Unaudited Interim Statement

31 December 2006

Mobile Tornado Group plc

Company registration number: 5136300

Contents

Chairman's report

Mobile Tornado Group plc, one of the leading providers of convergent, presence-based instant communications announces its results for the six month period to 31 December 2006.

Highlights

- Balance sheet strengthened in October 2006 with subscription by InTechnology plc for 80 million ordinary shares issued at 5p raising £4 million
- Management team strengthened with appointment of new board members on 24 November 2006
- First US operator deal announced with Revol Wireless
- 'Push to Video' application launched at the CTIA Wireless exhibition
- Group well positioned for growth in 2007

Financial Results

Turnover in the six month period to 31 December 2006 amounted to £53k (2005: £98k). Operating losses reduced to £1,449k (2005: £1,824k). After net interest receivable of £28k (2005: net interest payable - £304k) the loss on ordinary activities before taxation was £1,421k (2005: £2,128k). Net cash outflow from operating activities increased slightly in the period to £1,199k (2005: £1,158k).

The Group consolidated balance sheet has improved significantly following the fundraising completed during the period. Net assets at 31 December 2006 were £843k compared to a net deficit of £1,622k at 30 June 2006. Cash at bank was £2,826k at 31 December 2006 compared to £192k at 30 June 2006.

The accounts have been prepared in accordance with UK Generally Accepted Accounting Practice. The Board continues to consider the implications and timetable for implementing International Financial Reporting Standards (IFRS). As an AIM listed Group the Board recognises that IFRS is expected to apply to the Group from the first accounting period commencing after 1 January 2007. The Directors have elected to change the accounting period of the Group to a 31 December period end date in light of the period end date of other Group companies. Consequently, the next accounting period of the Group will be 1 July 2006 to 31 December 2007. The Board recognises that the first set of accounts of the Group that will be prepared under IFRS are those for the period 1 January 2008 to 31 December 2008 and that this will require the Group to develop a corporate reporting structure and policies to meet this requirement.

Review of operations

As I have stated previously, the Group's primary focus during the period under review was to put the business onto a stable financial platform. This was achieved on 23 October 2006 with the £4 million investment by InTechnology plc. Following this a number of key board appointments were made with Jeremy Fenn joining the Company as Chief Financial Officer, David Parry as VP Sales Worldwide and Eyal Fishler as Chief Technical Officer.

The new management team have since concentrated on establishing a clear sales strategy to increase the sale of the Group's current products and services to mobile operators and enterprises. Good progress has been made on this front and I am delighted to report that the first results of these efforts have come through with the announcement today of a deal with Revol Wireless, a US privately held telecommunications company with headquarters in Independence, Ohio. By integrating Mobile Tornado's Instant Communications technology platform, Revol Wireless will be offering its users Push To Talk (PTT) on its CDMA network. I am confident that this deal is an important first step in our efforts to become a key player in the US, a market certain to be leading the growth in mobile instant communications.

Earlier this month the Group attended the 3GSM World Congress in Barcelona, the biggest trade show in the mobile calendar, where an estimated 55,000 visitors attended from around the world. I am pleased to report that mobile operators are showing great interest in mobile instant communications as they seek to enhance their product offering to their customers. I am greatly encouraged with the interest shown in the Group's product portfolio and discussions are progressing with operators from all parts of the world. I hope to make further announcements on new deals and collaborations in the near future.

As well as selling directly to mobile operators, we are also in the process of establishing an indirect sales model and distribution network to sell enterprise solutions to businesses, utilising the Group's core technology platform. The Group currently has distribution agreements with partners in the US, Germany, and the Netherlands who are providers of mobile data solutions and managed mobile services to customers in the market sectors to which PTT is attractive. Further potential distribution partners have been identified and we are in the process of concluding contractual arrangements with them.

The Group has continued to invest in its research and development operation. The team is working on a number of applications to complement our existing range of services and I am delighted to announce that our 'Push to Video' service is being launched at CTIA this week. Branded as *'You see what I see'*, this real time streaming application has already generated great interest amongst operators and I am confident that this new launch will further enhance the Group's reputation for developing solutions capable of transforming mobile communication services.

Current trading and future prospects

Since taking over in November 2006, the new board has worked hard to improve the sales operation of the business. We now have sales offices in the UK, US, France, Germany, Israel, India and China. The increased levels of interest that we are seeing as a result of these initiatives will, I am confident, bring us enhanced levels of business over the coming months, and at the same time establish Mobile Tornado as a key player in the rapidly developing market for mobile instant communications.

Once again, I would like to record my appreciation for the continuing commitment of all our team members throughout the business and thank them for their support during a year of significant change.

Peter Wilkinson
Non executive Chairman

28 March 2007

Consolidated profit and loss account

For the 6 months ended 31 December 2006

	Note	Group 6 months to 31 December 2006 £'000	Group 6 months to 31 December 2005 (Restated) £'000	Group 12 months to 30 June 2006 (Restated) £'000
Turnover				
Continuing operations		53	98	289
		53	**98**	**289**
Cost of sales				
Continuing operations		–	(50)	(68)
Gross profit		**53**	**48**	**221**
Net operating expenses before depreciation and amortisation		(1,173)	(1,534)	(2,955)
Depreciation		(34)	(37)	(77)
Amortisation		(295)	(301)	(602)
Administrative expenses		(1,502)	(1,872)	(3,634)
Group operating loss		**(1,449)**	**(1,824)**	**(3,413)**
Interest receivable/(payable)		28	(304)	(469)
Loss on ordinary activities before tax		**(1,421)**	**(2,128)**	**(3,882)**
Taxation	2	–	–	–
Loss sustained for the financial year		**(1,421)**	**(2,128)**	**(3,882)**
EBITDA		**(1,120)**	**(1,486)**	**(2,734)**
Loss per share (pence)				
Basic and diluted	3	**(1.16)**	**(2.72)**	**(4.83)**

Consolidated balance sheet

As at 31 December 2006

	31 December 2006 £'000	31 December 2005 (Restated) £'000	30 June 2006 (Restated) £'000
Fixed assets			
Intangible assets	1,253	1,881	1,580
Tangible assets	36	111	67
	1,289	**1,992**	**1,647**
Current assets			
Debtors	233	256	336
Cash at bank and in hand	2,826	118	192
	3,059	374	528
Creditors - amounts falling due within one year	(1,188)	(4,734)	(1,334)
Net current assets	**1,871**	**(4,360)**	**(806)**
Total assets less current liabilities	**3,160**	**(2,368)**	**841**
Creditors - amounts falling due after more than one year	(2,317)	(2,945)	(2,463)
Net assets	**843**	**(5,313)**	**(1,622)**
Capital and reserves			
Share capital	3,444	3	1,844
Share premium	3,845	1,359	1,624
Reverse acquisition reserve	(7,620)	–	(7,620)
Merger reserve	10,938	–	10,938
Share option reserve	37	11	32
Profit and loss account	(9,801)	(6,686)	(8,440)
	843	**(5,313)**	**(1,622)**

Consolidated cash flow statement
For the 6 months ended 31 December 2006

	Note	6 months to 31 December 2006 £'000	6 months to 31 December 2005 (Restated) £'000	12 months to 30 June 2006 (Restated) £'000
Net cash outflow from operating activities	4	(1,199)	(1,158)	(1,649)
Returns on investments and servicing of finance				
Interest received		28	–	4
Interest paid		–	(304)	(473)
Net cash inflow/(outflow) from returns on investments and servicing of finance		**28**	**(304)**	**(469)**
Capital expenditure and financial investment				
Purchase of tangible fixed assets		(8)	(29)	(37)
Net cash outflow from capital expenditure financial investment		**(8)**	**(29)**	**(37)**
Acquisitions				
Net cash at bank acquired with purchase of subsidiary undertakings		–	–	584
Net cash inflow from acquisitions		**–**	**–**	**584**
Net cash outflow before financing		**(1,179)**	**(1,491)**	**(1,571)**
Financing				
Issue of ordinary share capital		4,000	–	1,298
Share Issue costs		(179)	–	(391)
Issue of convertible loan notes		–	753	–
Net cash inflow from financing		**3,821**	**753**	**907**
Increase/(decrease) in cash in the period	5	**2,642**	**(738)**	**(664)**

Consolidated statement of total recognised gains and losses
For the 6 months ended 31 December 2006

	31 December 2006 £'000	31 December 2005 (Restated) £'000	30 June 2006 (Restated) £'000
Loss sustained for the financial year	(1,421)	(2,128)	(3,882)
Exchange gain on translation of overseas subsidiaries	60	–	–
Total recognised gains and losses relating to the period	**(1,361)**	**(2,128)**	**(3,882)**

Notes to the interim financial information

For the 6 months ended 31 December 2006

1 Basis of preparation

The financial information included in this interim statement for the 6 months ended 31 December 2006 does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 and is not audited or reviewed. In preparing this interim statement, management have adopted FRS 20 'share-based payment'.

Share Based Payments

The adoption of this standard represents a change in accounting policy and the prior year comparatives have been restated accordingly. The effects of the change on administrative expenses for the period ended 31 December 2005 and the year ended 30 June 2006 and Group reserves at those dates are summarised as follows:

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

	Administrative expenses £'000	Share option reserve £'000	Profit and loss £'000
Period ended 31 December 2005			
As previously stated	1,861	–	(6,674)
Restated	1,872	11	(6,686)
Year ended 30 June 2006			
As previously stated	3,602	–	(8,408)
Restated	3,634	32	(8,440)

There have been no other changes to the accounting policies as set out in the 2006 Report and Accounts. The financial information relating to the year ended 30 June 2006 has been extracted from the statutory accounts for that year, with the exception of the prior period adjustment described above, which have been filed with the Registrar of Companies and on which the auditors gave an unqualified opinion.

2 Tax on loss on ordinary activities

No charge to UK corporation tax arose in the period (31 December 2005: nil, 30 June 2006: nil) due to group trading losses incurred.

Notes to the interim financial information

For the 6 months ended 31 December 2006

3 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £1,421,000 (31 December 2005: £2,128,000, 30 June 2006: £3,882,000) by the weighted average number of ordinary shares in issue during the period of 122,614,879 (31 December 2005: 78,130,096, 30 June 2006: 80,339,651).

The adjusted basic earnings per share has been calculated to provide a better understanding of the underlying performance of the Group as follows:

	6 months to 31 December 2006 Basic and diluted		6 months 31 December 2005 Basic and diluted		12 months 30 June 2006 Basic and diluted	
	(Loss)/ earnings	(Loss)/ earnings per share	(Loss)/ earnings (Restated)	(Loss)/ earnings per share (Restated)	(Loss)/ earnings (Restated)	(Loss)/ earnings per share (Restated)
	£'000	pence	£'000	pence	£'000	pence
Loss attributable to ordinary shareholders	**(1,421)**	**(1.16)**	**(2,128)**	**(2.72)**	**(3,882)**	**(4.83)**
FRS 20 share option charge	5	0.00	11	0.01	32	0.04
Amortisation of goodwill	295	0.24	301	0.39	602	0.75
Adjusted basic loss per share	**(1,121)**	**(0.92)**	**(1,816)**	**(2.32)**	**(3,248)**	**(4.04)**

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 FRS 22 'Earnings per share'.

4 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	6 months to 31 December 2006	**6 months to 31 December 2005 (Restated)**	**12 months to 30 June 2006 (Restated)**
	£'000	**£'000**	**£'000**
Operating loss	(1,449)	(1,824)	(3,413)
Depreciation of tangible fixed assets	34	37	77
Amortisation of intangibles	295	301	602
Loss on disposal of tangible fixed assets	–	–	12
Share option non cash charge	5	11	32
Decrease in debtors	79	250	126
(Decrease)/Increase in creditors and provisions	(163)	67	915
Net cash outflow from operating activities	**(1,119)**	**(1,158)**	**(1,649)**

Notes to the interim financial information

For the 6 months ended 31 December 2006

5 Reconciliation of movement in net funds

	6 months to 31 December 2006 £'000	6 months to 31 December 2005 £'000	12 months to 30 June 2006 £'000
Increase/(decrease) in cash in the period	2,642	(738)	(664)
Net cash inflow from issue of convertible loan notes	–	(753)	–
Change in net debt resulting from cash flows	2,642	(1,491)	(664)
Non-cash changes:			
Exchange movements	(8)	–	–
Conversion of Convertible Loan Notes	–	–	2,213
Movement in net funds in the year	2,634	(1,491)	1,549
Net debt at start of year	192	(1,357)	(1,357)
Net funds/(debt) at end of year	**2,826**	**(2,848)**	**192**

6 Shareholder information

Further copies of this statement are available on request from the Company at Central House, Otley Road, Harrogate HG3 1SA.

Corporate information

Company Registration Number:	5136300	
Registered Office:	Central House Otley Road Harrogate HG3 1SA	
Directors:	P R Wilkinson J M Fenn D Parry E Fishler J P Swingewood R M James	(Non-Executive Chairman) (CFO and acting Chief Executive) (VP Worldwide Sales) (Chief Technology Officer) (Non-Executive Director) (Director & Company Secretary)
Nominated Advisor and Broker:	Corporate Synergy Plc 12 Nicholas Lane London EC4N 7BN	
Bankers:	Barclays Bank Plc Hanover Square 50 Pall Mall London SW1Y 5AX	
Solicitors:	Norton Rose Kempson House Camomile Street London EC3A 7AN	
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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