Unaudited Interim Report

for the six months ended 30 June 2018

Mobile Tornado Group plc
Company registration number: 5136300

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Financial Highlights

- Total revenue increased by 12% to £1.23m (H1 2017: £1.11m)
    - Recurring revenues, as reported, decreased slightly to £1.02m (H1 2017: £1.04m) yet at a constant currency level continued to grow, increasing 6%
- Operating expenses decreased by 15% to £1.78m (H1 2017: £2.09m)
    - positively impacted by the appreciation of sterling
- Adjusted EBITDA* loss of £0.64m (H1 2017: £1.04m)
- Group operating loss of £0.72m (H1 2017: £1.12m)
- Loss after tax of £1.03m (H1 2017: £1.06m)
- Basic loss per share of 0.34p (H1 2017: 0.42p)
- Cash and cash equivalents of £0.33m (H1 2017: £0.25m)
    - Completed a placing to raise a total of £1.35m before expenses in January 2018

*excluding exchange differences and exceptional items

Operating highlights

- Contract win with major Mobile Network Operator ("MNO") in Israel – well positioned to capitalise on significant opportunity in the Israeli market. Initial sales of bundled perpetual licenses (alongside devices and hardware) under new Capex Model illustrates growing demand for complete PTT solutions
- Engaged in supporting our partners respond to numerous high value tenders across a number of key markets around the world
- Technology improvements include the expansion of our handset range to cover the widest range of end customer needs and to offer choice at all price points
- Post period end, additional working capital facility of £0.3m from Intechnology plc to fund growing sales pipeline under Capex Model and improve balance sheet efficiency

Financial results

Total reported turnover in the six-month period to 30 June 2018 increased by 12% to £1.23m (H1 2017: £1.11m). Recurring revenues, a key performance indicator for the business, decreased slightly in the period to £1.02m (H1 2017: £1.04m) adversely impacted by the appreciation of Sterling comparative to the previous period. At a constant currency level however, they maintained their upward trajectory, increasing by 6%. Non-recurring revenues, comprising installation fees and professional services, increased to £0.21m (H1 2017: £0.07m). As a result, gross profit increased 9% to £1.14m (H1 2017: £1.05m).

The majority of our operating expenses are denominated in New Israeli Shekels and, whilst our underlying operating cost-base remained largely unchanged over the comparative period on a like-for-like basis, reported operating expenses decreased by 15% to £1.78m (H1 2017: £2.09m) due primarily to the appreciation of Sterling comparative to the previous period.

Due to the annual revaluation of certain financial liabilities on the balance sheet, the Group reported a translational loss of £0.04m (H1 2017: £0.07m gain) arising from the depreciation of Sterling comparative to the start of the period.

The Group reported an income tax credit in respect of its qualifying investment in R&D activities of £0.02m (H1 2017: £0.38m). This is a direct result of the Group amending its recognition criteria in the previous period.

As a result of the above, the loss after tax for the period decreased slightly to £1.03m (H1 2017: Loss £1.06m).

The net cash outflow from operating activities during the period remained constant at £1.42m (H1 2017: £1.42m). At 30 June 2018, the Group had £0.33m cash at bank (30 June 2017:

£0.25m) and net debt of £7.80m (30 June 2017: £9.71m). Of this net debt figure, £5.62m is in respect of preference shares, held by Intechnology plc, the Company's largest shareholder. These preference shares are redeemable at par value on 31 December 2020, or, at the Company's discretion, at any earlier date.

Review of Operations

The Board is pleased to report that the Group has made good progress in the first half of 2018. Despite reported sales and revenues remaining largely constant as license numbers were similar over the reporting period, there is a lot to feel positive about. The Board is excited to see the efforts of the team translate into a significant uplift in sales and revenue momentum in recent weeks post the period end. Whilst these will impact the second half reporting period, they demonstrate that we are clearly moving in the right direction.

Research and Development

As a continuing theme from last year, the Group made further technical investment in and improvements to the platform over the period. As the Push to Talk ("PTT") addressable market opens up due to the availability of increasingly lower cost devices and the associated server infrastructure, the Group continues to look for ways to improve cost effectiveness to the end customer and to maintain our offering as the superior in-network PTT solution available in the market. Illustrations of these efforts over recent months include expanding our handset range further to provide our Mobile Network Operators ("MNO") and integration partners with a suite of devices to cover the widest range of end customer needs and to offer choice at each price point. In response to the increased engagement we are having directly with large corporate customers requiring a private system with higher security requirements for example, more features have been added to the application server to specifically support these needs whilst reducing the cost of the overall platform. In addition to this, we have made further improvements to our multi-channel dispatch console ("MDC2000").

The Group will continue to make further investment into the platform as well as look to hire engineering talent to support future R&D activities as we see our technological superiority as a key differentiator in all sales channels. The Board considers that one illustration of this superiority is the fact that, insofar as they are aware, Mobile Tornado currently deploys the only PTT solution that operates seamlessly across all cellular technologies 2G, 3G, 4G and Wi-Fi. The Board has no doubt that the Group's competitors will work quickly to deliver their own solutions to this technical challenge, but currently the Group's ability to solve this provides it with a significant competitive advantage. For many of our customers who have a dispersed and remote workforce where the field operative is continuously mobile and moving through different types of cellular coverage (for example, the courier, parcel delivery and taxi markets) this is a business-critical feature. Additionally, in emerging markets, where there has tended to be less investment into network infrastructure over recent years and where the Group's target users are largely operating over 2G and 3G, the Group has a significant competitive advantage due to its ability to deliver a seamless and stable solution over network infrastructure which has been superseded in many first world countries.

Outlook

The Directors consider that the outlook is positive, and these are exciting times for the Group, as the efforts of the past 12 months begin to deliver real sales growth that should be demonstrated in the second half of the year.

Chairman's report

The Group is stepping up its pursuit of customers in the large PTT system solution market (systems with 1,000+ end users), historically dominated by large-cap system providers. In addition, we are engaged in supporting our partners as they respond to numerous high value tenders around the world in all of our key markets. As the Board noted earlier, as a small technology company relative to the large-cap system providers, we believe our technological superiority is a key differentiator in these discussions.

As the cost of devices and hardware declines, widening the affordability and availability of our products, the Board has been exploring new industry verticals where workforce efficiency is the primary demand driver (e.g. in retail, hotels and hospitality). We have been conducting significant trials with corporate users in this space which we anticipate will lead to further traction in sales.

In response to customer demand, the Group has shifted emphasis to delivering a complete solution for customers, instead of the previously offered license based solution. This means we offer our customers the requisite servers, devices, and consoles alongside an embedded perpetual license as a packaged bundle. With the license effectively forming part of the upfront expense we call this our Capital Expenditure Model ("Capex Model"). The Group has now sold several bundled perpetual licenses as a complete solution under the Capex Model and we believe that this model will become increasingly popular for both our MNO clients and large direct corporate customers going forward. This should have a positive effect on the Group's cash flow as we receive margin on the license upfront, as well as a separate margin on the hardware which we procure on behalf of the customer.

The Group has sought an additional working capital line from Intechnology plc at this point to improve the capital efficiency of the balance sheet. This additional capital will specifically support the financing of our sales pipeline under the Capex Model where the Company is required to fund the hardware prior to placement with the end customer. The Group's improving financial position should open up wider sources of working capital from the debt markets. The Board is now engaged with traditional commercial lenders to partner with the Group in funding our increasing pipeline under the Capex Model. The Board will keep stakeholders updated on progress in this regard.

Given the leading technology solution the Group possesses and the market traction which is beginning to deliver meaningful sales growth, the Board look forward to the future with optimism.

Jeremy Fenn
Chairman
27 September 2018

Consolidated income statement
For the six months ended 30 June 2018

Mobile Tornado

	Note	Six months ended 30 June 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000	Year ended 31 December 2017 Audited £'000
Continuing Operations				
Revenue		**1,234**	1,106	2,530
Cost of sales		**(95)**	(57)	(106)
Gross profit		**1,139**	1,049	2,424
Other operating expenses		**(1,775)**	(2,085)	(4,148)
Group operating loss before exchange differences, exceptional items, depreciation and amortisation expense		**(636)**	(1,036)	(1,724)
Exchange differences		**(44)**	66	135
Exceptional items		**-**	(88)	(54)
Depreciation and amortisation expense		**(37)**	(65)	(112)
Total operating expenses		**(1,856)**	(2,172)	(4,179)
Group operating loss		**(717)**	(1,123)	(1,755)
Finance costs		**(334)**	(315)	(698)
Loss before tax		**(1,051)**	(1,438)	(2,453)
Income tax credit		**17**	375	852
Loss for the period		**(1,034)**	(1,063)	(1,601)
Loss per share (pence)				
Basic and diluted	3	**(0.34)**	(0.42)	(0.61)

Consolidated statement of comprehensive income
For the six months ended 30 June 2018

	Six months ended 30 June 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000	Year ended ended 31 December 2017 Audited £'000
Loss for the period	**(1,034)**	(1,063)	(1,601)
Other comprehensive income			
Exchange differences on translation of foreign operations	**(11)**	25	41
Total comprehensive loss for the period	**(1,045)**	(1,038)	(1,560)

Consolidated statement of changes in equity
For the six months ended 30 June 2018

Mobile Tornado

	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 2017	**4,951**	**12,012**	**(7,620)**	**10,938**	**(2,254)**	**(32,664)**	**(14,637)**
Equity settled share-based payments	-	-	-	-	-	18	18
Issue of share capital	476	66	-	-	-	-	1,136
Transactions with owners	**476**	**660**	**-**	**-**	**-**	**18**	**1,154**
Loss for the period	-	-	-	-	-	(1,063)	(1,063)
Exchange differences on translation of foreign operations	-	-	-	-	25	-	25
Total comprehensive income for the period	-	-	-	-	**25**	**(1,063)**	**(1,038)**
Balance at 30 June 2017	**5,427**	**12,672**	**(7,620)**	**10,938**	**(2,229)**	**(33,709)**	**(14,521)**

	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 2017	**5,427**	**12,672**	**(7,620)**	**10,938**	**(2,229)**	**(33,709)**	**(14,521)**
Equity settled share-based payments	-	-	-	-	-	27	27
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**27**	**27**
Loss for the period	-	-	-	-	-	(538)	(538)
Exchange differences on translation of foreign operations	-	-	-	-	16	-	16
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**16**	**(538)**	**(523)**
Balance at 31 December 2017	**5,427**	**12,672**	**(7,620)**	**10,938**	**(2,213)**	**(34,220)**	**(15,016)**

	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 2018	**5,427**	**12,672**	**(7,620)**	**10,938**	**(2,213)**	**(34,220)**	**(15,016)**
Equity settled share-based payments	-	-	-	-	-	29	29
Issue of share capital	1,558	2,252	-	-	-	-	3,810
Transactions with owners	**1,558**	**2,252**	**-**	**-**	**-**	**29**	**3,839**
Loss for the period	-	-	-	-	-	(1,034)	(1,034)
Exchange differences on translation of foreign operations	-	-	-	-	(11)	-	(11)
Total comprehensive income for the period	-	-	-	-	**(11)**	**(1,034)**	**(1,045)**
Balance at 30 June 2018	**6,985**	**14,924**	**(7,620)**	**10,938**	**(2,224)**	**(35,225)**	**(12,222)**

Consolidated balance sheet
As at 30 June 2018

Mobile Tornado

	Note	**30 June 2018 Unaudited £'000**	30 June 2017 Unaudited £'000	31 December 2017 Audited £'000
Assets				
Non-current assets				
Property, plant & equipment		**308**	281	276
Intangible assets		**115**	144	125
		423	425	401
Current assets				
Trade and other receivables		**1,125**	1,338	1,245
Inventories		**93**	1	1
Tax debtor		**493**	431	476
Cash and cash equivalents		**328**	248	732
		2,039	2,018	2,454
Liabilities				
Current liabilities				
Trade and other payables		**(4,364)**	(4,526)	(5,085)
Borrowings		**(2,510)**	(4,402)	(10,545)
Net current liabilities		**(4,835)**	(6,910)	(13,176)
Non-current liabilities				
Trade and other payables		**(2,187)**	(2,476)	(2,241)
Borrowings		**(5,623)**	(5,560)	-
		(7,810)	(8,036)	(2,241)
Net liabilities		**(12,222)**	(14,521)	(15,016)
Shareholders' equity				
Share capital	4	**6,985**	5,427	5,427
Share premium	4	**14,924**	12,672	12,672
Reverse acquisition reserve		**(7,620)**	(7,620)	(7,620)
Merger reserve		**10,938**	10,938	10,938
Foreign currency translation reserve		**(2,224)**	(2,229)	(2,213)
Retained earnings		**(35,225)**	(33,709)	(34,220)
Total equity		**(12,222)**	(14,521)	(15,016)

Consolidated cash flow statement
For the six months ended 30 June 2018

Mobile Tornado

	Note	**Six months ended 30 June 2018 Unaudited £'000**	Six months ended 30 June 2017 Unaudited £'000	Year ended 31 December 2017 Audited £'000
Operating activities				
Cash used in operations	5	**(1,421)**	(1,419)	(1,528)
Tax credit received		**-**	-	431
Net cash used in operating activities		**(1,421)**	(1,419)	(1,097)
Investing activities				
Purchase of property, plant & equipment		**(56)**	(48)	(80)
Net cash used in investing activities		**(56)**	(48)	(80)
Financing				
Issue of ordinary share capital		**1,351**	1,190	1,190
Share issue costs		**(81)**	(54)	(54)
Proceeds from borrowings		**(200)**	420	620
Net cash inflow from financing		**1,070**	1,556	1,756
Effects of exchange rates on cash and cash equivalents		**3**	(6)	(12)
Net increase in cash and cash equivalents in the period		**(404)**	83	567
Cash and cash equivalents at beginning of period		**732**	165	165
Cash and cash equivalents at end of period		**328**	248	732

Notes to the interim report
For the six months ended 30 June 2018

1 General information

The financial information in the interim report does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006 and has not been audited or reviewed. The financial information relating to the year ended 31 December 2017 is an extract from the latest published financial statements on which the auditor gave an unmodified report that did not contain statements under section 498 (2) or (3) of the Companies Act 2006 and which have been filed with the Registrar of Companies.

2 Basis of preparation

These interim financial statements are for the six months ended 30 June 2018. 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 2017. 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 £1,034,000 (30 June 2017: £1,063,000, 31 December 2017: £1,601,000) by the weighted average number of ordinary shares in issue during the period of 303,775,500 (30 June 2017: 255,311,200, 31 December 2017: 263,398,121).

	Six months ended 30 June 2018 Unaudited Basic and diluted		Six months ended 30 June 2017 Unaudited Basic and diluted		Year ended 31 December 2017 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	**(1,034)**	**(0.34)**	(1,063)	(0.42)	(1,601)	(0.61)

Notes to the interim report
For the six months ended 30 June 2018

4 Share capital and share premium

	Number of shares '000	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2017	**247,553**	**4,951**	**12,012**	**16,963**
Issue of shares	23,800	476	660	1,136
At 30 June 2017 & 31 December 2017	**271,353**	**5,427**	**12,672**	**18,099**
Issue of shares	77,887	1,558	2,252	3,810
At 30 June 2018	**349,240**	**6,985**	**14,924**	**21,909**

Non-voting preference shares

	Number of shares '000	Nominal Value £'000
At 30 June 2017, 31 December 2017 and 30 June 2018	**71,277**	**5,702**

Liabilities and preference shares totalling £5,702k were converted into 71,277k 8p preference shares on 28 August 2013. The preference shares are non-voting, non-convertible redeemable preference shares redeemable at par value on 31 December 2020, or, at the Company's discretion, at any earlier date. The preference shares accrue interest at a fixed rate of 10% per annum.

5 Cash used in operations

	Six months ended 30 June 2018 Unaudited £'000	Six months ended 30 June 2017 Unaudited £'000	Year ended 31 December 2017 Audited £'000
Loss before taxation	**(1,051)**	(1,438)	(2,453)
Adjustments for:			
Depreciation	**37**	65	112
Share based payment charge	**29**	18	45
Interest expense	**334**	315	698
Changes in working capital:			
(Increase)/Decrease in inventories	**(92)**	(1)	(1)
(Increase)/Decrease in trade and other receivables	**125**	(108)	(1)
(Decrease)/Increase in trade and other payables	**(803)**	(270)	72
Net cash used in operations	**(1,421)**	(1,419)	(1,528)

6 Shareholder information

The interim announcement will be published on the company's website www.mobiletornado.com on 27 September 2018.

Corporate information

Company Registration Number:	5136300	
Registered Office:	Cardale House Cardale Court Beckwith Head Road Harrogate HG3 1RY	
Directors:	Jeremy Fenn Avi Tooba Peter Wilkinson Jonathan Freeland	(Executive Chairman (Chief Executive Officer) (Non-Executive Director) (Non-Executive Director)
Nominated Advisor and Broker:	Allenby Capital Ltd 5 St Helen's Place London EC3A 6AB	
Bankers:	Barclays Bank Plc Hanover Square 50 Pall Mall London SW1Y 5AX	
Solicitors:	Schofield Sweeney LLP Wellington Street Leeds LS1 2AY	
Registrars:	Capita Asset Services 34 Beckenham Road Beckenham Kent BR3 4ZF	
Auditors:	PricewaterhouseCoopers LLP Central Square 29 Wellington Street Leeds LS1 4DL	

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