Mobile Tornado

Unaudited Interim Report

for the six months ended 30 June 2020

Mobile Tornado Group plc
Company registration number: 5136300

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Financial highlights

	Six months ended 30 June 2020 Unaudited £'000	Pre-IFRS 16 Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2019 Unaudited £'000
Recurring revenue	**1,014**	**1,014**	984
Non-recurring revenue*	**280**	**280**	509
Total revenue	**1,294**	**1,294**	1,493
Gross profit	**1,169**	**1,169**	1,392
Administrative expenses	**(1,374)**	**(1,504)**	(1,683)
Adjusted EBITDA**	**(205)**	**(335)**	(291)
Group operating loss	**(533)**	**(541)**	(401)
Loss before tax	**(835)**	**(834)**	(691)

- Total revenue decreased by 13% to £1.29m (H1 2019: £1.49m)
  - Recurring revenues increased by 3% to £1.01m (H1 2019: £0.98m)
  - Non-recurring revenues* decreased by 45% to £0.28m (H1 2019: £0.51m)
- Adjusted (pre IFRS 16) operating expenses decreased by 11% to £1.50m (H1 2019: £1.68m)
- Adjusted EBITDA** (pre IFRS 16) losses increased by 15% to £0.34m (H1 2019 £0.29m)
- Group operating loss for the year increased to £0.53m (H1 2019: £0.40m) and at an adjusted (pre IFRS 16) level increased to £0.54m (H1 2019: £0.40m)
- Loss after tax of £0.84m (H1 2019: £0.69m)
- Basic loss per share of 0.22p (H1 2019: 0.20p)
- Net cash inflow from operating activities of £0.31m (H1 2019: net cash outflow of £0.46m)
- Net debt at 30 June 2020 of £8.16m (H1 2019: £8.85m)
- Cash and cash equivalents of £0.45m (H1 2019: £0.03m)

**Non-recurring revenues comprising installation fees, hardware, professional services and capex license fees*
***Earnings before interest, tax, depreciation, amortisation, exceptional items and excluding exchange differences*

Operating highlights

- Launched track and trace application with the Government of Bahamas to assist management of quarantine in the fight against COVID-19
- Partner network expanded with new agreements established covering Peru, Spain, Portugal, Andorra and the UK
- Seamless continuation of service levels and technical developments in the face of enforced changes to working environment from COVID 19, demonstrating resilience of our delivery model
- Recurring revenue stream from existing customers remained stable despite the highly uncertain global economic environment, illustrating strength of business model.

Chairman's report

Financial results

Total turnover in the six-month period to 30 June 2020 decreased by 13% to £1.29m (H1 2019: £1.49m). Recurring revenues remained broadly stable in the period at £1.01m (H1 2019: £0.98m). Non-recurring revenues, comprising installation fees, hardware, professional services and capex license fees decreased by 45% to £0.28m (H1 2019: £0.51m). As a result, gross profit decreased by 16% to £1.17m (H1 2019: £1.39m).

However, adjusted (pre IFRS 16) operating expenses before depreciation, amortisation, exceptional items and exchange differences in the period decreased by 11% to £1.50m (H1 2019: £1.68m), reflecting the continued positive impact those previous investments in the development and operating efficiencies of our enhanced technical platform have delivered.

Due to the annual revaluation of certain financial liabilities on the balance sheet, the Group reported a currency translational loss of £0.16m (H1 2019: £0.01m loss) arising from the depreciation of Sterling comparative to the start of the period. As a result of the above, the loss after tax for the period increased by 21% to £0.84m (H1 2019: Loss £0.69m).

The Group reported a net cash inflow from operating activities during the period of £0.29m (H1 2019: outflow of £0.46m) reflecting the strong focus on cash management. At 30 June 2020, the Group had £0.45m cash at bank (30 June 2019: £0.03m) and net debt of £8.16m (30 June 2019: £8.85m).

Review of operations

When we last reported on 9 April 2020, we highlighted the uncertain economic environment we faced with COVID 19 and the financial results for the first half reflect the challenges we have faced since then. At that time, the UK-wide lockdown had been in force for around two weeks, but similar restrictions were imposed around the world, and in many of the markets in which we operate the restrictions were even more onerous than in the UK.

We are currently active in 25 countries and each of them has inevitably been impacted by the pandemic. Two of our most important markets are South America and Africa, and these have been particularly hard hit. It has been very difficult for our partners to close out sales leads and progress field trials. Many of our engagements are with Government departments and public utilities, and their priorities have been very much focused on public health challenges rather than the commissioning and deployment of new communication platforms.

As a result, we have seen a reduction in our non-recurring revenues, which are down 45% from H1 2019. Notwithstanding this, I am pleased to confirm that we remain fully engaged with a number of significant opportunities, including police forces and emergency service providers. We have worked hard with these prospective customers during the period, and are hopeful that closure of any one of them could provide the evidence that our solution represents a real alternative to traditional radio platforms in the mission critical markets that we are looking to break into.

Despite the shortfall in non-recurring revenues, I am pleased to report that the resilience of our business model has meant that the recurring revenue stream from existing customers has remained stable, delivering a slight increase from last year.

We have worked with all of our partners during the period, and helped to develop some unique applications, meeting the requirements of their own markets. These developments have illustrated the strength and versatility of our technical platform – the combination of talk, location, alert and recording, managed through a highly sophisticated dispatch console, provides the components for the creation of some very innovative communication applications.

One of the most exciting, launched by our partner in the Caribbean, is a track and trace application which has been adopted by the Government of Bahamas to protect its residents and manage those individuals placed into quarantine. The application does this through the talk/locate/alert functionality on our platform and the ability of the dispatch console to geo-fence and monitor multiple individuals across a wide area. The system is currently protecting and controlling over 3,000 inhabitants, and planning is in place to roll this out further as restrictions are lifted, and the tourism market is relaunched.

We also continue to work closely with Mobile Network Operators ('MNOS') in a number of territories, and we are in negotiations to contract directly with the major operator in Colombia, which is looking to develop a substantial PoC business in this territory. The relationship kicked off last year with the successful deployment of a dedicated solution to a major bus operator within the country. The MNO is keen to capitalise on this success and launch a countrywide solution into a number of key business verticals.

Our partner network has continued to expand, with new agreements established with partners covering Peru, Spain, Portugal, Andorra and the UK.

Research and development

The barriers to entry for cellular based PTT solution providers like Mobile Tornado into the public safety markets remain high, due to the dominant position of the established players offering radio-based solutions that operate on their own, high cost, bespoke infrastructure and handsets. We have demonstrated that, with our constantly improving cellular based solution, we are able to secure public safety contracts, evidenced by deals that we have concluded last year.

We continue to focus on successfully concluding a deal to provide a mission critical communication system into a public safety government agency, to prove that our solution can stand alongside old legacy radio systems. Our technical team have continued to develop the platform, in conjunction with requests for new features from both existing and prospective customers, to advance this ambition.

Notable advances during the period include the development of a solution for bodycams, which is becoming an increasingly popular requirement within the public safety markets. We are also working with a defence contractor to deliver a 4G based network for digital army operations in the battlefield. Both of these engagements are being driven by our MDC2000 Dispatch console, which can now transmit to 3,000 field personnel in less than a second, compared to most competitors, which can handle less than 500.

Funding

We have announced today a 12 month extension of our £0.3m revolving loan facility with principal shareholder, Intechnology plc. This facility now has a term ending on 28 September 2021 and as at today's date, the balance drawn down is £nil.

Whilst we recognise the continued uncertainty COVID 19 brings to our projections, we remain confident that our available cash resources together with our long-established recurring revenue customer base and anticipated future contracts will provide us with adequate financial resources for the foreseeable future.

Outlook

Having delivered our first EBITDA profit in the second half of 2019, it is obviously disappointing to slip back into losses during the first half of 2020. However, we have been operating in unprecedented times and no one could have predicted the difficulties this would present in closing out new commercial deals.

We have been able to limit these losses through a robust recurring revenue stream and a continued focus on our operating cost base, which has been further reduced given the increasing efficiencies of our platform.

We remain engaged with all of the key opportunities that we highlighted in our full year results in April. It is clearly taking longer to close these out, given the economic backdrop, but I am hopeful we can make progress before the end of this year, and provide the catalyst for transformative growth in 2021.

I would like to thank our team for continuing to operate at the highest level through what has been a very challenging period.

Jeremy Fenn
Chairman
23 September 2020

Consolidated income statement
For the six months ended 30 June 2020

	Note	**Six months ended 30 June 2020 Unaudited £'000**	Six months ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Continuing Operations				
Revenue		**1,294**	1,493	3,454
Cost of sales		**(125)**	(101)	(280)
Gross profit		**1,169**	1,392	3,174
Other operating expenses		**(1,374)**	(1,683)	(3,164)
Group operating profit/(loss) before exchange differences, exceptional items, depreciation and amortisation expense		**(205)**	(291)	10
Exchange differences		**(155)**	(12)	83
Depreciation and amortisation expense		**(173)**	(98)	(417)
Total operating expenses		**(1,702)**	(1,793)	(3,498)
Group operating loss		**(533)**	(401)	(324)
Finance costs		**(302)**	(290)	(704)
Loss before tax		**(835)**	(691)	(1,028)
Income tax credit/(expense)		**(1)**	-	211
Loss for the period		**(836)**	(691)	(817)
Loss per share (pence)				
Basic and diluted	3	**(0.22)**	(0.20)	(0.23)

Consolidated statement of comprehensive income
For the six months ended 30 June 2020

	Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Loss for the period	**(836)**	(691)	(817)
Other comprehensive income			
Exchange differences on translation of foreign operations	**(38)**	(1)	21
Total comprehensive loss for the period	**(874)**	(692)	(796)

Consolidated statement of changes in equity
For the six months ended 30 June 2020

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 2019	**6,985**	**14,924**	**(7,620)**	**10,938**	**(2,241)**	**(35,701)**	**(12,715)**
Equity settled share-based payments	-	-	-	-	-	27	27
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**27**	**27**
Loss for the period	-	-	-	-	-	(691)	(691)
Exchange differences on translation of foreign operations	-	-	-	-	(1)	-	(1)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(1)**	**(691)**	**(692)**
Balance at 30 June 2019	**6,985**	**14,924**	**(7,620)**	**10,938**	**(2,242)**	**(36,365)**	**(13,380)**

	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 2019	**6,985**	**14,924**	**(7,620)**	**10,938**	**(2,242)**	**(36,365)**	**(13,380)**
Equity settled share-based payments	-	-	-	-	-	25	25
Issue of share capital	610	873	-	-	-	-	1,483
Transactions with owners	**610**	**873**	**-**	**-**	**-**	**25**	**1,508**
Loss for the period	-	-	-	-	-	(126)	(126)
Exchange differences on translation of foreign operations	-	-	-	-	22	-	22
Total comprehensive income for the period	-	-	-	-	**22**	**(126)**	**(104)**
Balance at 31 December 2019	**7,595**	**15,797**	**(7,620)**	**10,938**	**(2,220)**	**(36,466)**	**(11,976)**

	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 2020	**7,595**	**15,797**	**(7,620)**	**10,938**	**(2,220)**	**(36,466)**	**(11,976)**
Equity settled share-based payments	-	-	-	-	-	9	9
Transactions with owners	**-**	**-**	**-**	**-**	**-**	**9**	**9**
Loss for the period	-	-	-	-	-	(836)	(836)
Exchange differences on translation of foreign operations	-	-	-	-	(38)	-	(38)
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(38)**	**(836)**	**(874)**
Balance at 30 June 2020	**7,595**	**15,797**	**(7,620)**	**10,938**	**(2,258)**	**(37,293)**	**(12,841)**

Consolidated balance sheet
As at 30 June 2020

	Note	30 June 2020 Unaudited £'000	30 June 2019 Unaudited £'000	31 December 2019 Audited £'000
Assets				
Non-current assets				
Property, plant & equipment		**194**	168	213
Intangible assets		**31**	69	50
Right-of-use assets		**437**	-	558
		662	237	821
Current assets				
Trade and other receivables		**1,590**	1,853	1,976
Inventories		**88**	69	108
Cash and cash equivalents		**446**	33	264
		2,124	1,955	2,348
Liabilities				
Current liabilities				
Trade and other payables		**(4,839)**	(4,858)	(4,482)
Borrowings		**(8,604)**	(3,262)	(8,311)
Lease liabilities		**(275)**	-	(275)
Net current liabilities		**(11,594)**	(6,165)	(10,720)
Non-current liabilities				
Trade and other payables		**(1,728)**	(1,828)	(1,776)
Borrowings		**-**	(5,624)	-
Lease liabilities		**(181)**	-	(301)
		(1,909)	(7,452)	(2,077)
Net liabilities		**(12,841)**	(13,380)	(11,976)
Shareholders' equity				
Share capital	4	**7,595**	6,985	7,595
Share premium	4	**15,797**	14,924	15,797
Reverse acquisition reserve		**(7,620)**	(7,620)	(7,620)
Merger reserve		**10,938**	10,938	10,938
Foreign currency translation reserve		**(2,258)**	(2,242)	(2,220)
Retained earnings		**(37,293)**	(36,365)	(36,466)
Total equity		**(12,841)**	(13,380)	(11,976)

Consolidated cash flow statement
For the six months ended 30 June 2020

Mobile Tornado

	Note	**Six months ended 30 June 2020 Unaudited £'000**	Six months ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Operating activities				
Cash used in operations	5	**26**	(464)	(705)
Tax credit received		**279**	-	313
Interest paid		**-**	-	(12)
Net cash inflow from/(used in) operating activities		**305**	(464)	(404)
Investing activities				
Purchase of property, plant & equipment		**(1)**	(27)	(101)
Purchase of right-of-use assets		**-**	-	(836)
Net cash used in investing activities		**(1)**	(27)	(937)
Financing				
Issue of ordinary share capital		**-**	-	1,525
Share issue costs		**-**	-	(42)
Proceeds from/(repayment of) borrowings		**-**	170	(775)
IFRS 16 leases		**(130)**	-	549
Net cash (outflow)/inflow from financing		**(130)**	170	1,257
Effects of exchange rates on cash and cash equivalents		**8**	-	(7)
Net increase/(decrease) in cash and cash equivalents in the period		**182**	(321)	(90)
Cash and cash equivalents at beginning of period		**264**	354	354
Cash and cash equivalents at end of period		**446**	33	264

Notes to the interim report
For the six months ended 30 June 2020

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 2019 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 2020. 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 2019. 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 £836,000 (30 June 2019: £691,000, 31 December 2019: £817,000) by the weighted average number of ordinary shares in issue during the period of 379,744,923 (30 June 2019: 349,240,236, 31 December 2019: 359,770,621).

	Six months ended 30 June 2020 Unaudited Basic and diluted		Six months ended 30 June 2019 Unaudited Basic and diluted		Year ended 31 December 2019 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	**(836)**	**(0.22)**	(691)	(0.20)	(817)	(0.23)

Notes to the interim report
For the six months ended 30 June 2020

4 Share capital and share premium

	Number of shares '000	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2019 & 30 June 2019	**349,240**	**6,985**	**14,924**	**21,909**
Issue of shares	30,505	610	873	1,483
At 31 December 2019 & 30 June 2020	**379,745**	**7,595**	**15,797**	**23,392**

Non-voting preference shares

	Number of shares '000	Nominal Value £'000
At 30 June 2019, 31 December 2019 and 30 June 2020	**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 currently redeemable at par value on 31 December 2020, or, at the Company's discretion, at any earlier date. The Company and InTechnology have agreed an extension to the redemption date of the Preference Shares from 31 December 2020 until 31 December 2021. This extension will require a minor amendment to the Company's articles of association and will therefore be subject to shareholder approval at the forthcoming AGM on 30 September 2020. All other terms of the Preference Shares will remain the same and they will continue to accrue interest at a fixed rate of 10% per annum.

5 Cash used in operations

	Six months ended 30 June 2020 Unaudited £'000	Six months ended 30 June 2019 Unaudited £'000	Year ended 31 December 2019 Audited £'000
Loss before taxation	**(835)**	(691)	(1,028)
Adjustments for:			
Depreciation and amortisation	**173**	98	417
Share based payment charge	**9**	27	52
Interest expense	**302**	290	704
Changes in working capital:			
Decrease in inventories	**28**	82	37
Decrease/(Increase) in trade and other receivables	**125**	(148)	(379)
Increase/(Decrease) in trade and other payables	**224**	(122)	(508)
Net cash inflow from/(used in) operations	**26**	(464)	(705)

Mobile Tornado

6 Shareholder information

The interim announcement will be published on the company's website www.mobiletornado.com on 23 September 2020.

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	
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Solicitors:	Schofield Sweeney LLP Wellington Street Leeds LS1 2AY	
Registrars:	Link Asset Services 34 Beckenham Road Beckenham Kent BR3 4TU	
Auditors:	Saffery Champness LLP Mitre House North Park Road Harrogate HG1 5RX	

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