Unaudited Interim Report

for the six months ended 30 June 2010

Mobile Tornado Group plc
Company registration number: 5136300

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Chairman's report

Introduction

Mobile Tornado Group plc, the leading provider of mobile applications to the enterprise market, announces its unaudited results for the six month period to 30 June 2010.

Highlights

- Contract signed with major Indian operator for 200,000 user PTT platform
- IPRS hosted platform established in New York, USA
- Partnership agreement signed with Psion Teklogix to launch services to their enterprise customers
- Transition of Research and Development function from Israel to UK and India completed during the period
- Operating losses before exchange differences and exceptional items reduced to £412,000 from £969,000 in the six months to 30 June 2009

Financial Results

Turnover in the six month period to 30 June 2010 amounted to £618,000 (30 June 2009: £2,056,000 including a large handset order by InTechnology plc). Operating losses before exchange differences and exceptional items reduced significantly to £412,000 (30 June 2009: £969,000 loss). After exceptional costs of £386,000 (30 June 2009: £nil), exchange losses of £246,000 (30 June 2009: £889,000) and net financing costs of £157,000 (30 June 2009: £110,000) the loss on ordinary activities before taxation was £1,201,000 (30 June 2009: £1,968,000). Net cash outflow from operating activities decreased significantly in the period to £176,000 (30 June 2009: £1,172,000).

The exceptional costs of £386,000 relate to costs incurred in transitioning the Research and Development function from Israel to the UK and India as previously reported. The exchange losses of £246,000 relate to unrealised losses on the revaluation of dollar denominated liabilities resulting from the depreciation of sterling against the dollar over the reporting period.

The Group consolidated balance sheet shows net liabilities at 30 June 2010 of £9,905,000 compared to net liabilities of £7,499,000 at 30 June 2009. Cash at bank was £39,000 at 30 June 2010 compared to £508,000 at 30 June 2009. The Directors believe that the Group has sufficient working capital for the foreseeable future given its contracted revenue, anticipated contracts and its lower operating costbase.

Review of operations

I am pleased to report that the results for the first half of this financial year reflect the operational changes we started to implement 12 months ago. The underlying costbase of the business has been dramatically reduced following the relocation of the R&D function from Israel to the UK and India. In addition, our renewed focus on key target market segments has resulted in some notable success.

The highlight of the period under review was the closure of a deal with one of the largest Indian mobile operators. The deal involves the deployment of our patented IPRS Push-to-Talk technology platform in the operator's network. The delivery of the first phase, a 200,000 user system, has commenced and we are expecting to conclude this during the final quarter of this year. We are delighted to have secured a major deal in this region as it will highlight the quality of our technology and the robustness of our delivery platform. There are markets throughout the world that are experiencing similar rates of growth to India and much of it is being driven by the adoption of advanced telecommunications. Our technology platform and the applications we deliver are generating a lot of interest and I look forward to further penetration of the developing markets in the future.

We also announced during the first half of the year our entry into the US market, the largest Push to Talk market in the world with over 25 million users. We have established our own platform in the US and have signed an agreement with Psion Teklogix to launch our services to their enterprise customers. The combination of our software applications running on Psion devices eliminates the need for workers to carry a separate mobile handset. The ability to locate employees in the field through Push to Locate, and for them to alert in the event of emergency through Push to Alert, greatly enhances the workforce management solution that Psion are able to offer their customers. Trials have commenced with a number of their resellers and I look forward to reporting contract closures in coming months.

The transition of the Research and Development function from Israel to the UK and India was completed during the first half. Whilst the costbase of the business has benefited greatly from this move, the effectiveness of the organisation has also been enhanced, as the key R&D executives are now based in the UK. The engineering team have commenced developments to integrate our software applications into both the Blackberry and Android operating platforms. I anticipate this work completing in the second half of the year and for this to further increase our addressable markets.

Current trading and future prospects

I am encouraged by the progress we are making across the business. We have relocated our R&D function and in doing so significantly enhanced the efficiency and effectiveness of the operation. At the same time, our sales team have been focussed on establishing trading relationships with high quality partners throughout the world. With our business model of recurring monthly license fees we are now seeking monthly financial commitments from these partners to ensure buy-in from the partner, and enhanced visibility for us in our pursuit of profitability. We are engaged with a number of partners at the moment in some key territories where closure of contracts would see us move much closer to our goal.

I look forward to reporting on further success in the coming months.

Peter Wilkinson
Chairman
30 September 2010

Consolidated income statement
For the six months ended 30 June 2010

	Note	**Six months ended 30 June 2010 Unaudited £'000**	Six months ended 30 June 2009 Unaudited £'000	Year ended 31 December 2009 Audited £'000
Continuing Operations				
Revenue		**618**	2,056	2,340
Cost of sales		**(176)**	(1,782)	(1,836)
Gross profit		**442**	274	504
Operating expenses		**(838)**	(1,128)	(2,358)
Exchange differences		**(246)**	(889)	(424)
Depreciation and amortisation expense		**(16)**	(115)	(131)
Exceptional costs of Israeli subsidiary	4	**(386)**	-	-
Group operating loss		**(1,044)**	(1,858)	(2,409)
Finance costs		**(157)**	(112)	(268)
Finance income		**-**	2	2
Loss before tax		**(1,201)**	(1,968)	(2,675)
Income tax expense		**-**	-	-
Loss for the period		**(1,201)**	(1,968)	(2,675)
Attributable to:				
Equity holders of the parent		**(1,201)**	(1,968)	(2,675)
Loss per share (pence)				
Basic and diluted	5	**(0.65)**	(1.06)	(1.45)

Consolidated statement of comprehensive income
For the six months ended 30 June 2010

	Six months ended 30 June 2010 Unaudited £'000	Six months ended 30 June 2009 Unaudited £'000	Year ended 31 December 2009 Audited £'000
Loss for the period	**(1,201)**	(1,968)	(2,675)
Other comprehensive income			
Exchange differences on translation of foreign operations	**(18)**	1,455	964
Total comprehensive income for the period	**(1,219)**	(513)	(1,711)

Consolidated statement of changes in equity

For the six months ended 30 June 2010

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2009	**3,699**	**4,449**	**(7,620)**	**10,938**	**(3,117)**	**(15,341)**	**(6,992)**
Equity settled share-based payments	-	-	-	-	-	6	6
Transactions with owners	-	-	-	-	-	**6**	**6**
Loss for the period	-	-	-	-	-	(1,968)	(1,968)
Exchange differences on translation of foreign operations	-	-	-	-	1,455	-	1,455
Total comprehensive income for the period	-	-	-	-	**1,455**	**(1,968)**	**(513)**
Balance at 30 June 2009	**3,699**	**4,449**	**(7,620)**	**10,938**	**(1,662)**	**(17,303)**	**(7,499)**

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 July 2009	**3,699**	**4,449**	**(7,620)**	**10,938**	**(1,662)**	**(17,303)**	**(7,499)**
Equity settled share-based payments	-	-	-	-	-	6	6
Transactions with owners	-	-	-	-	-	**6**	**6**
Loss for the period	-	-	-	-	-	(707)	(707)
Exchange differences on translation of foreign operations	-	-	-	-	(491)	-	(491)
Total comprehensive income for the period	-	-	-	-	**(491)**	**(707)**	**(1,198)**
Balance at 31 December 2009	**3,699**	**4,449**	**(7,620)**	**10,938**	**(2,153)**	**(18,004)**	**(8,691)**

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 Janary 2010	**3,699**	**4,449**	**(7,620)**	**10,938**	**(2,153)**	**(18,004)**	**(8,691)**
Equity settled share-based payments	-	-	-	-	-	5	5
Transactions with owners	-	-	-	-	-	**5**	**5**
Loss for the period	-	-	-	-	-	(1,201)	(1,201)
Exchange differences on translation of foreign operations	-	-	-	-	(18)	-	(18)
Total comprehensive income for the period	-	-	-	-	**(18)**	**(1,201)**	**(1,219)**
Balance at 30 June 2010	**3,699**	**4,449**	**(7,620)**	**10,938**	**(2,171)**	**(19,200)**	**(9,905)**

Consolidated balance sheet
As at 30 June 2010

	30 June 2010 Unaudited £'000	30 June 2009 Unaudited £'000	31 December 2009 Audited £'000
Assets			
Non-current assets			
Property, plant & equipment	**49**	57	44
Available-for-sale investments	**-**	101	-
	49	158	44
Current assets			
Trade and other receivables	**295**	238	146
Cash and cash equivalents	**39**	508	160
	334	746	306
Liabilities			
Current liabilities			
Trade and other payables	**(4,078)**	(2,421)	(3,112)
Borrowings	**(3,075)**	-	(3,000)
Net current liabilities	**(6,819)**	(1,675)	(5,806)
Non-current liabilities			
Trade and other payables	**(3,135)**	(2,982)	(2,929)
Borrowings	**-**	(3,000)	-
Net liabilities	**(9,905)**	(7,499)	(8,691)
Shareholders' equity			
Share capital	**3,699**	3,699	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	**51**	40	46
Foreign currency translation reserve	**(2,171)**	(1,662)	(2,153)
Retained earnings	**(19,251)**	(17,343)	(18,050)
Total equity	**(9,905)**	(7,499)	(8,691)

Consolidated cash flow statement
For the six months ended 30 June 2010

	Note	**Six months ended 30 June 2010 Unaudited £'000**	Six months ended 30 June 2009 Unaudited £'000	Year ended 31 December 2009 Audited £'000
Operating activities				
Cash used in operations	7	**(176)**	(1,172)	(1,526)
Net cash used in operating activities		**(176)**	(1,172)	(1,526)
Investing activities				
Purchase of property, plant & equipment		**(21)**	(3)	(5)
Interest received		**-**	2	1
Net cash used in investing activities		**(21)**	(1)	(4)
Financing				
Unsecured loan		**75**	-	-
Issue of preference shares		**-**	1,500	1,500
Net cash inflow from financing		**75**	1,500	1,500
Effects of exchange rates on cash and cash equivalents		**1**	(25)	(16)
Net increase / (decrease) in cash and cash equivalents in the period		**(121)**	302	(46)
Cash and cash equivalents at beginning of period		**160**	206	206
Cash and cash equivalents at end of period		**39**	508	160

1 General information

The financial information set out on pages 4 to 10 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 2009 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 498 of the Companies Act 2006.

2 Basis of preparation

These interim financial statements are for the six months ended 30 June 2010. 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 2009 with the exception of the adoption of the below additional accounting policy. The accounting policies have been applied consistently throughout the Group for the purpose of preparation of the interim financial statements.

3 Accounting policies

The interim financial information has been prepared in accordance with the following additional accounting policy which has been adopted from 1 January 2010:

Exceptional items

The group seeks to highlight certain items as exceptional operating income or costs. These are considered to be exceptional in size and/or nature rather than indicative of the underlying trading of the group. These may include items such as restructuring costs, material profits or losses on disposal of property, plant and equipment, impairment of goodwill and profits or losses on the disposal of subsidiaries. All of these items are charged before calculating operating profit or loss. Material profits or losses on disposal of property, plant and equipment, impairment of goodwill and profits or losses on the disposal of subsidiaries are shown as separate items in arriving at operating profit or loss whereas other exceptional items are charged or credited within operating costs and highlighted by analysis. Management apply judgement in assessing the particular items, which by virtue of their size and nature are disclosed separately in the income statement and the notes to the financial statements as exceptional items. Management believe that the separate disclosure of these items is relevant to understanding the group's financial performance.

4 Exceptional costs of Israeli subsidiary

These comprise salary and exit costs of the former research and development team based in Israel.

5 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £1,201,000 (30 June 2009: £1,968,000, 31 December 2009: £2,675,000) by the weighted average number of ordinary shares in issue during the period of 184,953,708 (30 June 2009: 184,953,708, 31 December 2009: 184,953,708).

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 2010 Unaudited Basic and diluted		Six months ended 30 June 2009 Unaudited Basic and diluted		Year ended 31 December 2009 Audited Basic and diluted	
	Loss	**Loss per share**	Loss	Loss per share	Loss	Loss per share
	£'000	**pence**	£'000	pence	£'000	pence
Loss attributable to ordinary shareholders	**(1,201)**	**(0.65)**	(1,968)	(1.06)	(2,675)	(1.45)
Amortisation of goodwill	**-**	**-**	97	0.05	97	0.05
Adjusted basic loss per share	**(1,201)**	**(0.65)**	(1,871)	(1.01)	(2,578)	(1.40)

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 share options are anti-dilutive under the terms of IAS 33.

6 Share capital and share premium

	Number of shares '000	**Share capital £'000**	**Share premium £'000**	**Total £'000**
At 1 Jan 2009, 30 June 2009 and 30 June 2010	**184,953**	**3,699**	**4,449**	**8,148**

Non-voting preference shares

	Number of shares '000	**Value £'000**
At 1 January 2009	18,750	1,500
Issue of preference shares of 8p each	18,750	1,500
At 30 June 2009, 31 December 2009 and 30 June 2010	**37,500**	**3,000**

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

Notes to the interim report
For the six months ended 30 June 2010

7 Cash used in operations

	Six months ended 30 June 2010 Unaudited £'000	Six months ended 30 June 2009 Unaudited £'000	Year ended 31 December 2009 Audited £'000
Loss before taxation	**(1,201)**	(1,968)	(2,675)
Adjustments for:			
Depreciation	**16**	18	34
Amortisation of non-financial assets	-	97	97
Write down of investment	-	-	101
Share based payment charge	**5**	6	12
Net finance costs	**157**	110	266
Changes in working capital			
(Increase)/decrease in trade and other receivables	**(154)**	45	196
Increase in trade and other payables	**1,001**	520	443
Net cash used in operations	**(176)**	(1,172)	(1,526)

8 Shareholder information

The interim announcement will be published on the company's website www.mobiletornado.com on 30 September 2010.

Corporate information

Company Registration Number:	5136300
Registered Office:	Central House Otley Road Harrogate HG3 1UG
Directors:	P R Wilkinson (Non-Executive Chairman) J M Fenn (Managing Director) J P Swingewood (Non-Executive Director) R M James (Director & Company Secretary)
Nominated Advisor and Broker:	Astaire Securities Plc 46 Worship Street London EC2A 2EA
Bankers:	Barclays Bank Plc Hanover Square 50 Pall Mall London SW1Y 5AX
Solicitors:	Hammonds 2 Park Lane Leeds LS3 1ES
Registrars:	Capita Registrars Ltd The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Auditors:	Grant Thornton UK LLP No 1 Whitehall Riverside Leeds LS1 4BN

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