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 year ended 31 December 2015.

Financial Highlights

- Total revenue up by 29% to £2.26m (2014: £1.75m)
  - Recurring revenues up by 33% to £1.68m (2014: £1.26m)
  - Professional service sales up by 74% to £0.5m (2014: £0.29m)
  - Hardware and 3rd party software sales reduced to £0.08m (2014: £0.20m)
- Group operating loss of £1.45m (2014: £2.66m)
- Adjusted EBITDA* loss of £1.26m (2014: £2.50m)
- Adjusted operating loss* of £1.38m (2014: £2.65m)
- Loss after tax of £1.66m (2014: £2.95m)
- Basic loss per share of 0.69p (2014: 1.31p)
- Cash at bank of £0.11m (2014: £0.04m) with net debt of £6.81m (2014: £6.56m)

*Earnings before interest, tax, depreciation, amortization and excluding exchange differences

Operating highlights

- Strong recurring revenue growth of 33% reflecting increased momentum within Mobile Network Operator customers across the Americas
- Restructure of business to focus on key markets and customers resulted in operating expenses savings of £0.59m compared to 2014
- New commercial contract agreed with an independent communications service provider in Israel for commercial launch of services
- Commercial partnership agreed with independent communications service provider within the global oil and gas sector
- Push to Talk (‘PTT’) deployment completed with a transportation customer in Brazil
- 3GPP committee engagement
- R&D tax credit of £0.37m in 2015 (2014:£0.22m) reduced operating expenses further to £3.01m (2014:£3.75m)

Jeremy Fenn, Chief Executive Officer of Mobile Tornado, said: “We were satisfied with the performance of the business in 2015 with the financial results showing a marked improvement over the prior year. At the adjusted EBITDA level, losses were halved from £2.50m in 2014 to £1.26m in 2015, the improvement being delivered through a combination of reduced cost-base and increased recurring license revenues.

The business has made good progress and whilst we are frustrated that the momentum is not quite at the levels we would have liked, there are grounds for optimism given the customers we are working with and the opportunities currently presented. We look forward to the rest of the year with cautious optimism.**”**

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Financial results and key performance indicators

Total revenue for the year ended 31 December 2015 increased by 29% to £2.26m (2014: £1.75m). Encouragingly, recurring revenue, a key performance indicator for the business, was up by 33% to £1.68m (2014: £1.27m). Non-recurring revenue, comprising installation fees, hardware and professional services, increased slightly to £0.58m (2014: £0.48m).

Gross profit increased to £2.12m (2014: £1.47m) as a result of the growth in higher margin recurring revenue. Operating expenses declined by 15% to £3.38m (2014: £3.97m) during the year, primarily due to the lower staffing levels following the restructure during 2014. The Group received an income tax credit in respect of our qualifying investment in R&D activities of £0.37m (2014: £0.22m) further reducing our net operating expenses. As a result, the loss after tax for the year reduced significantly to £1.66m (2014: Loss £2.95m). This resulted in a reduced basic loss per share of 0.69p (2014: 1.31p).

The net cash outflow from operating activities was £1.23m (2014: £2.75m). At 31 December 2015, the Group had £0.11m cash at bank (31 December 2014: £0.04m) and net debt of £6.81m (2014: £6.56m).

Results and dividends

The Directors are unable to recommend the payment of a dividend in respect of the year ended 31 December 2015 (year ended 31 December 2014: nil). The Company currently intends to reinvest future earnings to finance the growth of the business over the near term.

Review of operations

Mobile network operators ('MNOs')

Our engagement with Tier 1 MNOs across the world continues, with commercial contracts now in place with ten customers. The growth in recurring revenues was driven principally by the commercial roll out of services by our customers in the Americas. This territory, particularly South America, represents the principal target for growth in the business over the coming years. As the iDEN technology platform reaches the end of its life, we expect many of these customers will look to switch their instant communication requirements to PTT. Our business development team has worked hard during the period to engage with new partners in these territories as we look to widen our commercial reach in these markets.

During the period, our Tier 1 customer in mainland Europe extended its contract for a further three years. Our technical team continues to work to optimise the platform prior to full commercial launch.

As previously reported, our partner in South Africa has secured agreement to provide PTT services to the three domestic Tier 1 MNOs. Commercial deployment by the operators has been delayed as a result of technical integration issues, principally around location of server hosting, although it appears that these are now close to being resolved. We anticipate resolution and launch of services in the second half of this financial year.

During 2015, we reviewed the various options open to us for launching services in Israel, an established PTT market. We concluded an agreement with a company focused on the deployment of value added services to the corporate market. Our exclusive agreement was successfully launched in

January 2016 and we are pleased to report it has already secured some important customers in the commercial market: leading enterprises in the Israeli banking, logistics and security sectors have already committed to the service and we anticipate increasing sales momentum through the rest of this financial year.

Independent Solution Vendors ('ISVs')

Whilst MNOs represent a valuable channel to market given their ability to forward sell our services to a wide customer base, the inherent uncertainty arising from our inability to exert full control over the sales and marketing strategies make it very difficult to predict with any certainty how our customer base will grow and with it, expand our recurring revenue base.

We have continued to seek out partners keen to integrate our communication solution to an existing software application. Our partner in the transportation sector successfully concluded the installation of its solution, incorporating our communication platform, with a transportation company in Brazil. As a result we are now engaged in a number of other tenders with this partner.

We have also established a partnership with an ISV serving the global oil and gas sector and are currently participating in a number of tenders. We are also seeking a similar engagement in the mining sector.

The workforce management sector offers numerous opportunities to deploy our service across applications that have already been sold into significant customer bases. Our technical team is working towards delivering a more sophisticated and usable interface to allow wider adoption of our technology by other software application providers.

Hardware manufacturers

We have worked extensively with all of the major rugged handset and accessory manufacturers during the period. As a result, we are cooperating with these partners on tenders to both mobile operators and enterprises.

Public sector

Whilst our focus across 2015 has been to develop our recurring revenue streams with our Tier 1 MNOs, we continue to be invited to tender for significant projects within the public sector. We are currently engaged on trials with potential customers in India, Africa and Asia. The nature of the deals is such that we give the customer the right to use our platform for a fixed period of time in return for an upfront capital sum. Whilst the profitability and cash-flow impact of these deals can be significant, the trials and negotiations can take place over an extended period of time, and predicting with any certainty when they might close if extremely difficult. Nevertheless, we continue to develop these opportunities since successful closure of any of them would bring material financial upside.

Management

As announced separately, we are delighted to confirm the appointment of Avi Tooba as Chief Operating Officer with immediate effect.

Avi will lead our technical and operations teams and bring huge experience to our business as we continue to engage Tier 1 MNOs, major global enterprises and public sector bodies. Having worked across all major radio platforms, his inputs as we develop our strategy for next generation critical communication platforms will be invaluable.

Technical development

We continue to invest in our technical platform to ensure services can be deployed more effectively to customers across the world. At the same time we are monitoring closely the development of Mission Critical PTT, where the industry is seeking to leverage the strengths of LTE through the addition of a comprehensive set of features needed for public safety communications. We are participating members of the 3GPP committee tasked with setting these standards and will ensure that our future strategy is developed in line with the market. We believe the recruitment of Avi Tooba to our team will be invaluable in this respect.

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 MNOs reselling our services to their enterprise 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

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

The Directors believe the Group has sufficient working capital for the foreseeable future given its contracted revenues, anticipated contracts and continuing support from its principal shareholder, InTechnology Plc. They have therefore concluded that the financial statements are appropriately prepared on a going concern basis.

Outlook

We were satisfied with the performance of the business in 2015 with the financial results showing a marked improvement over the prior year. At the adjusted EBITDA level, losses were halved from £2.50m in 2014 to £1.26m in 2015, the improvement being delivered through a combination of reduced cost-base and increased recurring license revenues.

However, as we have moved into 2016, recurring revenues from our Tier 1 MNO customers continue to grow more slowly, as highlighted in the half-year statement. Given the relative sizes of these businesses, it is a more difficult area for us to control and influence. The continued flat performance of this part of our business remains below market expectations although we anticipate that the strengthening of our management team will help to improve this in the coming months.

The Group continues to see a range of opportunities in the homeland security markets. However, contracts in these markets are typically capital expenditure in nature for our clients and their impact is difficult to predict with any certainty.

The Board therefore currently anticipates that the Company’s revenue performance will be at least in line with 2015, with the opportunity to surpass this dependent on securing homeland security opportunities.

We would like to record our appreciation for the exceptional contribution made by our team during 2015. The business has made good progress and whilst we are frustrated that the momentum is not quite at the levels we would have liked, there are grounds for optimism given the customers we are working with and the opportunities currently presented. We look forward to the rest of the year with cautious optimism.

Peter Wilkinson
Chairman
12 May 2016

Consolidated income statement
For the year ended 31 December 2015

	2015	2014
	£'000	£'000
Continuing operations		
Revenue	**2,259**	1,746
Cost of sales	**(137)**	(280)
Gross profit	**2,122**	1,466
Operating expenses		
Administrative expenses	**(3,384)**	(3,969)
Group operating loss before exchange differences & depreciation expense	**(1,262)**	(2,503)
Exchange differences	**(68)**	(13)
Depreciation expense	**(115)**	(146)
Total operating expenses	**(3,567)**	(4,128)
Group operating loss	**(1,445)**	(2,662)
Finance costs	**(586)**	(513)
Finance income	**-**	7
Loss before tax	**(2,031)**	(3,168)
Income tax credit	**371**	220
Loss for the year	**(1,660)**	(2,948)
Loss per share (pence)		
Basic and diluted	**(0.69)**	(1.31)

Consolidated statement of comprehensive income
For the year ended 31 December 2015

	2015	2014
	£'000	£'000
Loss for the year	**(1,660)**	(2,948)
Other comprehensive loss		
Item that will subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**(19)**	(18)

Total comprehensive loss for the period	**(1,679)**	(2,966)
Attributable to:		
Equity holders of the parent	**(1,679)**	(2,966)

Consolidated statement of changes in equity
For the year ended 31 December 2015

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Accumulated Loss £'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)**	**(2,966)**

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Foreign currency translation reserve £'000	Accumulated Loss £'000	Total equity £'000
Balance at 31 December 2014	**4,501**	**11,225**	**(7,620)**	**10,938**	**(2,164)**	**(27,592)**	**(10,712)**
Balance at 1 January 2015	**4,501**	**11,225**	**(7,620)**	**10,938**	**(2,164)**	**(27,592)**	**(10,712)**
Equity settled share-based payments	-	-	-	-	-	13	13
Issue of share capital	450	787	-	-	-	-	1,237
Transactions with owners	**450**	**787**	**-**	-	**-**	**13**	**1,250**
Loss for the year	-	-	-	-	-	(1,660)	(1,660)
Exchange differences on translation of foreign operations	-	-	-	-	(19)	-	(19)
Total comprehensive loss for the year	-	-	-	-	**(19)**	**(1,660)**	**(1,679)**
Balance at 31 December 2015	**4,951**	**12,012**	**(7,620)**	**10,938**	**(2,183)**	**(29,239)**	**(11,141)**

Consolidated statement of financial position
As at 31 December 2015

	2015	2014
	£'000	£'000
Assets		
Non-current assets		
Property, plant and equipment	**315**	213
Intangible assets	**107**	-
	422	213
Current assets		
Trade and other receivables	**1,268**	1,472
Inventories	**28**	109
Cash and cash equivalents	**107**	41
	1,403	1,622
Liabilities		
Current liabilities		
Trade and other payables	**(3,535)**	(3,303)
Borrowings	**(1,380)**	(1,047)
Net current liabilities	**(3,512)**	(2,728)
Non-current liabilities		
Trade and other payables	**(2,514)**	(2,643)
Borrowings	**(5,537)**	(5,554)
	(8,051)	(8,197)
Net liabilities	**(11,141)**	(10,712)
Equity attributable to the owners of the parent		
Share capital	**4,951**	4,501
Share premium	**12,012**	11,225
Reverse acquisition reserve	**(7,620)**	(7,620)
Merger reserve	**10,938**	10,938
Foreign currency translation reserve	**(2,183)**	(2,164)
Accumulated loss	**(29,239)**	(27,592)
Total equity	**(11,141)**	(10,712)

Consolidated statement of cash flows
For the year ended 31 December 2015

	2015 £'000	2014 £'000
Operating activities		
Cash used in operations	**(1,233)**	(2,751)
Tax received	**371**	220
Interest received	**-**	7
Net cash used in operating activities	**(862)**	(2,524)
Investing activities		
Purchase of property, plant & equipment	**(206)**	(148)
Purchase of intangible assets	**(107)**	-
Net cash used in investing activities	**(313)**	(148)
Financing		
Issue of ordinary share capital	**1,350**	2
Share issue costs	**(113)**	-
Proceeds from borrowings	**-**	270
Net cash inflow from financing	**1,237**	272
Effects of exchange rates on cash and cash equivalents	**4**	4
Net increase / (decrease) in cash and cash equivalents in the period	**66**	(2,396)
Cash and cash equivalents at beginning of period	**41**	2,437
Cash and cash equivalents at end of period	**107**	41

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 2015 will be dispatched to shareholders for approval at the Annual General Meeting to be held on 6 July 2016. 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 2014 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 to the chief operating decision maker (Board of Directors). At 31 December 2015 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 charge of £13,000 (year ended 31 December 2014: £10,000 credit).

Revenue by category

	2015 **£'000**	2014 £'000
Licences	**1,279**	981
Hardware & software	**81**	196
Professional services	**499**	287
Other	**400**	282
Total	**2,259**	1,746

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

	2015 **Revenue** **£'000**	**2015** **Non-current assets** **£'000**	2014 Revenue £'000	2014 Non-current assets £'000
UK	**125**	**11**	169	19
Europe	**476**	**-**	546	-
North America	**764**	**15**	440	46
South America	**271**	**-**	112	-
Israel	**105**	**396**	48	148
Africa	**483**	**-**	379	-

Asia/Pacific	**35**	**-**	52	-
Total	**2,259**	**422**	1,746	213

Our mobile network operator customer in Canada represents £729,000 (2014: £418,000) 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 £1,660,000 (2014: £2,948,000) by the weighted average number of ordinary shares in issue during the year of 240,710,723 (2014: 224,990,775).

	2015		2014	
	Basic and diluted		Basic and diluted	
	Loss	**Loss per share**	Loss	Loss per share
	£'000	**pence**	£'000	pence
Loss attributable to ordinary shareholders	**(1,660)**	**(0.69)**	(2,948)	(1.31)
Adjusted basic loss per share	**(1,660)**	**(0.69)**	(2,948)	(1.31)

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 6 July 2016 at 9.00 a.m. The audited results for the year ended 31 December 2015 will be posted to shareholders shortly and will be available on the Company's website at www.mobiletornado.com at the same time.