MOBILE TORNADO

ANNUAL REPORT AND ACCOUNTS

for the year ended 31 December 2011

www.mobiletornado.com

Contents

Chairman's report

Introduction

Mobile Tornado Group plc, the leading provider of instant communication mobile applications to the enterprise market, announces its results for the twelve month period to 31 December 2011.

Highlights

- Revenues increased by 43% and operating losses reduced to £816k
- Deal closed with America Movil, one of the largest mobile operators in the world to supply Instant Communications to Mexico and Brazil
- Deal closed with Telecom Italia to access enterprise markets in Italy, Argentina and Brazil
- Exclusive partnership signed in South Africa with NECO
- Deal agreed with G4S in the Nordics covering Sweden, Denmark and Finland
- Android client developed and to be launched in second half 2012

Financial results

Through a combination of increased sales activity and reduced costs we have recorded a loss for the year of £1,092,000 compared to £1,569,000 in the previous year. Revenues of £2,047,000 were 43% higher than the £1,432,000 recorded in 2010 and Group operating losses reduced to £816,000 compared to £1,297,000 in the previous year. The financial results reflect the continued progress we are making in our pursuit of profitability.

Business review

I am delighted to report another 12 months of progress across the business, which is reflected in an improving set of financial results. Sales are up by 43% which has driven a 37% fall in operating losses. As headline figures these represent the measures against which we are judged. However, I can assure you that the market in which we operate is increasingly receptive to the proposition we have developed and the efficiencies we are able to deliver to enterprise customers. This is borne out by the deals we have announced and the quality of engagement we are currently working on.

Workforce management encompasses all the activities, processes and tools needed to manage a workforce. A comprehensive system will include tools for planning, forecasting, scheduling and tracking workers to optimise the balance of customer, employee and organisational needs, within the boundaries of prevailing laws. We specialise in the provision of Instant Communication applications for mobile devices, with an absolute focus on enterprise workforce management.

We split our sales activities into three primary channels; mobile operators, device manufacturers and independent software vendors (ISV's). We work with country partners across each of these channels, and have delivered increasing momentum across each one.

Mobile operators have been notoriously reluctant to embrace Push to Talk ('PTT') services through a misplaced fear that the functionality would cannibalise their traditional voice revenues. There are clearly exceptions to this, most notably in the Americas, where operators such as Nextel were created to deliver dedicated PTT services. There has been a clear shift in sentiment within the last 18 months amongst the mobile operators, as the advent of the smartphone, the inexorable decline in traditional voice revenues, and the increasing interest in 'apps' has encouraged them to seek out new services that they can provide to their customers. Since enterprise customers comprise the most lucrative segment of the operators' markets, we have seen revived interest in our suite of applications. The announcement in February 2012 of deals with two mobile operators, America Movil in South America and Telecom Italia in Italy, highlighted this new development.

America Movil is a Fortune 500 company, providing services to over 200 million wireless subscribers in the Americas, primarily in Latin America and the Caribbean. We have partnered with Atencion en Comunicaciones, a business that works with America Movil to integrate technology solutions, and have now successfully installed the server platform in Mexico, integrating our software with their billing and provisioning systems. The service will launch initially across the Telcel network in Mexico and the Claro network in Brazil. There are plans to extend the service across all territories within the America Movil group, which operates across 14 countries in South America. We anticipate commercial launch of services in the second half of this financial year.

The deal with Telecom Italia was delivered through our partnership with Softec S.p.A, an Italian leader in mobile computing, specialising in the creation of software to facilitate and improve the use of mobile devices, integrating them with applications and back-end systems. The deal provides for our Instant Communication services to be delivered to enterprise markets in Italy, Brazil and Argentina.

Device manufacturers represent another primary channel to market for us and once again, dramatic changes are taking place in this space. The functionality we take for granted with consumer handsets, triggered by the launch of the Iphone in 2007, is now being embraced by the enterprise device manufacturers. As the devices get more sophisticated, the manufacturers are getting more interested in capturing an increasing share of the value proposition. We are engaged with increasing numbers of hardware manufacturers who are keen to embed our software applications on the device at source, and to share in revenues that are generated when the application is deployed.

The strong relationships we are building with hardware suppliers was evidenced with the deal we announced with Honeywell Scanning and Mobility, one of the major global suppliers of handheld devices, where we have agreed to offer our proposition through their ISV Store. This is a site dedicated to helping enterprises identify the software applications that best fit their business needs. Our solution allows for the removal of multiple communication devices such as two-way radios and panic alert devices, with all remote worker requirements converged into one Honeywell device.

Our third channel to market is through ISV's, where we integrate our own applications into their workforce management solution, thereby allowing them to offer their customers an integrated communication platform, and the opportunity to generate incremental revenues through an existing customer base. We announced in the early part of 2011 a deal with Pocket Mobile, a supplier of B2B mobile enterprise solutions in the Nordic region, where our joint proposition was delivered into G4S, the world's leading provider of security solutions. This solution has now been deployed into their operations in Denmark, Sweden and Finland, and we are now in the process of upgrading the technical platform configuration to allow them to deliver the services across their wider customer base.

The lifeblood of our business is the quality of the technical platform that has been built over the last 12 years. We employ some of the finest engineers in mobile telecommunications and they are continually striving to maintain our position in the marketplace. We have recently launched our Android application, and this will be the primary client when our service launches in South America. Our engineers have also adapted the client to meet the slightly different demands of the consumer, as certain mobile operators are keen to deploy the application into the consumer market. To facilitate this we have added a viral capability, facilitating the rapid spread through social and family groups.

Outlook

Mobile devices are rapidly becoming the primary tool of business. Their presence both inside and outside the workplace makes them the perfect channel for the delivery of information and media between the various functions of a business and between organisations and the customers which sustain them. The majority of companies are no longer focused solely on building applications for consumers, but have started to look closely at ways in which they can make their own employees more effective, embracing mobile technologies to deliver efficiencies across their business.

Mobile operators, device manufacturers and ISV's are all engaged in this revolution in the workplace. They are recognising, in increasing numbers, the added value and increased personal efficiency that results from faster voice and message access, simplified message handling, and new voice messaging capabilities that our platform delivers. We are working with major companies across each of these key channels, and in every part of the world, having demonstrated clearly that our technology platform delivers the quality and robustness that Tier 1 mobile operators demand. I now look forward to working with our partners and customers to deliver these services to end users.

I would like to finish by acknowledging the contribution of every member of staff for their efforts over the last 12 months. It is only through their dedication and hard work that we find ourselves in such a strong position. Our prospects for the coming 12 months are exciting and I look forward to reporting our progress in due course.

Peter Wilkinson
Chairman
7 June 2012

The Directors present their annual report and audited financial statements of the Company and the Group for the year ended 31 December 2011.

Principal activity

Mobile Tornado is a provider of next generation instant messaging solutions which serve the market of mobile data services in the mobile communication industry. These services include a group of services generically termed 'Push to x' services, of which 'Push to Talk' is the most commonly known.

Business review

The information that fulfils the requirements of the Business Review can be found in the Chairman's report on pages 2 to 4 which forms part of the Directors' report.

Results and dividends

The Directors are unable to recommend the payment of a dividend in respect of the year ended 31 December 2011 (year ended 31 December 2010: £nil). The Company currently intends to reinvest future earnings to finance the growth of the business.

The loss sustained for the year of £1,092,000 (year ended 31 December 2010: £1,569,000) will be deducted from reserves.

Key performance indicators

The key performance indicator used by the Board at this stage of the business to monitor performance is license and service revenue. License and service revenue has increased by 23% on the prior year as explained in further detail in the Chairman's report.

Directors

The present Directors are detailed below.

- **Peter Robert Wilkinson** was appointed Non-Executive Chairman on 24 November 2006. Peter is currently Chief Executive of InTechnology plc. Peter was formerly Chairman of Sports Internet Group plc which was sold to BSkyB plc for £301 million in May 2000. He also invented the free ISP model Freeserve, the internet access service which was launched by the Dixons Group plc.

- **Jeremy Mark Fenn** is Chief Executive Officer and acting Finance Director and was appointed to the Board on 24 November 2006. Jeremy is a qualified chartered accountant and was formerly Chief Executive of Sports Internet Group plc. Following the sale of that business he remained as a Director of Skysports.com until December 2003. Prior to this he was Managing Director of Leeds United Football Club from 1996 to 1999. He is currently a Non-Executive Director of Eco City Vehicles plc, Commensus plc, Web Marketing Group Ltd, Autovip Ltd and Stonerings Ltd.

- **Richard Mark James** was appointed as Director and Company Secretary on 24 November 2006. Richard qualified as a solicitor with Allen & Overy in 1986 and was a Partner at Pinsent Curtis in 1991 before moving to Hammond Suddards as a Partner in 1996. Richard is also a Director and Company Secretary of InTechnology plc.

- **Jorge Pinievsky** was appointed as Chief Operating Officer on 25 May 2011. Jorge is one of the original developers of the Mobile Tornado technology and brings over 20 years of management and marketing experience to Mobile Tornado. His extensive experience includes previously serving as General Manager at Terayon Communications, Vice President of Business Development at BATM Advanced Communications Ltd, Sales

Director at NICE Systems, Vice President of Sales and Marketing at Medilog, and Research and Development Engineer for Israel Aircraft Industries. Jorge joined Mobile Tornado in February 2001.

The Directors and their families have the following beneficial interests in the ordinary share capital of the Company:

	31 December 2011 number	31 December 2011 %	31 December 2010 number	31 December 2010 %
Peter Wilkinson	24,837,725	13.4	24,837,725	13.4
John Swingewood (resigned 25 May 2011)	6,758,632	3.7	7,805,511	4.2
Jeremy Fenn	7,670,396	4.1	7,670,396	4.1
Richard James	2,959,870	1.6	2,959,870	1.6
Jorge Pinievsky (appointed 25 May 2011)	9,168,624	5.0	9,168,624	5.0

There were no changes in Directors' interests between 1 January 2012 and 7 June 2012.

Third party indemnity insurance is in place for the four Directors above.

Details of related party transactions involving Directors of the Company are given in note 18 to the financial statements.

Directors' emoluments

The remuneration of the Directors of the Company was as follows:

	Salary £'000	**Fees £'000**	**Benefits in Kind £'000**	**Total £'000**	2010 Total £'000
Jeremy Fenn	6	172	1	179	156
Jorge Pinievsky	145	–	44	189	–
Peter Wilkinson	–	31	–	31	23
Richard James	–	18	–	18	18
Total	**151**	**221**	**45**	**417**	197

Interests in share options

There have been no options granted to the above Directors at the year-end.

Substantial shareholdings

At 31 December 2011, InTechnology plc held 92,200,000 shares (31 December 2010: 92,200,000) in the Company representing 49.9% of the issued ordinary share capital. There are no other shareholders, other than the Directors detailed above, who hold more than 3% of the Company's issued share capital.

Corporate governance

As an AIM listed Group, Mobile Tornado Group plc applies those principles of good governance appropriate to a Group of its size.

Audit Committee

The Audit Committee is chaired by Peter Wilkinson and it's other member is Chief Executive Officer, Jeremy Fenn. Meetings are also attended, by invitation, by the other Executive Directors. This committee normally meets twice during the financial year, around the time of the preparation of the Group's interim and final results.

The Committee assists the Board in ensuring that appropriate accounting policies, internal financial controls and compliance procedures are in place.

Internal control

The Directors acknowledge their responsibility for the Group's systems of internal control. The Group maintains systems of internal controls, including suitable monitoring procedures, in order to provide reasonable, but not absolute, assurance of the maintenance of adequate accounting records and the consequent reliability of the financial information used within the business to identify and deal with any problems on a timely basis. The monitoring and control procedures include the specification of defined lines of responsibility and authorisation limits, the delegation of authority, the identification of risks and the continual process of the preparation of, and reporting against, annual budgets, forecasts and strategic plans.

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.

Competition

The market in which the Group operates is highly competitive. As a result there is a risk of eroding margins and of being unable to meet customers' expectations. Policies of constant price monitoring and ongoing market research are in place to mitigate such risks.

Financial risk management

The Group's financial instruments comprise, principally, cash and short-term deposits and preference shares, and various items, such as trade receivables and trade payables, arising directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations. The main risks arising from the Group's financial instruments are currency risk, interest risk, liquidity risk and credit risk. The Board's policies for managing these risks are summarised as follows:

Currency risk – the Group has no borrowings in foreign currency, and foreign currency liabilities are matched wherever possible by corresponding foreign currency assets. Foreign currency bank accounts are utilised where appropriate. No foreign currency transactions of a speculative nature are undertaken.

Interest risk – the Group is exposed to interest rate risk as it invests surplus cash in floating rate deposit accounts. These funds are invested with the objective of maintaining a balance between accessibility of funds and competitive rates of return.

Liquidity risk – the Group seeks to ensure sufficient liquidity is available to meet its foreseeable needs. The Board reviews cash flow projections and the headroom position in respect of its cash balances and banking facilities to ensure the Group is adequately funded.

Credit risk – the Group's exposure to credit risk is limited to the carrying amount of its financial assets at the balance sheet date. In respect of trade and other receivables, the Group is not exposed to any significant credit risk exposure to any single counterparty or group of counterparties having similar characteristics. The Group's customers are generally companies with whom the Group has strong trading relationships with no recent history of default. The Group continually monitors its trade receivables and incorporates this information into its credit risk controls.

Going concern

The Directors have reviewed the available cash reserves, confirmed financial support in the form of short-term working capital loans available from InTechnology plc and cash projections for the foreseeable future and in particular for the next twelve months. On the basis of this review, they have reasonable expectation that the Group will be able to meet its liabilities as they fall due and continue to trade for the foreseeable future. They therefore have concluded that the financial statements are appropriately prepared on a going concern basis.

Employees

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and the various factors affecting the performance of the Group.

The Directors recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. Furthermore, the Directors believe that the Group's ability to sustain a competitive advantage over the long-term depends in a large part on ensuring that all employees contribute to the maximum of their potential. The Group is committed to improving the performance of all employees through development and training.

The Group is an equal opportunity employer. The Group's policies seek to promote an environment free from discrimination, harassment and victimisation and to ensure that no employee or applicant is treated less favourably on the grounds of gender, marital status, age, race, colour, nationality or national origin, disability or sexual orientation or is disadvantaged by conditions or requirements, which cannot objectively be justified. Entry into, and progression within the Group, is solely determined on the basis of work criteria and individual merit.

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate.

Share schemes

Share ownership is at the heart of the Group's remuneration philosophy and the Directors believe that the key to the Group's future success lies in a motivated workforce holding a stake in the Company. Details of share options granted are set out in note 13 to the financial statements.

Pension costs

The Group does not operate a pension scheme but makes contributions to the personal pension schemes of some of its employees. These contributions are charged against profits.

Research and development

The Group continues to undertake research and development of new products with the objective of increasing future profitability. The cost to the Group is charged to the income statement as incurred.

Policy and practice on payment of creditors

It is the Group's policy to agree terms and conditions for its business transactions with its suppliers. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

In the year ended 31 December 2011 average creditor days for the Group and Company were 101 days (2010: 96 days) and 42 days (2010: 71 days) respectively.

Environment

The Group recognises the importance of environmental responsibility. The nature of its activities has a minimal effect on the environment but where they do, the Group acts responsibly and is aware of its obligations at all times.

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) for the Parent Company and International Financial Reporting Standards as adopted by the European Union (IFRSs) for the Group. Under company law Directors must not approve the financial statements unless they are satisfied that they will give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and estimates that are reasonable and prudent
- state whether applicable UK Accounting Standards/IFRSs have been followed, subject to any material departures disclosed and explained in the financial statements
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and

- the Directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual General Meeting

The next AGM of the Company will be held on 30 June 2012. Details of the business to be proposed at the AGM are contained within the Notice of Meeting, which is set out on pages 38 to 41.

Independent auditor

Grant Thornton UK LLP have indicated their willingness to continue in office and a resolution proposing that they be reappointed as independent auditor and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Jeremy Fenn
Chief Executive Officer
7 June 2012

Report of the independent auditor to the members of Mobile Tornado Group plc

For the year ended 31 December 2011

We have audited the financial statements of Mobile Tornado Group Plc for the year ended 31 December 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the consolidated statement of financial position, the consolidated statement of cash flows, the parent company balance sheet and the related notes. The financial reporting framework that has been applied in the preparation of the Group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 9, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2011 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Report of the independent auditor to the members of Mobile Tornado Group plc

For the year ended 31 December 2011

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Andrew Wood
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Leeds
7 June 2012

Consolidated income statement
For the year ended 31 December 2011

	Note	**Year ended 31 December 2011 £'000**	Year ended 31 December 2010 £'000
Continuing operations			
Revenue	2	**2,047**	1,432
Cost of sales		**(695)**	(350)
Gross profit		**1,352**	1,082
Operating expenses		**(2,170)**	(1,866)
Exchange differences		**21**	(32)
Depreciation and amortisation expense		**(19)**	(35)
Exceptional costs of Israeli subsidiary	3	**—**	(446)
Total administrative expenses		**(2,168)**	(2,379)
Group operating loss	4	**(816)**	(1,297)
Finance costs	5	**(398)**	(335)
Loss before tax		**(1,214)**	(1,632)
Income tax credit	6	**122**	63
Loss for the year		**(1,092)**	(1,569)
Attributable to:			
Equity holders of the parent		**(1,092)**	(1,569)
Loss per share (pence)			
Basic and diluted	7	**(0.59)**	(0.85)

The accompanying accounting policies and notes form an integral part of these financial statements.

Consolidated statement of comprehensive income
For the year ended 31 December 2011

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Loss for the year	**(1,092)**	(1,569)
Other comprehensive income		
Exchange differences on translation of foreign operations	**(3)**	(7)
Total comprehensive income for the period	**(1,095)**	(1,576)

Consolidated statement of changes in equity
For the year ended 31 December 2011

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Preference Shares £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2010	**3,699**	**4,449**	**(7,620)**	**10,938**	**—**	**(2,153)**	**(18,004)**	**(8,691)**
Equity settled share-based payments	–	–	–	–	–	–	3	3
Transactions with owners	**—**	**—**	**—**	**—**	**—**	**—**	**3**	**3**
Loss for the year	–	–	–	–	–	–	(1,569)	(1,569)
Exchange differences on translation of foreign operations	–	–	–	–	–	(7)	–	(7)
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**(7)**	**(1,569)**	**(1,576)**
Balance at 31 December 2010	**3,699**	**4,449**	**(7,620)**	**10,938**	**—**	**(2,160)**	**(19,570)**	**(10,264)**

	Share capital £'000	Share premium £'000	Reverse acquisition reserve £'000	Merger reserve £'000	Preference Shares £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 January 2011	**3,699**	**4,449**	**(7,620)**	**10,938**	**—**	**(2,160)**	**(19,570)**	**(10,264)**
Equity settled share-based payments	–	–	–	–	–	–	1	1
Transactions with owners	**—**	**—**	**—**	**—**	**—**	**—**	**1**	**1**
Loss for the year	–	–	–	–	–	–	(1,092)	(1,092)
Exchange differences on translation of foreign operations	–	–	–	–	–	(3)	–	(3)
Total comprehensive income for the year	**—**	**—**	**—**	**—**	**—**	**(3)**	**(1,092)**	**(1,095)**
Preference shares	–	–	–	–	2,390	–	–	2,390
Balance at 31 December 2011	**3,699**	**4,449**	**(7,620)**	**10,938**	**2,390**	**(2,163)**	**(20,661)**	**(8,968)**

Consolidated statement of financial position
As at 31 December 2011

	Note	2011 £'000	2010 £'000
Assets			
Non-current assets			
Property, plant & equipment	8	**104**	46
		104	46
Current assets			
Trade and other receivables	9	**1,437**	703
Tax debtor	6	**—**	63
Cash and cash equivalents		**77**	54
		1,514	820
Liabilities			
Current liabilities			
Trade and other payables	10	**(5,538)**	(4,511)
Borrowings	11	**(267)**	(3,000)
Net current liabilities		**(4,291)**	(6,691)
Non-current liabilities			
Trade and other payables	10	**(2,923)**	(2,754)
Borrowings	11	**(1,858)**	(865)
Net liabilities		**(8,968)**	(10,264)
Shareholders' equity			
Share capital	12	**3,699**	3,699
Share premium	12	**4,449**	4,449
Reverse acquisition reserve		**(7,620)**	(7,620)
Merger reserve		**10,938**	10,938
Preference shares	11	**2,390**	–
Share option reserve		**50**	49
Foreign currency translation reserve		**(2,163)**	(2,160)
Retained earnings		**(20,711)**	(19,619)
Total equity		**(8,968)**	(10,264)

The financial statements on pages 13 to 32 were approved by the Board of Directors on 7 June 2012 and were signed on its behalf by:

Jeremy Fenn
Chief Executive Officer
7 June 2012
Company Number: 5136300

Consolidated statement of cash flows
For the year ended 31 December 2011

	Note	**Year ended 31 December 2011 £'000**	Year ended 31 December 2010 £'000
Operating activities			
Cash used in operations	14	**(592)**	(935)
Net cash used in operating activities		**(592)**	(935)
Investing activities			
Purchase of property, plant & equipment		**(35)**	(36)
Net cash used in investing activities		**(35)**	(36)
Financing			
Issue of loans		**650**	865
Net cash inflow from financing		**650**	865
Net increase/(decrease) in cash and cash equivalents in the year		**23**	(106)
Cash and cash equivalents at beginning of period		**54**	160
Cash and cash equivalents at end of period		**77**	54

1 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements have been prepared on a going concern basis in accordance with applicable International Financial Reporting Standards as adopted by the EU.

Going concern

The Directors have reviewed the available cash reserves, confirmed financial support in the form of short-term working capital loans available from InTechnology plc and cash projections for the foreseeable future and in particular for the next twelve months. On the basis of this review, they have reasonable expectation that the Group will be able to meet its liabilities as they fall due and continue to trade for the foreseeable future. They therefore have concluded that the financial statements are appropriately prepared on a going concern basis.

Significant accounting estimates and judgements

The preparation of these financial statements requires management to make estimates and judgements that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue during the reporting period. Actual results could differ from these estimates. The key sources of estimation and judgement at the balance sheet date are:

Share options – Share-based payments are dependent on estimates of the number of shares which are expected to vest (note 13).

Deferred consideration – payments are dependent on estimates of future license sales revenues (note 10).

Going concern – the Directors have made those judgements as noted above in concluding that these financial statements be prepared on a going concern basis.

1.2 Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings at 31 December 2011. A subsidiary is an entity controlled by the Group. Control is achieved where the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Acquisitions of subsidiaries are dealt with using the acquisition method of accounting. The acquisition method of accounting involves the recognition at fair value of all identifiable assets and liabilities, including contingent liabilities, of the subsidiary at the acquisition date regardless of whether or not they were recorded in the financial statements of the subsidiary prior to acquisition. On initial recognition, the assets and liabilities of the subsidiary are included in the consolidated balance sheet at their fair values, which are also used as the bases for subsequent measurement in accordance with the Group's accounting policies. Goodwill is stated after separating out identifiable intangible assets. Any difference between the fair value of assets acquired and the consideration paid is treated as goodwill in the consolidated balance sheet. The results of subsidiaries are included from the date that control commences to the date that control ceases.

1.3 Revenue recognition

Revenue comprises the fair value of consideration receivable for the sale of licences, services and goods, excludes inter-company sales and value-added taxes and represents net invoice value less estimated rebates, returns and settlement discounts.

Licence and service revenues are recognised over the period to which the licence and services relate. When the outcome of transactions involving the rendering of services can be estimated reliably, revenue is recognised by reference to the project's stage of completion at the balance sheet date.

Unrecognised license and service revenues and associated costs of sale are included as deferred income and deferred cost respectively in the balance sheet.

The Group recognises revenue on perpetual license fees and hardware sales when the risks and rewards of ownership have been transferred to the purchaser.

1.4 Exceptional items

Exceptional items are non-recurring material items which are outside the normal scope of the Group's ordinary activities such as liabilities and costs arising from a fundamental restructuring of the Group's operations. Such items are disclosed separately within the financial statements.

1.5 Interest

Interest is recognised on a time-proportion basis using the effective interest method.

1.6 Employee benefits

Pension obligations

The Group does not operate a pension scheme but makes contributions to the personal schemes of some of its employees. These contributions are charged to the income statement.

1.7 Share-based payments

The Group operates equity-settled share-based remuneration plans for its employees.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, which takes into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

1.8 Foreign currency translation

The consolidated financial statements are presented in UK Sterling (GBP £), which is also the functional currency of the Parent Company.

Foreign currency transactions are translated into the functional currency of the respective Group entity, using the exchange rates prevailing at the dates of the transactions (spot exchange rate). Foreign exchange gains and losses resulting from the settlement of such transactions and from the remeasurement of monetary items at year-end exchange rates are recognised in profit or loss.

Non-monetary items measured at historical cost are translated using the exchange rates at the date of the transaction (not retranslated). Non-monetary items measured at fair value are translated using the exchange rates at the date when fair value was determined.

In the Group's financial statements, all assets, liabilities and transactions of Group entities with a functional currency other than sterling (the Group's presentation currency) are translated into sterling upon consolidation. The functional currency of the entities in the Group have remained unchanged during the reporting period.

On consolidation, assets and liabilities of foreign operations have been translated into sterling at the closing rate at the reporting date. Income and expenses have been translated into the Group's presentation currency at the average rate over the reporting period. Exchange differences are charged/credited to comprehensive income and recognised in the currency translation reserve in equity. On disposal of a foreign operation, the cumulative translation differences recognised in equity are reclassified to profit or loss and recognised as part of the gain or loss on disposal. Goodwill and fair value adjustments arising on the acquisition of a foreign entity have been treated as assets and liabilities of the foreign entity and translated into sterling at the closing rate.

1.9 Taxation

The charge for taxation is based on the profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes.

Temporary differences arise from the inclusion of profits and losses in the accounts in different periods from which they are recognised in tax assessments and primarily arise as a result of the difference between tax allowances on property, plant & equipment and the corresponding depreciation charge. Full provision is made for the tax effects of these differences using tax rates substantively enacted at the balance sheet date.

No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings. Similarly, no provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

1.10 Property, plant & equipment

Property, plant and equipment is stated at historical cost less depreciation. The Group's policy is to write off the difference between the cost of all property, plant and equipment and their residual value on a straight line basis over their estimated useful lives as follows:

Office equipment	3 years
Computer equipment	3 years
Leasehold improvement	10 years

Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear, and adjustments are made where appropriate. All individual assets are reviewed for impairment when there are indications that the carrying value may not be recoverable.

1.11 Research and development

Research expenditure, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is charged to income in the year in which it is incurred. Internal development expenditure, whereby research findings are applied to a plan for the production of new or substantially improved products or processes, is charged to income in the year in which it is incurred unless it meets the recognition criteria of IAS 38 'Intangible Assets'. Measurement and other uncertainties generally mean that such criteria are not met. Where, however, the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch. Intangible assets relating to products in development are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off immediately to income.

1.12 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Reverse acquisition reserve" represents the difference between the required total of the Group's equity instruments and the reported equity of the legal parent.
- "Merger reserve" represents the difference between the nominal value of the share capital issued by the Company and their fair value at 7 March 2006, the date of the acquisition of Mobile Tornado International Ltd.
- "Preference shares" represents the equity component of preference shares deemed to be compound financial instruments.
- "Share option reserve" represents equity-settled share-based employee remuneration until such share options are exercised.
- "Foreign currency translation reserve" represents the differences arising from translation of investments in overseas subsidiaries.
- "Retained earnings" represents retained profits.

1.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

1.14 Financial assets — loans and receivables

Financial assets comprise trade receivables and cash and cash equivalents which are classified as loans and receivables. Financial assets are recognised in the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. Loans and receivables are measured at initial recognition at fair value and are subsequently recorded at amortised cost using the effective interest method. Appropriate allowances for estimated irrecoverable amounts are recognised in the income statement when there is objective evidence that the asset is impaired.

1.15 Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and comprise trade payables and borrowings. Financial liabilities are recognised in the Group's consolidated balance sheet when the Group becomes a party to the contractual provisions of the instrument. They are subsequently recorded at amortised cost using the effective interest method. Trade payables are measured at initial recognition at fair value and subsequently measured at amortised cost using the effective interest rate method.

Borrowings are initially recorded at fair value and then subsequently recorded at amortised cost using the effective interest method.

1.16 Deferred consideration

Deferred consideration arising on acquisition of intellectual property is held as a creditor in the balance sheet until such time as those amounts are paid.

1.17 Standards and interpretations not yet applied

The following standards and interpretations currently in issue but not effective for accounting periods commencing on 1 January 2011 and which have not been applied in the 2011 consolidated financial statements are:

- IFRS 9 Financial Instruments (effective 1 January 2013)
- IFRS 13 Fair value measurements (effective January 2013)
- Amendments to IAS 27 Separate financial statements (effective 1 January 2013)
- Amendments to IFRS 7 Disclosures – Offsetting financial assets & financial liabilities (effective 1 January 2013)
- Amendments to IAS 32 Disclosures – Offsetting financial assets & financial liabilities (effective 1 January 2014)
- IFRS 9 Financial instruments (effective 1 January 2015)

The above is not an exhaustive list but represents those most relevant to the Group. The standards are expected to have an impact on presentation only.

2 Segmental analysis

The Group presents its results in accordance with internal management reporting information. 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 £1,000 (year ended 31 December 2010: £3,000).

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

	Year ended 31 December 2011 Revenue £'000	**At 31 December 2011 Non-current assets £'000**	Year ended 31 December 2010 Revenue £'000	At 31 December 2010 Non-current assets £'000
UK	**—**	**—**	9	–
Europe	**608**	**—**	333	–
North America	**—**	**16**	8	27
South America	**225**	**—**	37	–
Middle East	**354**	**88**	69	19
Africa	**837**	**—**	280	—
Asia/Pacific	**23**	**—**	696	–
Total	**2,047**	**104**	1,432	46

Total revenue comprises £691,000 relating to the sale of goods (2010: £327,000) and £1,356,000 relating to the sale of services (2010: £1,105,000).

3 Exceptional costs of Israeli subsidiary

These comprise salary and redundancy costs of research and development resource based in Israel.

4 Loss for the year

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Group operating loss before taxation is stated after charging/(crediting):		
Staff costs (note 15)	**1,461**	1,388
Depreciation of owned property, plant & equipment (note 8)	**19**	35
Research and development expenditure	**790**	719
Other operating lease rentals	**113**	114
Net exchange loss	**(21)**	32

Auditor remuneration

During the year the Group obtained the following services from the Group's auditor as detailed below:

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**19**	18
Fees payable to the Company's auditor and its associates for other services:		
The audit of the Company's subsidiaries pursuant to legislation	**—**	–
Tax services	**5**	12
Other services pursuant to legislation	**5**	2
Total	**29**	32

5 Net financial expenses

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Interest expense:		
– finance charge on preference shares	**(329)**	(319)
– other interest payable	**(69)**	(16)
Finance costs	**(398)**	(335)

6 Tax

(a) Analysis of credit for the year

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
United Kingdom current tax		
Adjustment in respect of prior periods	**(122)**	(63)
Total credit for the year	**(122)**	(63)

(b) Factors affecting the tax charge for the year

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Loss before tax	**(1,214)**	(1,632)
At standard rate of corporation tax of 26% (2010: 28%)	**(316)**	(457)
Effects of:		
Expenses not deductible for tax purposes – depreciation	**5**	10
Un-utilised tax losses	**311**	447
Prior year research & development tax credit claimed	**(122)**	(63)
Total credit for the year	**(122)**	(63)

The most appropriate tax rate for the Group is considered to be 26% (2010: 28%), the standard rate of profits tax in the UK.

Deferred Tax:

At 31 December 2011, the Group had accumulated tax losses of £23,936,000 (31 December 2010: £22,666,000) which are available for offset against future trading profits of certain Group operations, subject to agreement with the relevant tax authorities. No deferred tax asset has been recognised in respect of these losses given the level of uncertainty over their recoverability.

7 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £1,092,000 (2010: £1,569,000) by the weighted average number of ordinary shares in issue during the year of 184,953,708 (2010: 184,953,708).

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

	Year ended 31 December 2011 Basic and diluted		Year ended 31 December 2010 Basic and diluted	
	Loss £'000	**Loss per share pence**	Loss £'000	Loss per share pence
Loss attributable to ordinary shareholders	**(1,092)**	**(0.59)**	(1,569)	(0.85)
Adjusted basic loss per share	**(1,092)**	**(0.59)**	(1,569)	(0.85)

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.

Notes to the financial statements
For the year ended 31 December 2011

8 Property, plant & equipment

	Office Equipment £'000	Computer Equipment £'000	Leasehold Improvement £'000	Total £'000
Cost				
At 1 January 2010	18	475	10	503
Additions	–	34	2	36
Disposals	–	(146)	–	(146)
Exchange adjustments	1	7	–	8
At 31 December 2010	**19**	**370**	**12**	**401**
Additions	1	75	1	77
Exchange adjustments	–	3	–	3
At 31 December 2011	**20**	**448**	**13**	**481**
Accumulated depreciation				
At 1 January 2010	5	452	2	459
Charge for the year	2	32	1	35
Disposals	–	(146)	–	(146)
Exchange adjustments	–	7	–	7
At 31 December 2010	**7**	**345**	**3**	**355**
Charge for the year	4	14	1	19
Exchange adjustments	–	3	–	3
At 31 December 2011	**11**	**362**	**4**	**377**
Net book amount at 31 December 2011	**9**	**86**	**9**	**104**
Net book amount at 31 December 2010	12	25	9	46

9 Trade and other receivables

	2011 £'000	2010 £'000
Trade receivables	**1,145**	581
Trade receivables – net	**1,145**	581
Other receivables	**83**	80
Prepayments and accrued income	**209**	35
Deferred cost of sales	**—**	7
	1,437	703
Current portion	**1,437**	703

The age of the Group's year end past due receivables is as follows:

	2011 £'000	2010 £'000
Impaired		
Over 6 months	**—**	–
	—	–
Not impaired		
Less than 3 months	**1,145**	581
	1,145	581

The overdue receivables against which no provision has been made relate to a number of customers for whom there is no recent history of default or any other indication that settlement will not be forthcoming.

The carrying amounts of the Group's receivables are denominated in US dollar and Euros.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

There is no movement on the Group's provision for impairment of trade receivables.

10 Trade and other payables

	2011 £'000	2010 £'000
Trade payables	**1,561**	582
Accruals	**1,398**	1,029
Social security and other taxes	**21**	118
Other creditors	**140**	124
Deferred income	**2,267**	2,266
Deferred consideration	**3,074**	3,146
	8,461	7,265
Less non-current portion: deferred consideration	**(2,923)**	(2,754)
Current portion	**5,538**	4,511

The deferred consideration arose on the purchase of intellectual property from Tersync Ltd and represents a royalty payable on future sales of Push to Talk related products by Mobile Tornado, payable in part consideration for the acquisition of the rights to the technology underlying such product. The royalty is payable quarterly on any relevant sales (on a cash receipts basis) as follows:

(i) 50% of the first US$200,000 relevant sales.

(ii) 15% of any additional relevant sales, subject to any related cumulative royalty payments being capped at a maximum of US$5.3 million. Direct reseller and other third party costs may be deducted in arriving at these royalty payments, subject to such costs not exceeding 10% of the relevant sales. The deferred consideration is secured by a charge over the intellectual property of the Mobile Tornado Group.

The deferred income balance includes an amount of £1,980,000 (2010: £2,115,000) received from InTechnology plc in respect of 12 month licenses that had not been brought into use at the balance sheet date.

11 Borrowings, other financial liabilities and other financial assets

	2011 £'000	2010 £'000
Preference shares	**610**	3,000
Loans	**1,515**	865
Total borrowings	**2,125**	3,865

Maturity analysis

	2011	2010
	£'000	£'000
In one year or less	**267**	3,000
Between one and two years	**1,752**	865
Between two and five years	**106**	–
Total	**2,125**	3,865

The following terms apply to all non-voting preference shares:

The non-voting preference shares carry a cumulative annual coupon of 10 per cent.

The Company may, at any time on not less than 10 business days' notice in writing to the holders of preference shares, redeem, in multiples of not less than 6,250,000 preference shares, such total number of preference shares as is specified in such notice.

A holder of preference shares may give to the Company notice in writing of the conversion of all or some of his preference shares. Each preference share shall convert into one fully paid ordinary share.

Not less than 10 business days' prior to the sale of a controlling interesting in the Company, the Company shall notify in writing the preference shareholders of such sale. Following receipt of a sale notice, a preference shareholder may:

(a) elect to convert all or some of his preference shares into ordinary shares; or

(b) elect not to convert any of his preference shares.

Holders of preference shares not converted pursuant to the above may at anytime from the date of a sale give to the Company a conversion notice in respect of the conversion of all or some of the preference shares held by such shareholder.

Non-voting preference shares not redeemed or converted will continue to be afforded the existing rights under the Articles until such time as they are redeemed or converted.

Following the change of rights attaching to the preference shares on 31 December 2010, the shares are deemed to be compound financial instruments, with the debt component calculated to be £610,000 (£343,000 due after more than one year) and the £2,390,000 balance reclassified as equity.

There are fixed and floating charges over the amounts due as loans to InTechnology plc.

Financial risks

The main financial risks faced by the Group include interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks.

The Group's financial instruments comprise cash, liquid resources and various items, such as receivables and payables that arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The year end position reflects these policies and there have been no changes in policies or risks since the year end.

Financial asset returns are maximised by ongoing review of the Group's cash flow requirements. Any funds surplus to short-term working capital requirements are placed on interest bearing deposit.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group comprise cash of £77,000 (2010: £54,000) as follows:

	Floating rate	
	31 December 2011 £'000	31 December 2010 £'000
Currency		
Sterling	**38**	2
US dollar	**15**	15
Euro	**12**	6
Israel Shekel	**12**	31
Total	**77**	54

The sterling, US dollar and euro financial assets relate to cash at bank and bear interest based on GBP LIBOR, US dollar LIBOR and EURIBOR respectively. There are no fixed rate financial assets (2010: £nil).

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group is as follows:

	Fixed	
	31 December 2011 £'000	31 December 2010 £'000
Fixed rate 10% preference shares	**3,000**	3,000
Total	**3,000**	3,000

	Floating	
	31 December 2011 £'000	31 December 2010 £'000
Loans	**1,515**	865
Total	**1,515**	865

All floating rate loans carry an interest rate of 5% above Bank of England base rate.

Currency risk

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency.

	31 December 2011 £'000	31 December 2010 £'000
Functional currency of operation: Sterling		
US Dollar (net liabilities)	**(2,355)**	(2,869)
Euro (net liabilities)	**(1,832)**	(2,065)
Total	**(4,187)**	(4,934)

Sensitivity analysis

Financial assets and liabilities are sensitive to movements in interest rates and foreign exchange rates.

A 10% movement in both sterling to US dollar and euro exchange rates would result in a charge or credit to profit and equity of £499,000 (2010: £548,000).

A 1% movement in interest rates would result in a charge or credit to profit and equity of £15,000 (2010: £9,000).

Capital management

Managed capital is cash plus confirmed support to meet working capital needs.

The Group's capital management objectives are:

To ensure the Group's ability to continue as a going concern; and

To provide an adequate return to shareholders.

These objectives are maintained by pricing products and services commensurately with the level of risk.

The Group's goal in capital management is to maintain adequate cash balances with the minimum necessary borrowing. There are no externally imposed capital requirements during the period covered by the financial statements.

Summary of the Group's financial assets and liabilities as defined in IAS 39 'financial instruments: recognition and measurement'

	31 December 2011 £'000	31 December 2010 £'000
Current assets — loans and receivables		
Trade and other receivables	**1,228**	724
Cash and cash equivalents	**77**	54
	1,305	778
Current liabilities — held at amortised cost		
Trade and other payables	**(3,249)**	(2,127)
Borrowings	**(267)**	(3,000)
	(3,516)	(5,127)
Non-current liabilities — held at amortised cost		
Trade and other payables	**(2,923)**	(2,754)
Borrowings	**(1,858)**	(865)
	(4,781)	(3,619)
Net financial assets and liabilities	**(6,992)**	(7,968)

The Directors consider that the fair value of financial assets and liabilities equates to the carrying value for both 2011 and 2010.

12 Share capital and share premium

	Number of shares ’000	Share capital £’000	Share premium £’000	Total £’000
As at 31 December 2010 and 2011	**184,953**	**3,699**	**4,449**	**8,148**

The total authorised number of ordinary shares is 475 million (2010: 475 million) with a par value of 2p per share (2010: 2p per share).

Non-voting preference shares

	Number of shares ’000	Value £’000
As at 31 December 2010 and 2011	**37,500**	**3,000**

Following the change of rights attaching to the preference shares on 31 December 2010, the shares are deemed to be compound financial instruments, with the debt component calculated to be £610,000 (£343,000 due after more than one year) and the £2,390,000 balance reclassified as equity. The 10% preference share dividend of £300,000 (2010: £300,000) has been accrued within creditors.

13 Share-based payments

The Group has a share option scheme for certain employees and Directors. Options are exercisable at a price equal to the average market price of the Company’s shares on the date of grant. The vesting period is usually two to three years. The options are settled in equity.

A reconciliation of option movements over the year to 31 December 2011 is shown below:

	2011		2010	
	Number ’000	**Weighted average exercise price pence**	Number ’000	Weighted average exercise price pence
Outstanding at 1 January 2011/2010	**4,568**	**4.2**	6,781	5.0
Granted	**—**	**—**	100	4.0
Forfeited	**—**	**—**	2,313	–
Expired	**800**	**—**	–	–
Outstanding at 31 December	**3,768**	**4.0**	4,568	4.2
Exercisable at 31 December	**1,268**	**2.0**	2,068	3.2

The closing mid-market share price on 25 May 2012 was 9.5 pence.

The weighted average remaining contractual life of the share options outstanding at 31 December 2011 was 8.1 years.

Those options exercisable at 31 December 2011 are at an exercise price of 2.0 pence.

The total charge for the year relating to employee share-based payment plans was £1,000 (2010: £3,000), all of which related to equity-settled share-based payment transactions.

Notes to the financial statements

For the year ended 31 December 2011

14 Cash used in operations

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Loss before taxation	**(1,214)**	(1,632)
Adjustments for:		
Depreciation and impairment	**19**	35
Share-based payment charge	**1**	3
Net finance costs	**398**	335
Changes in working capital:		
Increase in trade and other receivables	**(546)**	(556)
Increase in trade and other payables	**750**	880
Net cash used in operations	**(592)**	(935)

15 Employee information

The average monthly number of persons (including Executive Directors) employed by the Group during the year was:

	Year ended 31 December 2011 Number	Year ended 31 December 2010 Number
Sales	**3**	4
Product development	**17**	15
Finance & administration	**5**	5
Total	**25**	24

Staff costs for the persons above were:

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Wages and salaries	**1,288**	1,185
Social security costs	**50**	60
Pension costs	**22**	36
Other benefits	**101**	107
Total	**1,461**	1,388

16 Capital commitments

The Group had no capital commitments at 31 December 2011 (2010: £nil).

17 Operating leases

Details of operating lease arrangements for the Group are as follows:

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Lease payments under operating leases charged to operating costs in the year	**113**	114

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases which fall due within one year of £65,000 (31 December 2010: £32,000).

Operating lease payments represent rentals payable by the Group for vehicles and certain properties.

18 Related party transactions

For the purposes of IAS 24, key management of the Group are the same as those of the Board of Directors. There was no share-based payment credit or charge in relation to key management personnel. Key management personnel remuneration includes the following expenses:

	Year ended 31 December 2011 £'000	Year ended 31 December 2010 £'000
Salaries including bonuses	**151**	6
Other benefits	**45**	1
Pay in lieu of notice period	**—**	38
Sums paid to third parties for services	**221**	250
Total short-term employee benefits	**417**	295

Peter Wilkinson is a shareholder and Director of InTechnology plc. Mobile Tornado Group plc has bought goods and services totalling £928,000 (year ended 31 December 2010: £466,000) from InTechnology plc in the year to 31 December 2011. As at 31 December 2011, Mobile Tornado Group plc owed InTechnology plc £1,171,000 (31 December 2010: £314,000).

InTechnology plc has provided loan finance of £650,000 to Mobile Tornado Group plc in the year ended 31 December 2011 (year ended 31 December 2010: £865,000). As at 31 December 2011, Mobile Tornado Group plc owed InTechnology plc £1,515,000 (31 December 2010: £865,000).

Payments to a third party, Stonerings Ltd, are made in respect of the services provided by Jeremy Fenn. As at 31 December 2011, Mobile Tornado Group Plc owed £nil (31 December 2010: £nil) to Jeremy Fenn.

Company balance sheet — prepared under UK GAAP

As at 31 December 2011

	Note	2011 £'000	2010 £'000
Fixed assets			
Tangible assets	2	**73**	27
Intangible assets	4	**12,758**	12,758
		12,831	12,785
Current assets			
Debtors	5	**1,409**	765
Cash at bank and in hand		**65**	11
		1,474	776
Creditors – amounts falling due within one year	6	**(5,477)**	(7,199)
Net current liabilities		**(4,003)**	(6,423)
Total assets less current liabilities		**8,828**	6,362
Creditors – amounts falling due after one year	6	**(4,781)**	(3,619)
Net assets		**4,047**	2,743
Capital and reserves			
Called up share capital	7,8	**3,699**	3,699
Share premium account	8	**4,449**	4,449
Merger reserve	8	**10,938**	10,938
Preference shares	8	**2,390**	–
Share option reserve	8	**50**	49
Profit and loss account	8	**(17,479)**	(16,392)
Shareholders' funds		**4,047**	2,743

The financial statements on pages 33 to 37 were approved by the Board of Directors on 7 June 2012 and were signed on its behalf by:

Jeremy Fenn
Chief Executive Officer
7 June 2012
Company Number: 5136300

The accompanying notes form an integral part of these financial statements.

Notes to the Company financial statements prepared under UK GAAP

For the year ended 31 December 2011

1 Principal accounting policies

1.1 Basis of preparation

The financial statements have been prepared under the historical cost basis of accounting and under United Kingdom Generally Accepted Accounting Practice (UK GAAP).

1.2 Share options

The Company grants share options to employees and Directors on a discretionary basis.

The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, which takes into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

1.3 Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to sterling at the exchange rates ruling at the balance sheet date.

All other exchange differences are taken to the profit and loss account.

1.4 Tangible fixed assets

The cost of tangible fixed assets is their purchase cost. Depreciation is calculated so as to write-off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office equipment	3 years
Computer equipment	3 years

The Directors review tangible fixed assets for impairment if events or changes in circumstances indicate that the carrying value of may not be recoverable.

1.5 Goodwill

The Directors assess the economic value derivable from any goodwill. If assessed as being more durable than 20 years, then goodwill is not amortised. Such goodwill is then assessed for impairment in line with FRS11.

1.6 Investments

Investments are stated at cost less provision for any permanent impairment in value. The carrying value of investments is reviewed annually to determine the need for any provision for impairment.

Notes to the Company financial statements prepared under UK GAAP

For the year ended 31 December 2011

2 Tangible assets

	Computer Equipment £'000	Total £'000
Cost		
At 1 January 2011	85	85
Additions	57	57
At 31 December 2011	**142**	**142**
Accumulated depreciation		
At 1 January 2011	58	58
Charge for the year	11	11
At 31 December 2011	**69**	**69**
Net book amount at 31 December 2011	**73**	**73**
Net book amount at 31 December 2010	27	27

3 Investments

Details of the principal investments at 31 December 2011 in which the Company holds more than 20% of the nominal value of ordinary share capital are as follows:

	Country of incorporation or registration	Nature of business	Group proportion held	Company proportion held
Mobile Tornado International Ltd	Republic of Ireland	Dormant	100%	100%
M.T. Labs Ltd	Israel	Sale of instant communication services	100%	100%

On 31 October 2009 the trade and net assets of Mobile Tornado International Ltd were transferred to Mobile Tornado Group plc at book value, following which the net investment held by Mobile Tornado Group plc in Mobile Tornado International Ltd was £12,758,000. Consequently, the value of the investment held in Mobile Tornado International Ltd is not supported by any net assets or future cash flows. As the transfer does not impair the future profitability of the Company, £12,758,000 has been transferred from investments to goodwill in the Company balance sheet.

4 Intangible assets

	Goodwill £'000
Cost and net book amount	
At 31 December 2010 and 2011	**12,758**

The Directors in considering current sales pipeline activity, future cash flow projections together with developments in the global marketplace for mobile communications (as outlined in the Chairman's report on pages 2 to 4) believe that the intellectual property held by the Company can deliver economic benefits in excess of 20 years. For this reason, no amortisation has been applied for the year.

Notes to the Company financial statements prepared under UK GAAP

For the year ended 31 December 2011

5 Debtors

	2011 £'000	2010 £'000
Trade receivables	**1,129**	466
Trade receivables – net	**1,129**	466
Other debtors and prepayments	**207**	127
Deferred cost of sales	**—**	7
Amounts owed by Group undertakings	**73**	165
	1,409	765

6 Creditors — amounts falling due within one year

	2011 £'000	2010 £'000
Trade creditors and accruals	**2,756**	1,437
Other taxation and social security	**4**	96
10% cumulative preference shares	**610**	3,000
Other creditors	**32**	8
Deferred income	**2,267**	2,266
Loans	**1,515**	865
Deferred consideration	**3,074**	3,146
	10,258	10,818
Less non-current portion:		
Deferred consideration	**(2,923)**	(2,754)
10% cumulative preference shares	**(343)**	–
Loans	**(1,515)**	(865)
	5,477	7,199

7 Share capital

	2011 £'000	2010 £'000
Authorised		
475,000,000 (2010: 475,000,000) Ordinary shares of 2p each	9,500	9,500
Total	**9,500**	9,500

	2011 £'000	2010 £'000
Allotted, called up and fully paid		
184,953,708 (2010: 184,953,708) Ordinary shares of 2p each	3,699	3,699
Total	**3,699**	3,699

Non-voting preference shares

	Number of shares '000	Value £'000
As at 31 December 2010 and 2011	**37,500**	**3,000**

Following the change of rights attaching to the preference shares on 31 December 2010, the shares are deemed to be compound financial instruments, with the debt component calculated to be £610,000 (£343,000 due after more than one year) and the £2,390,000 balance reclassified as equity.

8 Shareholders' funds

	Ordinary share capital £'000	Share premium account £'000	Merger reserve £'000	Preference shares £'000	Share option reserve £'000	Profit & loss account £'000	Total share-holders' funds £'000
At 1 January 2011	3,699	4,449	10,938	–	49	(16,392)	2,743
Employee share option adjustment	–	–	–	–	1	–	1
Loss for the year	–	–	–	–	–	(1,087)	(1,087)
Preference shares	–	–	–	2,390	–	–	2,390
At 31 December 2011	**3,699**	**4,449**	**10,938**	**2,390**	**50**	**(17,479)**	**4,047**

9 Related party transactions

The Company has taken advantage of the exemption available under FRS 8 'Related Party Disclosures' from disclosing transactions between the Company and its subsidiary undertakings as these have been eliminated on consolidation of these financial statements.

Payments to a third party, Stonerings Ltd, are made in respect of the services provided by Jeremy Fenn. As at 31 December 2011, Mobile Tornado Group Plc owed £nil (31 December 2010: £nil) to Jeremy Fenn.

10 Loss for the financial year

The Parent Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its own profit and loss account in these financial statements. The Parent Company's loss for the year ended 31 December 2011 was £1,087,000 (year ended 31 December 2010: £1,563,000 loss).

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at Central House, Beckwith Knowle, Harrogate, HG3 1UG on 30 June 2012 at 9.00 a.m. to transact the following business:

As ordinary business:

1. to receive and adopt the report of the Directors and the audited accounts of the Company and its subsidiaries for the financial year ended 31 December 2011 together with the report of the auditors thereon;

2. to re appoint Grant Thornton UK LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to authorise the Directors to fix their remuneration;

3. to re appoint Jeremy Fenn, who retires in accordance with Article 92 of the Company's articles of association and who, being eligible, offers himself for re appointment as a Director;

4. to re appoint Richard James, who retires in accordance with Article 92 of the Company's articles of association and who, being eligible, offers himself for re appointment as a Director.

As special business:

To consider and, if thought fit, pass the following resolutions, with resolution 5 being proposed as an ordinary resolution and resolution 6 being proposed as a special resolution:

5. THAT, in substitution for all existing and unexercised authorities (save for the authority granted pursuant to resolution number 2 passed at the general meeting of the Company held on 28 April 2009, which shall expire on 27 April 2014), pursuant to section 551 of the Companies Act 2006 (the "Act"), as amended, the Directors of the Company be and are hereby generally and unconditionally authorised to exercise all or any of the powers of the Company to allot and grant equity securities (within the meaning of section 560 of the Act) in the capital of the Company up to a maximum nominal amount of £1,233,012, provided that this authority shall, unless previously revoked or varied by the Company in general meeting, expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution, save that the Company may before the expiry make an offer or agreement which would or might require equity securities to be allotted or granted after such expiry and the Directors of the Company may allot or grant equity securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

6. THAT, subject to the passing of resolution 5 (and in addition to the authority granted pursuant to resolution number 3 passed at the general meeting of the Company held on 28 April 2009, which shall expire on 27 April 2014), the Directors of the Company be and are hereby empowered pursuant to section 570 and 573 of the Act to allot equity securities (as defined in section 560 of the Act) for cash or otherwise pursuant to the authority given by resolution 5 and/or to allot equity securities where such allotment constitutes an allotment of securities by way of section 560(2)(b) of the Act, as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

   (i) in connection with the grant of options under any share option scheme of the Company;

   (ii) in connection with or the subject of an offer or invitation, including a rights issue or open or equivalent offer to holders of ordinary shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date, in proportion (as near as may be) to the respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory; and

(iii) otherwise than pursuant to sub-paragraphs (a) and (b) above, up to an aggregate nominal amount of £184,953;

provided that this authority shall expire on the conclusion of the next annual general meeting of the Company or 15 months from the date of this resolution, whichever is earlier and save that the Company may before such expiry make an offer, agreement or other arrangement which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities pursuant to any such offer, agreement or other arrangement as if the authority hereby conferred had not so expired.

By Order of the Board
Richard James
Company Secretary
7 June 2012

Registered office:
Central House
Beckwith Knowle
Otley Road
Harrogate HG3 1UG

Notes:

Appointment of proxies

1 As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of Meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

2 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.

3 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Capita Registrars at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU or you may photocopy the enclosed proxy form.

4 If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote or abstain from voting as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

5 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Capita Registrars at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- received by Capita Registrars by no later than 9.00 a.m. on 28 June 2012.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by CREST

6 If you are a CREST member and wish to appoint a proxy or proxies through the CREST electronic proxy appointment service you may do so by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members, and those CREST members who have appointed a service provider(s), should refer to their CREST sponsor or voting service provider(s), who will be able to take the appropriate action on their behalf.

In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message (a “CREST Proxy Instruction”) must be properly authenticated in accordance with Euroclear UK & Ireland Limited’s specifications, and must contain the information required for such instruction, as described in the CREST Manual. The message, regardless of whether it constitutes the appointment of a proxy or is an amendment to the instruction given to a previously appointed proxy must, in order to be valid, be transmitted so as to be received by Capita Registrars (ID: RA10) by the latest time for receipt of proxy appointments specified in this notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Application Host) from which the issuer’s agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. After this time any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means.

If you are a CREST member or, where applicable, a CREST sponsor, or voting service provider, you should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member, or sponsored member, or has appointed a voting service provider(s), to procure that his CREST sponsor or voting service provider(s) take(s)) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, you and, where applicable, your CREST sponsors or voting system providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Appointment of proxy by joint members

7 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company’s register of members in respect of the joint holding (the first-named being the most senior).

Notice of Annual General Meeting

Changing proxy instructions

8 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Termination of proxy appointments

9 In order to revoke a proxy instruction you will need to inform Capita Registrars by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Capita Registrars by no later than 9.00 a.m. on 28 June 2012.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

The return of a completed proxy form, other such instrument or any CREST Proxy Instruction will not prevent you from attending the Meeting and voting in person if you wish to do so. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Communication

10 Except as provided above, members who wish to communicate with the Company in relation to the Meeting should write to the Company Secretary, Mobile Tornado Group plc, Central House, Beckwith Knowle, Otley Road, Harrogate HG3 1UG.

No other methods of communication will be accepted.

Uncertificated Securities Regulations

11 Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755), the Company has specified that only those members registered on the register of members of the Company at 6.00 p.m. on 28 June 2012 (or if the Meeting is adjourned 6.00 p.m. on the day two days prior to the date of the adjourned Meeting) shall be entitled to attend and vote at the Meeting in respect of the number of shares registered in their name at that time. Changes to the register of members after that date shall be disregarded in determining the rights of any person to attend and vote at the Meeting.

Corporate information

Company Registration Number:	5136300	
Registered Office:	Central House Otley Road Harrogate HG3 1UG	
Directors:	P R Wilkinson J M Fenn J Pinievsky R M James	(Non-Executive Chairman) (Chief Executive Officer) (Chief Operating Officer) (Director & Company Secretary)
Nominated Advisor and Broker:	Northland Capital Partners Ltd 60 Gresham Street London EC2V 7BB	
Bankers:	Barclays Bank Plc Hanover Square 50 Pall Mall London SW1Y 5AX	
Solicitors:	Squire, Sanders & Dempsey UK LLP 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	
Internet address:	www.mobiletornado.com	

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