MOBILE TORNADO

ANNUAL REPORT AND ACCOUNTS

for the year ended 31 December 2013

www.mobiletornado.com

Contents

Strategic 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 2013.

Financial highlights

- Revenue up 82.6% to £2.65m (2012: £1.45m)
  - *Recurring licence fees up 36% to £0.83m (2012: £0.61m)*
  - *Installation fees of £1.80m (2012: £0.84m)*
- Adjusted EBITDA* loss of £1.82m (2012: £1.36m loss)
  - *Reflecting planned investment in the staff base in anticipation of future growth*
- Adjusted operating loss* of £1.95m (2012: £1.46m loss)
- Loss after tax of £2.34m (2012: £1.69m loss)
- Basic loss per share of 1.18p (2012: 0.91p loss)
- Cash at bank of £2.44m (2012: £0.10m) with net debt of £3.19m (2012: £3.25m)

*excluding exchange differences

Operating highlights

- Increase in sales momentum with installations to generate future recurring licence fees
- 29,000 billing licences at the end of December 2013 (2012: 19,000)
- Successful commercial launch of TELUS Link in Canada
- América Móvil and France—based Tier 1 MNO deployed and ready for commercial launch
- Homeland security trial in SE Asia progressing well
- New strategic partner agreement in Turkey
- Further negotiations with Mobile Network Operators and additional trials underway
- New division launched in Israel to exploit existing PTT market
- Further investment in the business through the recruitment of additional engineering resource

The year has seen strong revenue growth as Mobile Network Operators continue to look to create new revenue streams around additional services and applications. There is an increasing recognition among MNOs that Mobile Tornado's Push to Talk (PTT) application suite is the leading communication tool for remote workforces. The period under review has also been characterised by a number of large installation projects and good progress on a number of continuing trials, which we expect to start generating recurring licence fee revenues in the near future. We have prepared the Company to deliver on further growth and remain confident that we will deliver significant shareholder value from our pipeline of opportunities.

Financial results and key performance indicators

Total revenue for the year ended 31 December 2013 increased 82.6% to £2.65m (2012: £1.45m). The increase in total revenue was largely due to the significant increase in income related to a major installation for our Tier 1 Mobile Network Operator in Canada. As a result we saw installation fees increase by 113% to £1.80m (2012: £0.84m).

Recurring licence fee revenues, our key performance indicator for the business, were up by 36% to £0.83m (2012: £0.61m) and monthly run-rate recurring licence fees as at 31 December 2013 were £79,000, a 49% improvement on the previous year (as at 31 December 2012: £53,000).

Gross profit increased to £1.30m (2012: £1.15m). However, gross margin is expected to improve with the introduction of additional recurring licence revenues as our Mobile Network Operator ("MNO") installations move out of installation and trial phases and into commercial deployment.

The significant increase in activity levels referenced above has compelled management to make significant human and capital investments in the business across the sales, technical and customer service operations. This investment for growth has resulted in operating expenses increasing during the period to £3.12m from £2.51m. However, we believe the current headcount and cost base is now at a suitable level to see the business develop over the medium-term.

As a result, Group operating loss before exchange differences, depreciation and amortisation increased to £1.82m (2012: £1.36m loss). Reported Group operating losses were £2.02m (2012: £1.33m). The loss before tax for the period was £2.47m (2012: £1.79m). This resulted in a basic loss per share of 1.18p (2012: 0.91p loss).

The net cash outflow from operating activities was £1.11m (2012: £0.94m). In August 2013, the Company raised gross proceeds of £4.0m from a placing of 20,000,000 new ordinary shares at 20 pence per share. Therefore the Company saw a net increase in cash and cash equivalents in the period of £2.34m (2012: £0.02m increase). In addition, a capital reorganisation was also completed which resulted in £4.0m of debt being capitalised into ordinary shares and £2.7m of debt capitalised into non-convertible preference shares. At 31 December the Company had £2.44m cash at bank (31 December 2012: £0.10m) and net debt of £3.19m (2012: £3.25m).

Results and dividends

The Directors are unable to recommend the payment of a dividend in respect of the year ended 31 December 2013 (year ended 31 December 2012: £nil). The Company currently intends to reinvest future earnings to finance the growth of the business.

Business review

The Company made continued progress during 2013 across each of its primary channels to market, namely:

- Mobile network operators (MNOs) reselling to their business customers
- Partners reselling to their enterprise customers
- Hardware manufacturers embedding the application into their devices
- Government and Municipal agencies procuring solutions for Homeland Security

Mobile Network Operators

We successfully deployed and installed our Push-To-Talk (PTT) platform with the Tier 1 Mobile Network Operator, TELUS, in Canada during the period, with TELUS link, their next generation PTT service, available to their customers from October 2013. Of particular note is that the technical delivery teams completed this initial deployment on schedule and on budget proving the operational abilities of the Group in addition to the compelling value proposition of the technical offering.

Canada is a territory with an existing customer base of PTT users who are already familiar with the benefits that the service brings and initial reports of early adoption rates are already looking positive. The TELUS Link service is an evolution of the legacy Mike service offered by TELUS on the iDEN network and customers are being encouraged to transfer to TELUS Link which offers expanded services that are compatible with all major smartphone operating systems. We expect to see an increasing momentum of TELUS customers transferring to this service during 2014.

We had expected to see the full commercial launch of PTT services for América Móvil and our Tier 1 MNO based in France, before the end of the year. This has now been pushed into the new financial year. We remain optimistic that Telcel in Mexico, with more than 70 million cellular subscribers, will be the first of América Móvil's Group of companies to launch the service during 2014 and we then expect Claro in Brazil to rapidly follow with more than 55 million subscribers, in 2014.

The scale of the opportunity for the Group continues to expand and we have engaged with four more MNOs across Africa, Europe and Asia. Whilst we have not yet concluded commercial agreements with these potential customers, we expect to be able to update investors on progress during 2014.

Regional partners

The Group believes regional partners offer the opportunity to accelerate our penetration in a number of our target markets. We have established partner relationships in the USA, Canada, South America, Germany, Italy and Spain and are working with each of them to develop opportunities within their respective territories. I am delighted to say that we have recently concluded a further strategic partnership agreement with NIMIS, a supplier of emergency, safety and security products to the enterprise sector in Turkey. Turkey is a territory that has an existing PTT market and we are hopeful that establishing a presence in this market will lead to the development of a new customer base for the Group.

Our exclusive partner in South Africa, Instacom, has made great progress during the period. They are now working with some of the most important transportation, security and facilities management companies in the region. They have established themselves as the leading provider of PTT in the region, and given the rapid adoption of 3G and 4G networks across the country, this momentum is expected to continue throughout 2014. We are convinced the wider African market represents an enormous opportunity for the Group and having already achieved market penetration in the South African market, we are keen to expand into other African territories and believe Instacom provides us with the platform to deliver this growth. We are in active discussions with them to determine the best way to develop the business into these new markets.

Hardware manufacturers

We continue to engage with hardware manufacturers as and when they introduce new devices into the market. One of the core features of our proposition is that we are able to operate across multiple hardware platforms to provide our customers with the widest possible choice in deploying our service.

During the period we worked with Sonim, one of the leading manufacturers of ruggedised handsets to the construction, security, oil, gas and chemical operations, utilities, logistics, forestry, agriculture and defence industries. We successfully integrated our PTT application into their devices for their North American customers.

Our service has also been successfully implemented in a new hands-free device by RoadStar, a wholly owned subsidiary of Telit Communications plc. Installation and set-up of the new PTT platform will start in Q2 of 2014. The RoadStar flagship product line is an innovative HSPA car phone with best in class hands free audio and value added services over high speed 3.5G cellular networks. The RoadStar, with the addition of PTT will be deployed in the global market and will include all the key features Mobile Tornado makes available in its standard applications for mobile devices. RoadStar is a leading provider of cellular fixed car phones products and services for public and private market segments.

We have also continued development of our own devices, in particular the T930 which has been specially designed for the Homeland Security market. These devices feature our proprietary application alongside an industry leading and proprietary encryption layer that meets the demanding standards of this industry.

Homeland security

The development of our SPOC proposition (Secure PTT Over Cellular) has continued during the period and we have completed successful trials in South East Asia during the second half of the year. Significant technical engagement has continued into 2014 as we have refined the precise proposition and the integration protocols with the customer's required hardware specification. We believe we are nearing the completion of these activities and should reach full commercial engagement in the near future.

Although not at quite such an advanced stage we are in discussions with Government and Municipal agencies across Africa and South America. This is a huge market opportunity as public bodies across the world look for more economic means of communication. It's worth noting that the UK Government's Emergency Services Mobile Communications Programme is ultimately seeking a solution to replace the current TETRA platform deployed by Airwave. We believe this procurement process will be replicated around the world as Governments look for cheaper solutions with enhanced functionality to take advantage of the new 4G networks that are currently being rolled out. Having developed one of the leading PTT platforms, which can deliver much of the required functionality, we will be looking to ensure we are engaged in these developments.

New Division

As announced in March 2014, we decided to establish a separate division to target Israel, which is an established PTT market and one that we examined carefully during the second half of 2013. We have recruited Shmulik Nehama, one of the leading figures in the industry, who was part of the leadership team that founded Motorola Integrated Radio Systems ('MIRS') a company focused on PTT in the Israel market which built up a customer base in excess of 400,000. He has been appointed as Regional Director and has been charged with building a significant business presence in this market. He is currently in the process of organising trials for 20 leading companies, which will commence in May. I am hopeful that during the second half we will be able to report a successful outcome and commence commercial deployments.

Technical development

As a direct result of the increased engagements across our customer base, including Tier 1 MNOs, strategic partners, hardware manufacturers and the new launched division, we have been required to recruit additional staff into both our Technical and Operations teams. In total, we now have a team of 38 engineers and support staff responsible for executing our product roadmap, installing our platforms with new customers and managing the requirements of our existing customers.

We have noted the growing interest in Instant Communication platforms, particularly in the consumer space. Whilst we have clearly focused our early efforts on Enterprise grade instant communications, we have also developed a consumer based application for the South American market which we are determined to optimise and are currently reviewing our options in respect of the wider consumer market.

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.

Indirect route to market

As described above, one of the Group's primary channels to market are mobile network operators (MNO's) reselling our services to their business customers. Whilst MNO's are ideally positioned to forward sell our services and are likely to possess material resources for doing so, there remains an inherent uncertainty arising from the Group's inability to exert full control over the sales and marketing strategies of these customers.

Outlook

Our progress in 2013 is a testament to the commercial interest in our Instant Communications platform which can be installed and integrated at a relatively low cost. MNOs are becoming more aware of Push to Talk applications as a means to generate additional revenues and increase customer loyalty.

Given the major platform installations that were largely completed in 2013 we are well positioned to benefit from the repeat licence fee revenues that will be generated following commercial launch.

We have been encouraged by our trials with Government agencies looking to adopt our Secure PTT over Cellular platform for homeland security and we hope to conclude our first commercial deal this year.

To manage the continued growth in activity across the business we have recruited a number of new engineers and support staff and I am delighted to welcome them to the Company. It has been a very productive period and I would like to thank the whole team for their huge efforts. We have prepared the Company to deliver on further growth and remain confident that we will deliver significant shareholder value from our pipeline of opportunities.

By order of the Board

Peter Wilkinson
Chairman
23 April 2014

Directors' report

The Directors present their annual report and audited financial statements of the Company and the Group for the year ended 31 December 2013.

Share issues

On 28 August 2013 the Company announced a placing of 20,000,000 new ordinary shares with new institutional investors at a price of 20 pence per share to raise £4.0 million (before fees and expenses) to provide funds to support the Group's continued growth.

The Board also took the opportunity to further restructure the Company's balance sheet. On the same date the Company announced the conversion of £6.7 million total indebtedness to InTechnology plc into £4.0 million of new ordinary shares (being 20,000,000 new ordinary shares issued at the placing price of 20 pence per share) and £2.7 million of non-convertible cumulative redeemable preference shares. Furthermore, the existing £3.0 million (nominal value) of preference shares held by InTechnology plc were converted into non-convertible cumulative redeemable preference shares with the same terms — further details of which can be found in note 21 to the accounts on page 37.

The Directors believe that this restructuring will allow the Company to better pursue its growth opportunities with a strengthened balance sheet, removing capital constraints and helping in its contract negotiations with potential customers.

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.

- **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 Limited, Sales Director at NICE Systems, Vice President of Sales and Marketing at Medilog, and Research and Development Engineer for Argentina 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 2013 number	**%**	31 December 2012 number	%
Peter Wilkinson	**24,837,725**	**11.0**	24,837,725	13.4
Jeremy Fenn	**7,670,396**	**3.4**	7,670,396	4.1
Richard James	**2,959,870**	**1.3**	2,959,870	1.6
Jorge Pinievsky	**9,168,624**	**4.1**	9,168,624	5.0

There were no changes in Directors' interests between 1 January 2014 and 23 April 2014.

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 20 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**	2012 Total £'000
Peter Wilkinson	-	39	-	**39**	43
Jeremy Fenn	6	195	1	**202**	112
Richard James	-	19	-	**19**	18
Jorge Pinievsky	135	-	53	**188**	178
Total	**141**	**253**	**54**	**448**	351

Interests in share options

Set out below are details of share options that have been granted to Directors:

	No. of share options 2013	**Exercise price pence**	**Earliest exercise date**	**Expiry date**	No. of share options 2012
Jeremy Fenn	3,000,000	7.5	03/01/15	03/01/22	3,000,000
Jorge Pinievsky	3,000,000	7.5	03/01/15	31/12/19	3,000,000

Substantial shareholdings

At 31 December 2013 InTechnology plc held 112,200,000 shares (31 December 2012: 92,200,000) in the Company representing 49.9% of the issued ordinary share capital and 71,276,735 non-convertible cumulative redeemable preference shares with aggregate nominal value of £5.7m.

Corporate governance

The Company does not comply with the UK Corporate Governance Code. However, the Board recognizes the value of the Code and has regard to its requirements as far as practicable and appropriate for a Group of this size.

Audit Committee

The Audit Committee is chaired by Peter Wilkinson and its 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.

Financial risk management

The Group's financial instruments comprise, principally, cash and short-term deposits and preference shares from its principal shareholder — InTechnology plc, 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 has loans outstanding on variable rate terms. Borrowing costs are minimised by ongoing review of the Group's cashflow requirements.

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 both its cash balances and confirmed financial support from InTechnology plc 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 31 December. 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 together with cash projections for the foreseeable future and in particular for the next twelve months from the date of signing these financial statements. The review modelled a range of sensitivities concerning both the size and timing of projected revenues from both current as well as new customers. 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 15 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. No pension contribution payments have been made to Directors during the year.

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.

Environment

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

Statement of Directors' responsibilities

The Directors are responsible for preparing the Strategic Report and Director's 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 satisified 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 auditor is 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 auditor is 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 26 June 2014. Details of the business to be proposed at the AGM are contained within the Notice of Meeting, which is set out on pages 43 to 46.

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.

The external auditor is required to rotate the lead audit partner responsible for the Group audit every five years in accordance with Ethical Standard 3 (ES3) 'Long association with the audit engagement', issued by the Auditing Practices Board. However, in certain circumstances it is permissible to extend that tenure. The Board believes that, following the fund raising exercise during the year, audit quality would be compromised by introducing a new audit partner, because of the understanding of the transaction the incumbent partner has. As a result, the Board and Audit Committee feel that now is not the right time for the lead audit partner to change. Grant Thornton UK LLP and the Group have agreed to extend the term of the lead audit partner, in line with ES3, for one year.

By order of the Board

Jeremy Fenn
Chief Executive Officer
23 April 2014

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

For the year ended 31 December 2013

We have audited the financial statements of Mobile Tornado Group plc for the year ended 31 December 2013 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 11, 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 Financial Reporting Council's website at www.frc.org.uk/apb/scope/private.cfm

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 2013 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 Strategic Report and 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 2013

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
23 April 2014

Consolidated income statement
For the year ended 31 December 2013

	Note	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Continuing operations			
Revenue	2	**2,653**	1,453
Cost of sales		**(1,353)**	(308)
Gross profit		**1,300**	1,145
Operating expenses			
Other operating expenses		**(3,124)**	(2,506)
Group operating loss before exchange differences, depreciation and amortisation expense		**(1,824)**	(1,361)
Exchange differences		**(68)**	132
Depreciation and amortisation expense		**(124)**	(100)
Total operating expenses		**(3,316)**	(2,474)
Group operating loss	3	**(2,016)**	(1,329)
Finance costs	4	**(536)**	(460)
Finance income	5	**85**	—
Loss before tax		**(2,467)**	(1,789)
Income tax credit	6	**132**	101
Loss for the year		**(2,335)**	(1,688)
Attributable to:			
Equity holders of the parent		**(2,335)**	(1,688)
Loss per share (pence)			
Basic and diluted	7	**(1.18)**	(0.91)

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 2013

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Loss for the year	**(2,335)**	(1,688)
Other comprehensive income		
Item that will subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	**5**	12
Total comprehensive loss for the period	**(2,330)**	(1,676)
Attributable to:		
Equity holders of the parent	**(2,330)**	(1,676)

Consolidated statement of changes in equity
For the year ended 31 December 2013

	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 2012	**3,699**	**4,449**	**(7,620)**	**10,938**	**2,390**	**(2,163)**	**(20,661)**	**(8,968)**
Equity settled share-based payments	—	—	—	—	—	—	25	25
Transactions with owners	**–**	**–**	**–**	**–**	**–**	**–**	**25**	**25**
Loss for the year	—	—	—	—	—	—	(1,688)	(1,688)
Exchange differences on translation of foreign operations	—	—	—	—	—	12	—	12
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**12**	**(1,688)**	**(1,676)**
Balance at 31 December 2012	**3,699**	**4,449**	**(7,620)**	**10,938**	**2,390**	**(2,151)**	**(22,324)**	**(10,619)**

	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 2013	**3,699**	**4,449**	**(7,620)**	**10,938**	**2,390**	**(2,151)**	**(22,324)**	**(10,619)**
Equity settled share-based payments	—	—	—	—	—	—	25	25
Issue of share capital	800	6,776	—	—	—	—	—	7,576
Preference shares	—	—	—	—	(2,390)	—	—	(2,390)
Transactions with owners	**800**	**6,776**	**–**	**–**	**(2,390)**	**–**	**25**	**5,211**
Loss for the year	—	—	—	—	—	—	(2,335)	(2,335)
Exchange differences on translation of foreign operations	—	—	—	—	—	5	—	5
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**–**	**5**	**(2,335)**	**(2,330)**
Balance at 31 December 2013	**4,499**	**11,225**	**(7,620)**	**10,938**	**–**	**(2,146)**	**(24,634)**	**(7,738)**

Consolidated statement of financial position
As at 31 December 2013

	Note	**2013 £'000**	2012 £'000
Assets			
Non-current assets			
Property, plant and equipment	8	**204**	221
		204	221
Current assets			
Trade and other receivables	9	**1,060**	2,179
Inventories	10	**133**	68
Cash and cash equivalents	11	**2,437**	100
		3,630	2,347
Liabilities			
Current liabilities			
Trade and other payables	12	**(3,537)**	(7,223)
Borrowings	13	**–**	(267)
Net current assets/(liabilities)		**93**	(5,143)
Non-current liabilities			
Trade and other payables	12	**(2,412)**	(2,612)
Borrowings	13	**(5,623)**	(3,085)
		(8,035)	(5,697)
Net liabilities		**(7,738)**	(10,619)
Shareholders' equity			
Share capital	14	**4,499**	3,699
Share premium	14	**11,225**	4,449
Reverse acquisition reserve		**(7,620)**	(7,620)
Merger reserve		**10,938**	10,938
Preference shares		**–**	2,390
Share option reserve		**100**	75
Foreign currency translation reserve		**(2,146)**	(2,151)
Retained earnings		**(24,734)**	(22,399)
Total equity		**(7,738)**	(10,619)

The financial statements on pages 15 to 37 were approved by the Board of Directors on 23 April 2014 and were signed on its behalf by:

Jeremy Fenn
Chief Executive Officer
23 April 2014
Company Number: 5136300

Consolidated statement of cash flows
For the year ended 31 December 2013

	Note	**Year ended 31 December 2013 £'000**	Year ended 31 December 2012 £'000
Operating activities			
Cash used in operations	16	**(1,245)**	(1,043)
Tax received		**132**	101
Interest received		**6**	—
Net cash used in operating activities		**(1,107)**	(942)
Investing activities			
Purchase of property, plant & equipment		**(132)**	(261)
Net cash used in investing activities		**(132)**	(261)
Financing			
Issue of ordinary share capital		**4,000**	—
Share issue costs		**(424)**	—
Proceeds from borrowings		**–**	1,227
Net cash inflow from financing		**3,576**	1,227
Effects of exchange rates on cash and cash equivalents		**–**	(1)
Net increase in cash and cash equivalents in the period		**2,337**	23
Cash and cash equivalents at beginning of period		**100**	77
Cash and cash equivalents at end of period		**2,437**	100

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 Nature of operations

The principal activity of the Group is the provision of instant communication mobile applications which serve the market of mobile data services in the mobile communication industry.

1.2 Basis of preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards, IFRS, International Financial Reporting Interpretations Committee (IFRIC) interpretations endorsed by the European Union and those parts of the Companies Act 2006 that remain applicable to companies reporting under IFRS. The financial statements have been prepared on the historical cost basis with the exception of certain items which are measured at fair value as disclosed in the principal accounting policies set out below. These policies have been consistently applied to all years presented unless otherwise stated.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from these estimates.

Going concern

The Directors have reviewed the available cash reserves together with cash projections for the foreseeable future and in particular for the next twelve months from the date of signing these financial statements. The review modelled a range of sensitivities concerning both the size and timing of projected revenues from both current as well as new customers. 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 are:

Share options — Share-based payments are dependent on estimates of the number of shares which are expected to vest (note 15).

Contingent consideration — payments are dependent on estimates of future license sales revenues (note 12).

Trade and other receivables — recognition of any impairment provisions in respect of amounts recorded as trade and other receivables is dependent on judgements made on the recoverability of such items (note 9).

1.3 Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings at 31 December 2013. 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. All subsidiaries have a reporting date of 31 December. All transactions and balances between Group companies are eliminated on consolidation including unrealised gains and losses on transactions between Group companies.

Business combinations

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 statement of financial position 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 statement of financial position. The results of subsidiaries are included from the date that control commences to the date that control ceases.

1.4 Revenue recognition

Revenue comprises the fair value of consideration receivable for the sale of licences, services and goods, excluding 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. Unrecognised license and service revenues are included as deferred income in the statement of financial position.

The Group recognises revenue on perpetual licence fees and hardware sales when the risks and rewards have been transferred to the customer, this is when these have been received and accepted by the customer.

1.5 Interest

Interest is recognised on an accruals basis using the effective interest method.

1.6 Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or as incurred.

1.7 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.

1.8 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.

1.9 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.

Foreign operations

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 given that these rates do not fluctuate significantly over the year. 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.

1.10 Segmental reporting

The Group presents its results in accordance with internal management reporting information. The Group has only one operating segment. At 31 December, the Board continue to monitor operating results by category of revenue.

1.11 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 enacted or 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.

1.12 Property, plant and 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.

1.13 Operating leases

Where the Group is a lessee, payments on operating lease agreements are recognised as an expense on a straight-line basis over the lease term. Associated costs, such as maintenance and insurance, are expensed as incurred.

1.14 Inventories

Inventories are stated at the lower of cost and net realisable amount. Net realisable amount is the estimated selling price in the ordinary course of business less any applicable variable selling costs. Provision is made for obsolete, slow moving and defective inventory where appropriate.

1.15 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.

1.16 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.
- "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 into Sterling.
- "Retained earnings" represents retained losses.

All transactions with owners of the parent are recorded separately within equity.

1.17 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.

1.18 Financial assets – loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Financial assets comprise trade and most other receivables and cash and cash equivalents which are classified as loans and receivables. Financial assets are recognised in the Group's consolidated statement of financial position 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.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire, or when all substantial risks and rewards are transferred.

1.19 Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and comprise trade and other 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.

Debt and equity instruments, such as preference shares, are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. Any equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured.

1.20 Contingent consideration

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

1.21 Standards in issue not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

IFRS 10 Consolidated Financial Statements (EU effective date 1 January 2014)

IAS 27 (Revised), Separate Financial Statements (EU effective date 1 January 2014)

Transition Guidance — Amendments to IFRS 10, IFRS 11 and IFRS 12 (EU effective date 1 January 2014)

Offsetting Financial Assets and Financial Liabilities — Amendments to IAS 32 (effective 1 January 2014)

Recoverable Amount Disclosures for Non-Financial Assets (Amendments to IAS 36) (effective 1 January 2014)

Novation of Derivatives and Continuation of Hedge Accounting (Amendments to IAS 39) (effective 1 January 2014)

None of these standards are expected to have a significant impact on the financial statements of the Group.

2 Segmental analysis

The Group presents its results in accordance with internal management reporting information. At 31 December 2013 the Board continued to monitor operating results by category of revenue. 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 £25,000 (year ended 31 December 2012: £25,000).

Revenue by category

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Licences	**825**	606
Hardware & software	**1,424**	256
Professional services	**371**	585
Other	**33**	6
Total	**2,653**	1,453

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

	Year ended 31 December 2013 Revenue £'000	**At 31 December 2013 Non-current assets £'000**	Year ended 31 December 2012 Revenue £'000	At 31 December 2012 Non-current assets £'000
UK	**57**	**–**	102	—
Europe	**392**	**–**	625	—
North America	**1,348**	**76**	17	5
South America	**76**	**40**	413	81
Israel	**–**	**88**	4	135
Africa	**327**	**–**	292	—
Asia/Pacific	**453**	**–**	—	—
Total	**2,653**	**204**	1,453	221

Our mobile network operator customer in Canada represents 48% (2012: nil %) of the total revenue of the Group.

3 Group operating loss

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Group operating loss before taxation is stated after charging/(crediting):		
Staff costs (note 17)	**1,889**	1,338
Depreciation of owned property, plant and equipment (note 8)	**124**	100
Research and development expenditure	**890**	542
Other operating lease rentals	**149**	80
Net exchange loss/(gain)	**68**	(132)

Auditor remuneration

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Fees payable to the Company's auditor for the audit of the Company's annual accounts	**23**	21
Fees payable to the Company's auditor and its associates for other services:		
Tax compliance services	**11**	6
Corporate finance services	**25**	—
Other services pursuant to legislation	**2**	1
Total	**61**	28

4 Finance costs

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Finance charge on preference shares	**(425)**	(342)
Other interest payable	**(111)**	(118)
Total finance costs	**(536)**	(460)

5 Finance income

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Profit on fair valuation recognition of preference shares	**79**	—
Bank interest receivable	**6**	—
Total finance income	**85**	—

6 Tax

(a) Analysis of credit for the year

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
United Kingdom current tax		
Adjustment in respect of prior periods	**(132)**	(101)
Total credit for the year	**(132)**	(101)

(b) Factors affecting the tax credit for the year

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Loss before tax	**(2,467)**	(1,789)
At standard rate of corporation tax of 23% (2012: 24%)	**(567)**	(429)
Effects of:		
Expenses not deductible for tax purposes	**103**	24
Un-utilised tax losses	**464**	405
Prior year research & development tax credit claimed	**(132)**	(101)
Total credit for the year	**(132)**	(101)

The most appropriate tax rate for the Group is considered to be 23% (2012: 24%), the standard rate of profits tax in the UK.

Deferred tax:

At 31 December 2013 the Group had accumulated tax losses of £27,365,000 (31 December 2012: £24,161,000) 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 £2,335,000 (2012: £1,688,000) by the weighted average number of ordinary shares in issue during the year of 198,036,027 (2012: 184,953,708).

	Year ended 31 December 2013 Basic and diluted		Year ended 31 December 2012 Basic and diluted	
	Loss £'000	**Loss per share pence**	Loss £'000	Loss per share pence
Loss attributable to ordinary shareholders	**(2,335)**	**(1.18)**	(1,688)	(0.91)
Adjusted basic loss per share	**(2,335)**	**(1.18)**	(1,688)	(0.91)

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.

8 Property, plant and equipment

	Office equipment £'000	Computer equipment £'000	Leasehold improvement £'000	Total £'000
Cost				
At 1 January 2012	20	448	13	481
Additions	—	214	4	218
Exchange adjustments	(1)	(14)	(1)	(16)
At 31 December 2012	**19**	**648**	**16**	**683**
Additions	1	131	—	132
Disposals	—	(41)	—	(41)
Exchange adjustments	(1)	(8)	(1)	(10)
At 31 December 2013	**19**	**730**	**15**	**764**
Accumulated depreciation				
At 1 January 2012	11	362	4	377
Charge for the year	1	98	1	100
Exchange adjustments	(1)	(14)	—	(15)
At 31 December 2012	**11**	**446**	**5**	**462**
Charge for the year	1	114	9	124
Disposals	—	(19)	—	(19)
Exchange adjustments	—	(7)	—	(7)
At 31 December 2013	**12**	**534**	**14**	**560**
Net book amount at 31 December 2013	**7**	**196**	**1**	**204**
Net book amount at 31 December 2012	8	202	11	221

9 Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	**586**	1,389
Trade receivables — net	**586**	1,389
Other receivables	**291**	138
Prepayments and accrued income	**183**	177
Contract prepayment	**–**	475
	1,060	2,179
Current portion	**1,060**	2,179

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

	2013 **£'000**	2012 £'000
Impaired		
Over six months	—	97
	—	97
Not impaired		
Less than three months	**113**	70
Three to six months	**104**	69
Over six months	**258**	81
	475	220

Of the overdue receivables against which no provision has been made, £311,000 (2012: £214,000) relates to one particular customer. The Directors have maintained an open dialogue with this customer throughout the year and since the year end as to their financial position. An assessment of this customer's ability to pay has been made by reference to both its current and projected operating cash flows as well as the level of cash payments received during the year as well as post year-end from the customer and, on the basis of this, no provision has been made.

The carrying amounts of the Group's receivables are denominated in US dollar, Canadian 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.

Movement on the Group's provision for impairment of receivables is as follows:

	2013 **£'000**	2012 £'000
At 1 January	**97**	—
Provision for receivables impairment	**–**	97
Receivables written off during the year as uncollectable	**(97)**	—
	–	97

10 Inventories

	2013 **£'000**	2012 £'000
Hardware	**133**	68

11 Cash and cash equivalents

	2013 **£'000**	2012 £'000
Cash at bank and in hand:		
— Sterling	**291**	52
— US Dollar	**252**	1
— Canadian dollar	**18**	—
— Euro	**53**	5
— Israel Shekel	**173**	42
Short-term deposits in Sterling	**1,650**	—

	2,437	100

12 Trade and other payables

	2013 £'000	2012 £'000
Trade payables	**452**	2,196
Accruals	**517**	1,896
Social security and other taxes	**47**	46
Other creditors	**155**	112
Deferred income	**2,071**	2,745
Contingent consideration	**2,707**	2,840
	5,949	9,835
Less non-current portion: contingent consideration	**(2,412)**	(2,612)
Current portion	**3,537**	7,223

The contingent consideration arose on the purchase of intellectual property from Tersync Limited 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 £1,977,000 (2012: £1,927,000) received from InTechnology plc in respect of 12 month licenses that had not been brought into use at the balance sheet date.

13 Borrowings, other financial liabilities and other financial assets

	2013 £'000	2012 £'000
Preference shares	**5,623**	610
Loans	**–**	2,742
Total borrowings	**5,623**	3,352

Maturity analysis

	2013 £'000	2012 £'000
In one year or less	**–**	267
Between one and two years	**–**	2,979
Between two and five years	**5,623**	106
Total	**5,623**	3,352

All preference shares are non-voting, non-convertible cumulative redeemable preference shares. They are redeemable at par value on 31 December 2018, or, at the Company's discretion, at any earlier date and will accrue interest at a fixed rate of 10 per cent. per annum.

Financial risks

The main financial risks faced by the Group include interest rate risk, liquidity risk, credit 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 £2,437,000 (2012: £100,000) as follows:

	Floating rate	
	31 December 2013 £'000	31 December 2012 £'000
Currency		
Sterling	**1,941**	52
US dollar	**252**	1
Canadian dollar	**18**	—
Euro	**53**	5
Israel shekel	**173**	42
Total	**2,437**	100

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 (2012: £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 2013 £'000	31 December 2012 £'000
Fixed rate 10% preference shares classified as debt	**5,623**	610
Total	**5,623**	610

	Floating	
	31 December 2013 £'000	31 December 2012 £'000
Loans	**–**	2,742
Total	**–**	2,742

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 2013 £'000	31 December 2013 £'000
Functional currency of operation: Sterling		
US Dollar (net liabilities)	**(2,102)**	(1,877)
Euro (net liabilities)	**(1,830)**	(1,726)
Canadian Dollar net assets	**79**	—
Total	**(3,853)**	(3,603)

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 £428,000 (2012: £400,000).

A 1% movement in interest rates would result in a charge or credit to profit and equity of £17,000 (2012: £27,000).

Capital management

Managed capital is cash 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 2013 £'000	31 December 2012 £'000
Current assets – loans and receivables		
Trade and other receivables	**877**	1,595
Cash and cash equivalents	**2,437**	100
	3,314	1,695
Current liabilities – held at amortised cost		
Trade and other payables	**(1,419)**	(4,432)
Borrowings	**–**	(267)
	(1,419)	(4,699)
Non-current liabilities – held at amortised cost		
Trade and other payables	**(2,412)**	(2,612)
Borrowings	**(5,623)**	(3,085)
	(8,035)	(5,697)
Net financial assets and liabilities	**(6,140)**	(8,701)

The Directors consider that the fair value of financial assets and liabilities approximates to the carrying value for both 2013 and 2012.

14 Share capital and share premium

	Number of shares '000	**Share capital £'000**	**Share premium £'000**	**Total £'000**
At 1 January 2013	184,953	3,699	4,449	8,148
Issue of shares	40,000	800	6,776	7,576
As at 31 December 2013	**224,953**	**4,499**	**11,225**	**15,724**

The total authorised number of ordinary shares is 475 million (2012: 475 million) with a par value of 2p per share (2012: 2p per share).

On 28 August 2013 the Company announced a placing of 20,000,000 new ordinary shares with new institutional investors at a price of 20 pence per share to raise £4.0 million (before fees and expenses).

On this same date the Company announced the conversion of £6.7 million total indebtedness to InTechnology Plc into £4.0 million of new ordinary shares (being 20,000,000 new ordinary shares issued at the placing price of 20 pence per share) and £2.7 million of non-voting preference shares. See note 21 for full details of this restructure.

Share issue costs

Proceeds received in excess of the nominal value of shares issued during the year have been included in share premium, less registration and other regulatory fees.

The Company incurred issue costs of £424,000 in respect of the above shares issued during the year. These have been debited to the share premium account of the Company.

Non-voting preference shares

	Number of shares ’000	Nominal Value £’000
At 1 January 2013	37,500	3,000
Issue of new preference shares of 8p each	33,777	2,702
Conversion of existing preference shares to new preference shares:	(37,500)	(3,000)
	37,500	3,000
As at 31 December 2013	**71,277**	**5,702**

15 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 options are settled in equity.

The number of shares subject to options, the periods in which they were granted and the dates on which they may be exercised are as follows:

Name of scheme	Number of shares 2013 ’000	2012 ’000	Exercise price pence	Earliest exercise date	Vesting condition	Expiry date
Israel scheme	**1,268**	1,268	2.0	02/02/09	-	31/12/19
Israel scheme	**1,900**	1,900	5.0	02/02/09	100,000 subscribers	31/12/19
UK scheme	**200**	200	5.0	03/12/11	100,000 subscribers	03/12/18
UK scheme	**100**	100	5.0	07/07/13	100,000 subscribers	07/07/20
Israel scheme	**4,601**	4,601	7.5	03/01/15	—	31/12/19
UK scheme	**3,500**	3,500	7.5	03/01/15	—	03/01/22
Total	**11,569**	11,569				

Options were valued using the Black-Scholes option-pricing model. The expected volatility is based on historical volatility over the last year. The expected life is assumed as being equal to the earliest exercise date. The risk-free rate of return is taken as the Bank of England base-rate at the date of grant. A reconciliation of option movements over the year to 31 December 2013 is shown below:

	2013 Number ’000	**2013** Weighted average exercise price pence	2012 Number ’000	2012 Weighted average exercise price pence
Outstanding at 1 January 2013/2012	**11,569**	**4.2**	3,768	4.2
Granted	**–**	**–**	8,101	—
Forfeited	**–**	**–**	(300)	—
Expired	**–**	**–**	—	—
Outstanding at 31 December	**11,569**	**4.0**	11,569	4.0
Exercisable at 31 December	**1,268**	**2.0**	1,268	2.0

There were no options granted in 2013. The weighted average fair value of options granted in 2012 was 1.0 pence per option.

Notes to the financial statements
For the year ended 31 December 2013

The closing mid-market share price on 17 April 2014 was 17 pence.

The weighted average remaining contractual life of the share options outstanding at 31 December 2013 was 6.6 years at exercise prices ranging from 2.0 pence to 7.5 pence.

Those options exercisable at 31 December 2013 are at an exercise price of 2.0 pence.

The total charge for the year relating to employee share-based payment plans was £25,000 (2012: £25,000), all of which related to equity-settled share-based payment transactions.

16 Cash used in operations

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Loss before taxation	**(2,467)**	(1,789)
Adjustments for:		
Depreciation and impairment	**124**	100
Share-based payment charge	**25**	25
Interest income	**(6)**	—
Fair value gain on financial liabilities recognised in profit or loss	**(79)**	—
Interest expense	**536**	460
Changes in working capital:		
Increase in inventories	**(44)**	(68)
Decrease/(Increase) in trade and other receivables	**1,116**	(744)
(Decrease)/Increase in trade and other payables	**(450)**	973
Net cash used in operations	**(1,245)**	(1,043)

17 Employee information

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Sales	**5**	4
Product development	**28**	22
Finance & administration	**5**	5
Total	**38**	31

Staff costs for the persons above were:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Wages and salaries	**1,576**	1,162
Social security costs	**59**	38
Pension costs	**32**	21
Other benefits	**222**	117
Total	**1,889**	1,338

18 Capital commitments

The Group had no capital commitments at 31 December 2013 (2012: £nil)

19 Operating leases

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

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Lease payments under operating leases charged to operating costs in the year	**149**	80

At the balance sheet date the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases as follows:

	31 December 2013 £'000	31 December 2012 £'000
within one year	**236**	45
one to five years	**192**	—
Total	**428**	45

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

20 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 were no share options issued to key management personnel during the year. Key management personnel remuneration includes the following expenses:

	Year ended 31 December 2013 £'000	Year ended 31 December 2012 £'000
Salaries including bonuses	**141**	135
Other benefits	**54**	50
Sums paid to third parties for services	**253**	166
Total short-term employee benefits	**448**	351

The remuneration of each Director is presented in the Directors' Report on page 8.

Peter Wilkinson is a shareholder and Director of InTechnology plc. On 28 August 2013 the Company announced the conversion of £6.7 million total indebtedness to InTechnology plc into £4.0 million of new ordinary shares (being 20,000,000 new ordinary shares issued at the placing price of 20 pence per share) and £2.7 million of non-convertible cumulative redeemable preference shares. Furthermore, the existing £3.0 million (nominal value) of preference shares held by InTechnology plc were converted into non-convertible cumulative redeemable preference shares with the same terms — further details of which can be found in note 21 to the accounts on page 37.

Mobile Tornado Group plc has bought goods and services totalling £484,000 (year ended 31 December 2012; £291,000) from InTechnology plc in the year to 31 December 2013. As at 31 December 2013, Mobile Tornado Group plc owed InTechnology plc £59,000 (31 December 2012; £1,347,000).

Jorge Pinievsky is a shareholder and Director of Valley Telecom Limited. Mobile Tornado Group plc has bought goods and services totalling £115,000 (year ended 31 December 2012; £nil) from Valley Telecom Limited in the year to 31 December 2013. As at 31 December 2013, Mobile Tornado Group plc owed Valley Telecom Limited £nil (31 December 2012; £nil).

Payments to a third party, Stonerings Limited, are made in respect of the services provided by Jeremy Fenn, Chief Executive Officer. As at 31 December 2013, Mobile Tornado Group plc owed £12,000 (31 December 2012: £3,000) to Jeremy Fenn.

21 Share restructure

During the year a share restructure took place which resulted in liabilities with InTechnology plc being converted into ordinary shares and preference shares of the Group.

Liabilities and preference shares totalling £5,702k were converted into 71,277k 8p preference shares on 28 August 2013. The preference shares are non-voting, non-convertible redeemable preference shares redeemable at par value on 31 December 2018, or, at the Company's discretion, at any earlier date. The preference shares will accrue interest at a fixed rate of 10% per annum.

The exchange in instruments has resulted in a de-recognition of the old liabilities and recognition of a new liability. The new liability is recognised at its fair value and any gain or loss recognised in profit or loss. Management has assessed the fair value of the instrument and the amount the liability has been held at is £5,623k. As a result a profit of £79k has been recognised as finance income in the statement of comprehensive income.

Other amounts due to InTechnology plc totalling £4m have been converted to ordinary shares. There is no profit or loss on the extinguishment of the liabilities. The equity holding is measured at its fair value of £4m, being £400k par value shares plus £3,600k taken to share premium. In line with Companies Act requirements the shares have not been issued for less than nominal value.

The directors have assessed that the debt for equity conversion is outside of the scope of IFRIC 19, Extinguishing Financial Liabilities with Equity Instruments, as a result of the transaction being with an existing shareholder, InTechnology plc, acting in their capacity as shareholder.

Company balance sheet — prepared under UK GAAP
As at 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	2	**145**	86
Goodwill	4	**12,758**	12,758
		12,903	12,844
Current assets			
Debtors	5	**1,172**	2,022
Cash at bank and in hand		**2,265**	58
		3,437	2,080
Creditors — amounts falling due within one year	6	**(3,079)**	(6,829)
Net current assets/(liabilities)		**358**	(4,749)
Total assets less current liabilities		**13,261**	8,095
Creditors — amounts falling due after one year	6	**(8,035)**	(5,697)
Net assets		**5,226**	2,398
Capital and reserves			
Called up share capital	7,8	**4,499**	3,699
Share premium account	8	**11,225**	4,449
Merger reserve	8	**10,938**	10,938
Preference shares	8	**–**	2,390
Share option reserve	8	**100**	75
Profit and loss account	8	**(21,536)**	(19,153)
Shareholders' funds		**5,226**	2,398

The financial statements on pages 38 to 42 were approved by the Board of Directors on 23 April 2014 and were signed on its behalf by:

Jeremy Fenn
Chief Executive Officer
23 April 2014
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 2013

1 Principal accounting policies

1.1 Basis of preparation
The financial statements have been prepared under the historical cost basis of accounting and in accordance with applicable accounting standards — United Kingdom Generally Accepted Accounting Practice (UK GAAP).

The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income in these financial statements. The Company's overall result for the year is given in the statement of changes in shareholders' funds.

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.

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 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:

Computer equipment	3 years

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

1.5 Goodwill
The Directors depart from the specific requirement of Companies legislation to amortise goodwill over a finite period for the purpose of giving a true and fair view. The Directors believe that the goodwill does not have a finite life for the reasons detailed in note 4 to these accounts. As a result, goodwill is assessed annually for impairment.

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.

1.7 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 Company's 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.

2 Tangible assets

	Computer equipment £'000	Total £'000
Cost		
At 1 January 2013	206	206
Additions	122	122
At 31 December 2013	**328**	**328**
Accumulated depreciation		
At 1 January 2013	120	120
Charge for the year	63	63
At 31 December 2013	**183**	**183**
Net book amount at 31 December 2013	**145**	**145**
Net book amount at 31 December 2012	86	86

3 Investments

Details of the principal investments at 31 December 2013 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
M.T. Labs Limited	Israel	Sale of instant communication services	100%	100%

On 31 October 2009 the trade and net assets of Mobile Tornado International Limited 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 Limited was £12,758,000. Consequently, the value of the investment held in Mobile Tornado International Limited 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.

Mobile Tornado International Limited was subsequently struck-off of the Companies Register and dissolved as it was not carrying on business or otherwise in operation.

Notes to the Company financial statements prepared under UK GAAP

For the year ended 31 December 2013

4 Goodwill

	Goodwill £'000
Cost and net book amount	
At 31 December 2012 and 2013	**12,758**

The Directors in considering current sales pipeline activity, future cash flow projections together with the quality of its current research and development team 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.

5 Debtors

	2013 £'000	2012 £'000
Trade receivables	**586**	1,386
Trade receivables - net	**586**	1,386
Other debtors and prepayments	**141**	161
Contract prepayment	**–**	475
Amounts owed by Group undertakings	**445**	—
	1,172	2,022

6 Creditors – amounts falling due within one year

	2013 £'000	2012 £'000
Trade creditors and accruals	**611**	3,339
Other taxation and social security	**10**	8
10% cumulative preference shares	**5,702**	610
Amounts owed to Group undertakings	**–**	233
Other creditors	**13**	9
Deferred income	**2,071**	2,745
Loans	**–**	2,742
Contingent consideration	**2,707**	2,840
	11,114	12,526
Less non-current portion:		
Deferred consideration	**(2,412)**	(2,612)
10% cumulative preference shares	**(5,623)**	(343)
Loans	**–**	(2,742)
Amounts due > 1 year	**3,079**	6,829

7 Share capital

	2013 £'000	2012 £'000
Authorised		
475,000,000 (2012: 475,000,000) Ordinary shares of 2p each	**9,500**	9,500
Total	**9,500**	9,500

	2013 £'000	2012 £'000
Allotted, called up and fully paid		
224,953,708 (2012: 184,953,708) Ordinary shares of 2p each	**4,499**	3,699
Total	**4,499**	3,699

Non-voting preference shares

	Number of shares '000	Value £'000
At 1 January 2013	37,500	3,000
Issue of new preference shares of 8p each	33,777	2,702
Conversion of existing preference shares to new preference shares:	(37,500)	(3,000)
	37,500	3,000
As at 31 December 2013	**71,277**	**5,702**

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 2013	3,699	4,449	10,938	2,390	75	(19,153)	2,398
Issue of shares	800	6,776	—	—	—	—	7,576
Employee share option adjustment	—	—	—	—	25	—	25
Loss for the year	—	—	—	—	—	(2,383)	(2,383)
Preference shares	—	—	—	(2,390)	—	—	(2,390)
At 31 December 2013	**4,499**	**11,225**	**10,938**	**-**	**100**	**(21,536)**	**5,226**

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 wholly owned subsidiary undertaking as these have been eliminated on consolidation of these financial statements.

Payments to a third party, Stonerings Limited, are made in respect of the services provided by Jeremy Fenn, Chief Executive Officer. As at 31 December 2013 Mobile Tornado Group plc owed £12,000 (31 December 2012: £3,000) 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 2013 was £2,383,000 (year ended 31 December 2012: £1,674,000 loss).

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that an Annual General Meeting of the Company will be held at Cardale House, Cardale Court, Beckwith Head Road, Harrogate, HG3 1RY on 26 June 2014 at 09:00 am 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 2013 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;

3. to authorise the Directors to determine the auditors' remuneration;

4. to re-appoint Richard James, who retires in accordance with Article 38 of the Company's articles of association and who, being eligible, offers himself for re-appointment as a Director;

5. to re-appoint Jeremy Fenn, who retires in accordance with Article 38 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 6 being proposed as an ordinary resolution and resolution 7 being proposed as a special resolution:

6. THAT, in substitution for all existing and unexercised authorities, 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 £1,485,000 (being approximately 33 per cent of the Company's issued share capital), 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.

7. THAT, subject to the passing of resolution 6, 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 6 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 £450,000 (being approximately 10 per cent of the Company's issued share capital);

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
23 April 2014

Registered office:
Cardale House
Cardale Court
Beckwith Head Road
Harrogate
HG3 1RY

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 Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4ZF 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 Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4ZF; and
- received by Capita Asset Services by no later than 9.00 a.m. on 24 June 2014.

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 stating their capacity (e.g. director, secretary).

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 Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4ZF.

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 Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. 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 24 June 2014.

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, Cardale House, Cardale Court, Beckwith Head Road, Harrogate, HG3 1RY.

No other methods of communication will be accepted.

Corporate representatives

11 If a corporation is a member of the Company, it may by resolution of its directors or other governing body authorise one or more persons to act as its representative or representatives at the Meeting and any such representative or representatives shall be entitled to exercise on behalf of the corporation all the powers that the corporation could exercise if it were an individual member of the Company, provided that they do not do so in relation to the same shares.

Corporate representatives should bring with them either an original or certified copy of the appropriate board resolution or an original letter confirming the appointment, provided it is on the corporation's letterhead and is signed by an authorised signatory and accompanied by evidence of the signatory's authority.

Uncertificated Securities Regulations

12 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 24 June 2013 (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:	Cardale House Cardale Court Beckwith Head Road Harrogate HG3 1RY
Directors:	P R Wilkinson (Non-Executive Chairman) J M Fenn (Chief Executive Officer) J Pinievsky (Chief Operating Officer) R M James (Director & Company Secretary)
Nominated Advisor and Broker:	Investec Bank Plc 2 Gresham Street London EC2V 7QP
Bankers:	Barclays Bank Plc Hanover Square 50 Pall Mall London SW1Y 5AX
Solicitors:	Walker Morris LLP Kings Court 12 King Street Leeds LS1 2HL
Registrars:	Capita Asset Services 34 Beckenham Road Beckenham Kent BR3 4ZF
Auditors:	Grant Thornton UK LLP No 1 Whitehall Riverside Leeds LS1 4BN
Internet address:	www.mobiletornado.com

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