cardale House, Cardale Court, Beckwith Head Road, Harrogate, HG3 1RY on 1 June 2015 at 9.00 a.m. The audited results for the year ended 31 December 2014 will be posted to shareholders shortly and will be available on the Company's website at www.mobiletornado.com at the same time.