



# Mobile Tornado



## ANNUAL REPORT AND FINANCIAL STATEMENTS

for the year ended 31 December 2017



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## Strategic report

### Introduction

Mobile Tornado Group plc, the leading provider of instant communication mobile applications to the enterprise market, announces its results for the year ended 31 December 2017.

### Financial Highlights

- Total revenue increased by 25% to £2.53m (2016: £2.02m)
- Recurring revenues increased by 13% to £2.07m (2016: £1.84m)
- Non-recurring revenues, comprising installation fees, hardware and professional services and perpetual license fees increased to £0.46m (2016: £0.19m)
- Gross profit increased by 26% to £2.42m (2016: £1.92m)
- Operating expenses increased by 7% to £4.15m (2016: £3.89m) – adversely impacted by the depreciation of sterling comparative to the previous period
- Adjusted EBITDA\* loss of £1.72m (2016: £1.96m)
- Group operating loss for the year decreased to £1.76m (2016: £3.09m) – impacted by further exchange differences of £0.14m gain (2016: £0.64m loss)
- Loss after tax of £1.60m (2016: £3.45m)
- Basic loss per share of 0.61p (2016: 1.39p)
- Cash at bank of £0.73m (2016: £0.17m) with net debt of £9.81m (2016: £9.06m)

\*Earnings before interest, tax, depreciation, amortisation, exceptional items and excluding exchange differences

### Operating highlights

- Contract wins with two major Mobile Network Operators (“MNO”) in Israel – now well positioned to capitalise on significant opportunities in the Israeli market
- Contract renewal with our Tier 1 network operator in Canada, currently our largest customer by license count and revenues
- Full commercial launches with two MNO customers in South Africa
- Completed the development of new Instant Communication platform, with significantly higher capacity and additional user features
- Software Development Kit (“SDK”) upgraded and released to market
- Development of the new Dispatch Console (MDC2000) completed and released to market

### Financial results and key performance indicators

Total revenue for the year ended 31 December 2017 increased by 25% to £2.53m (2016: £2.02m). Recurring revenues, a key performance indicator for the business, continued to increase and were up by 13% to £2.07m (2016: £1.84m). Non-recurring revenues, comprising installation fees, hardware, professional services and perpetual license fees increased to £0.46m (2016: £0.19m) supported by the increased number and size of new installations during the period. As a result, gross profit increased by 26% to £2.42m (2016: £1.92m).

The majority of our operating expenses are denominated in New Israeli Shekels and whilst our underlying operating cost-base remained largely unchanged over the comparative period on a like-for-like basis, our reported operating expenses increased by 7% to £4.15m (2016: £3.89m) due primarily to the depreciation of Sterling comparative to the first half of the previous period.

Due to the annual revaluation of certain financial liabilities on the balance sheet, the Group reported a translational gain of £0.14m (2016: £0.64m loss) arising from the recovery of Sterling during the year. The Group recorded an income tax credit in respect of our qualifying investment in R&D activities of £0.85m (2016: £0.28m).

## Strategic report

As a result of the above, the loss after tax for the year decreased to £1.60m (2016: Loss £3.45m) and a reduced basic loss per share of 0.61p (2016: 1.39p).

The net cash outflow from operating activities was £1.53m (2016: £1.72m). At 31 December 2017, the Group had £0.73m cash at bank (2016: £0.17m) and net debt of £9.81m (2016: £9.06m).

### Results and dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 (year ended 31 December 2016: nil). The Company currently intends to reinvest future earnings to finance the growth of the business over the near term.

### Review of operations

I am very pleased to report the positive financial performance set out above. The numbers in isolation are encouraging but they provide only a partial insight into what has been a period of significant progression and exciting development for the business.

At the end of last year I reported that, under the stewardship of our CEO Avi Tooba, we started to make significant investment into our technical engineering resources to allow us to expand our product capabilities in certain key areas as well as to ensure improved cost effectiveness in the deployment of our technology by our clients. I am pleased to report a range of exciting product improvements developed by our R&D team over the course of the year.

First of all we made an important improvement to the functionality and user experience of our dispatch console. This is a key workforce efficiency tool that pinpoints the location of Push to Talk ("PTT") users on an interactive map, allowing managers to monitor and dispatch workers from a central location. There are many valuable applications for this tool and we see significant appetite for it in the market. Our latest version, the MDC2000, has been recently launched and as anticipated it is receiving excellent feedback from potential customers.

Another area of focus on the development side has been to maintain our drive to reduce the minimum system cost and accessibility of our private PTT systems. Whilst we believe our carrier class product to be competitively priced to Tier 1 MNO's we are committed to making our instant communication solutions available at even lower costs and with much reduced integration times. This is particularly relevant for the clients of our Independent Solution Vendors, who serve large corporates and clients in the Public sector, where end user numbers can typically be less than 10,000. Following the excellent work in this area we are now able to deploy our solution at considerably reduced costs.

Related to this was the completion of our work in developing our SDK allowing an external engineer to integrate a full suite of our PTT functionality into third party work-force management applications within a few weeks. These are developments that expand the relevance and application of the Mobile Tornado product, allowing us to capture a wider market share, and enable more efficient use of our own technical resources.

A third area of our development work has been focussed on expanding the number of available devices that are integrated with the Mobile Tornado PTT solution. A number of these have been ruggedised devices. We already have a wide range of third party devices from multiple handset vendors on which our solution can operate, but we have increased this significantly to ensure our customers have the device choice they need. This is in response to the continued convergence of device usage for workers in industrial enterprises and field services who have previously relied on multiple devices and who can now elect for a single ruggedised smartphone device on which PTT and all applications can operate.

## Strategic report

These continued improvements to our technical platform allow us to deliver, in our opinion, the most superior in-network PTT solution to our customers. Before moving on to our sales progress I wanted to set out how our customers prioritise their technical needs, whether MNO, global enterprise or public sector body, from a PTT perspective to demonstrate how we are able to differentiate our offering and to help bring our sales progress into context.

The technical needs of our clients can be simplified into three priority areas: Platform Robustness; User Efficiency; and Features

Platform Robustness is determined by the availability, capacity and scalability of the platform. The Mobile Tornado PTT system availability is 99.999%, which is equivalent to 5 minutes total downtime per year, and represents the gold standard of cellular network operation. Few if any of our competitors outside of the Mission Critical market can offer this level of performance and it is better than most land mobile radio ("LMR") and digital mobile radio ("DMR") network availability.

In capacity terms we can offer great flexibility, with high capacity systems for 200,000 users enabling large organizations and enterprises to be set up on one system, and low capacity systems that can be deployed with less than 10,000 registered users. In the context of scalability and group size our server database can allow for the creation of thousands of different groups for any given server with individual PTT group sizes up to 350 members.

The second element is User Efficiency and this is determined by the data usage, latency and speed of the service to the user. Some available applications in the market use a high bit rate. This could mean the customer may require up to 4GB of data per month per PTT user if large user groups are planned. A more problematic issue of higher bit rate systems is message delivery failure that becomes a greater issue in congested areas or during events where there is high data usage. Our technology selects the bit rate based on the system topology (2G, 3G, 4G or Wi-Fi) and selects a lower bit rate where the signal is weak. All these actions allow a user to consume a far lower data usage.

In terms of speed and latency, measured from PTT button press to the receipt of audio on the other side, our service is under one second, and about 0.5 second on 4G and Wi-Fi networks. This is irrespective of whether the group is 2 or 350 members.

The third key element of our platform is the number of features and level of functionality that the platform delivers. I have highlighted above some of the most important developments, such as the SDK, enhanced Dispatch console, and low cost private platforms and although we sit outside the Mission Critical public safety market, we strongly believe we can offer a technical solution and service that is very close to it in quality terms at a fraction of the price. The Board believes that this makes for a very compelling proposition to our customers.

In operational cost terms, we have been able to make the technical progress detailed above on broadly the same levels of spending as last year, as we sustained our R&D spending commitment. We have built excellent engineering capabilities across our three centres in Ukraine, Israel and India, and will continue to invest at similar levels as we seek to maintain our position in the market.

### **Mobile network operators ('MNOs')**

We have seen some significant activity in our MNO engagement over the past year. Total revenues were up 25% year on year and it was pleasing to see the sustained momentum in our recurring revenue numbers in H2 2017, following the increase we saw during H1 2017.

In North America we were pleased to renew the contract we have with our Tier 1 MNO customer. A key factor in this renewal was the enhanced robustness of our platform and our ability to offer the customer the ultimate level of platform availability at 99.999% which I touched on earlier.

## Strategic report

We have maintained for some time that South America is a primary target region for the business and we continue our close level of engagement with the largest MNO's in Mexico, Brazil, Ecuador and Colombia. Despite the delay in translating our engagement level into significant user license numbers which has been disappointing, we are finally beginning to see real traction being achieved by our MNO partners with their end customers, particularly in Colombia where we have recently had some important customer wins. We expect ramp up in these new customers to flow through into our financial performance in 2018. We are convinced by the market dynamics for PTT over Cellular ("PTToC") in the region given the high deployment of iDEN but we are yet to see the full consequences of its redundancy phase and the anticipated migration to PTToC in substantial numbers yet. Despite this we saw that revenues attributed to the region increased 41% from the previous year from a low number in absolute terms.

We are beginning to make encouraging progress in Africa, commencing commercial roll-out with the two largest South African MNOs in the later stages of the financial year. Discussions have also commenced with one of these MNOs around launching and deploying our proposition in the wider African market. I look forward to updating you in due course on this opportunity.

In Israel we recently announced the signing of two major MNO deals. The Israeli market is currently witnessing an intense period of competition by MNOs for business customers looking to replace LMR systems with PTToC offerings. We are delighted to have been selected by two major MNO's which positions us well into a market where we expect to see significant license sales potential during this financial year.

### Hardware

Towards the end of the last financial year, we commenced a project that looked at the opportunities in the handset market, whilst still recognising that we are a technology led software provider. Since PTT is the primary application needed on the device for many of our customers, including MNOs looking to sell to their business customers, we concluded that there is a bundled sales opportunity for us to offer a device with a perpetual PTT license, where we effectively play the role as reseller of the device.

The increasing number of handset manufacturers producing ruggedised devices, targeted at the PTToC market, is a leading indicator on the momentum that has started to build. We have now engaged with a number of these to embed our application at manufacture, thereby enabling us to sell a bundled solution to customers. This is especially attractive to MNOs where there are large numbers of end users migrating to a PTToC solution from LMR, where the customers are familiar with paying for an integrated hardware/software solution.

The revenue economics to the business, albeit different from our recurring revenue license model, would be highly attractive as we would be able to capture both a margin in the sale of the device as well as from the sale of our license. We will keep you updated on progress.

### Independent Solution Vendors (ISV's) and software integrators

Our offering to ISV's and our ability to service them as a sales channel has been greatly enhanced by both the roll out of our SDK solution, as well as the work we have done in bringing down the cost of a private system built around our technology. Having this capability means we now have a healthy pipeline of enterprise opportunities via ISV's and Software Integrators.

### Principal risks and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks.



## Strategic report

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 MNOs reselling our services to their enterprise customers. Whilst MNOs 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.

### Going concern and funding

The Directors have reviewed the available cash reserves which are supported by the recent placing of new shares completed on 10 January 2018 raising £1.35m, together with continued support from our principal shareholder – Intechology plc, who have confirmed that they will not call on existing loans and borrowings and will provide working capital support under specific scenarios, as well as 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.

### Outlook

The market continues to move in a favourable direction and supports the investment we have made in our technical platform. There is an increasing appetite for Companies and public agencies to explore PTTToC as an alternative to their traditional radio systems. The lower cost of ownership, and enhanced functionality, are providing very compelling reasons for switching.

The Board believes the Company is very well positioned to take advantage of these market dynamics. We believe we now have the leading offering within the business-critical market and are uniquely placed to capture non-mission-critical enterprise customers seeking a lower cost solution with the superior functionality benefits that PTTToC offers.

Our focus for the coming year will firmly shift towards the development of our sales channels and the monetisation of the platform. We have some excellent customers already on the platform and we are working closely with them to ensure they reach their full potential.

### Approved by the Board of Directors and signed on behalf of the Board

**Jeremy Fenn**  
Chairman  
1 May 2018



## Directors' report

The Directors present their annual report and audited financial statements of the Company and the Group for the year ended 31 December 2017.

### Share issues

The Company completed on 28 April 2017 a placing of 23.8 million shares at 5p per share to raise a total of £1.19m, and subsequently on 10 January 2018, a placing of 27.0m shares at 5p per share to raise a further £1.35m to support the working capital requirements of the Company.

### Directors

The Directors of the Company who were in office during the year and up to the date of signing the financial statements were:

- **Peter Wilkinson** became Non-Executive Director on 30 September 2016, having previously served as Non-Executive Chairman since his appointment to the Board 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 founded the free ISP model Freeserve, the internet access service which was launched by Dixons Group plc.
- **Jeremy Fenn** became Executive Chairman on 30 September 2016, having previously served as Chief Executive Officer and acting Finance Director since his appointment 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.
- **Avi Tooba** was appointed as Chief Executive Officer on 30 September 2016. Avi was previously the senior Director of engineering at Motorola Solutions overseeing engineering and some 500 engineers at the Israel Design Centre. He managed the Public Safety LTE subscriber devices, TETRA subscribers (European standards) and P25 devices and infrastructure (US standards). Prior to that, he was Director of engineering at Motorola Networks which was later sold to Nokia for an estimated US\$1 billion.
- **Jonathan Freeland** was appointed to the Board as an independent Non-Executive Director on 9 February 2018. Jonathan has over 17 years' experience in financial services across wealth and investment banking, private equity and commercial lending. Most recently he was a Partner at Venn Partners LLP, the specialist private credit investment manager, from 2011-2015. He is currently advisor to a number of non-bank financing businesses operating in a range of sectors.

Richard James stepped down from the Board as Director and Company Secretary on 6 June 2017.

## Directors' report

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

	<b>1 February 2018</b>		<b>31 December 2017</b>		31 December 2016	
	<b>number</b>	<b>%</b>	<b>number</b>	<b>%</b>	number	%
Peter Wilkinson	<b>38,146,141</b>	<b>12.8</b>	<b>34,146,141</b>	<b>12.6</b>	28,146,141	11.4
Jeremy Fenn	<b>12,184,752</b>	<b>4.1</b>	<b>11,434,752</b>	<b>4.2</b>	8,434,752	3.4
Avi Tooba	<b>4,000,000</b>	<b>1.3</b>	<b>3,000,000</b>	<b>1.1</b>	-	-
Richard James (resigned 6 June 2017)	<b>2,959,870</b>	<b>1.0</b>	<b>2,959,870</b>	<b>1.1</b>	2,959,870	1.2
Jonathan Freeland (appointed 9 February 2018)	<b>3,181,014</b>	<b>1.1</b>	<b>2,581,014</b>	<b>1.0</b>	2,181,014	0.9

Third party indemnity insurance is in place for the four Directors above. This was in force during the year and at the date of this report.

Details of related party transactions involving Directors of the Company are given in note 21 to the Group financial statements.

### Directors' emoluments

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

	<b>Salary</b>	<b>Fees</b>	<b>Benefits in kind</b>	<b>Total</b>	2016 Total
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Peter Wilkinson	-	66	-	<b>66</b>	66
Jeremy Fenn	6	120	1	<b>127</b>	127
Richard James	-	8	-	<b>8</b>	18
Avi Tooba (appointed 30 September 2016)	112	-	39	<b>151</b>	91
<b>Aggregate emoluments</b>	<b>118</b>	<b>194</b>	<b>40</b>	<b>352</b>	302

### Interests in share options

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

	<b>No. of share options 2017</b>	<b>Exercise price pence</b>	<b>Grant date</b>	<b>Earliest exercise date</b>	<b>Expiry date</b>	No. of share options 2016
Jeremy Fenn	3,000,000	7.5	03/01/12	03/01/15	03/01/22	3,000,000
Jeremy Fenn	3,000,000	6.5	15/06/17	15/06/20	15/06/27	-
<b>Total</b>	<b>6,000,000</b>					3,000,000
Avi Tooba	2,000,000	2.0	16/05/16	16/05/19	31/12/26	2,000,000
Avi Tooba	2,000,000	4.0	04/11/16	04/11/19	31/12/26	2,000,000
Avi Tooba	3,000,000	6.5	15/06/17	15/06/20	15/06/27	-
<b>Total</b>	<b>7,000,000</b>					4,000,000

### Substantial shareholdings

Following the placing of new shares on 10 January 2018, InTechnology plc held 126,709,135 shares (31 December 2017; 126,709,135; 31 December 2016; 126,709,135) in

## Directors' report

the Company representing 42.5% 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 it considers practicable and appropriate for a Group of this size.

### Audit Committee

The Audit Committee is chaired by Peter Wilkinson and its other member is Executive Chairman, Jeremy Fenn. Meetings are also attended, by invitation, by the other two 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, however, no formal hedging is performed. 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 regularly reviews cash flow projections and the headroom position 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

## Directors' report

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 which are supported by the recent placing of new shares completed on 10 January 2018 raising £1.35m, together with continued support from our principal shareholder – Intechnology plc, who have confirmed that they will not call on existing loans and borrowings and will provide working capital support under specific scenarios, as well as 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.

### Results, dividends & future outlook

Detailed commentary of the Group's results, dividends and future outlook are provided in the Strategic report on pages 2 to 6.

### 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 16 to the financial statements.

## Directors' report

### Pension costs

The Group operates a pension scheme and makes contributions to its employees in adherence with its auto-enrolment obligations. 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 of £1,427,000 (2016: £1,270,000) is charged to the income statement as incurred after consideration of the criteria for capitalisation under IAS 38.

### 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 in respect of the financial statements

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law). Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 102, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Directors' report

The Directors of the ultimate parent company are responsible for the maintenance and integrity of the of the ultimate parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Directors' report confirm that, to the best of their knowledge:

- the Company financial statements, which have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law), give a true and fair view of the assets, liabilities, financial position and loss of the Company;
- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the European Union, give a true and fair view of the assets, liabilities, financial position and loss of the Group; and
- the Directors' Report includes a fair review of the development and performance of the business and the position of the Group and Company, together with a description of the principal risks and uncertainties that it faces.

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditors are aware of that information.

### Annual General Meeting

The next AGM of the Company will be held on 12 June 2018. Details of the business to be proposed at the AGM are contained within the Notice of Meeting, which is set out on pages 55 to 61.

### Independent auditor

PricewaterhouseCoopers 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.

On behalf of the Board

**Jeremy Fenn**  
**Chairman**  
**1 May 2018**

## **Independent auditors' report to the members of Mobile Tornado Group plc**

### **Report on the audit of the financial statements**

#### **Our opinion**

In our opinion:

- Mobile Tornado Group plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2017 and of the Group's loss and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Group statement of financial position and Company balance sheet as at 31 December 2017; the Group income statement and statement of comprehensive income, the Group statement of cash flows, and the Group and Company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

#### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

#### **Our audit approach**

##### **Materiality**

- Overall Group materiality: £131,000 (2016: £148,000), based on 5% of average losses before tax for the last three years.
- Overall Company materiality: £118,000 (2016: £132,000), based on 5% of average losses before tax for the last three years, capped at 90% of Group materiality.

##### **Audit scope**

- The Group consist of two components, the Company and its one subsidiary. We as the Group engagement team, audited the UK – covering 99% of the Group's external revenues and 99% of the Group's Loss before tax.



## Independent auditors' report to the members of Mobile Tornado Group plc

### Key audit matters

- The risk that the Group will be unable to continue as a going concern (Group and parent).
- Goodwill may be impaired (Parent).

### The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

### Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	How our audit addressed the key audit matter
<p><b><i>The risk that the Group (and Parent) will be unable to continue as a going concern.</i></b></p> <p>The Group has been in a loss making position for a number of years due to it being in its development phase. The Group is also in a net liability position.</p> <p>The Group is mainly financed through a combination of various borrowings but the main creditor is the parent company, InTechnology plc, which holds a combination of loans, preference shares and other payables. If these loans were called on demand or at the point of maturity, the Group would not be in a position currently to repay these borrowings.</p> <p>The Group has not been in a position to create positive cash flows from operating activities and has been funded in the current year and prior year from funds received from the placing of new shares on the open market.</p>	<p>We have reviewed management's forecasts and challenged assumptions within them.</p> <p>We have evaluated the adequacy of support for significant assumptions underlying the prospective financial information based on our knowledge of the entity, its business, and its Directors. Particular attention has been made to assumptions that are material to the prospective financial information, which includes the viability of revenue growth assumptions, the likelihood of receiving cash from material research and development tax credits, and other one off events expected to give rise to positive cash flows.</p> <p>We have considered historical assumptions and Directors' previous representations on the ability to continue to operate and raise new funding.</p>

## Independent auditors' report to the members of Mobile Tornado Group plc

Key audit matter	How our audit addressed the key audit matter
<p>The Directors believe that the Group holds technology which will replace current technology and the material value of which is not reflected on the Group balance sheet. The Directors believe that once the Company is fully established it will be in a position to repay borrowings and create positive cash flows in the future. The Directors believe that they have demonstrated this belief by subscribing to new shares with their own capital during the most recent round of funding in January 2018 which raised £1.35 million of additional capital, in addition to £1.1 million which was raised during 2017.</p>	<p>The Group has obtained written confirmation of support from InTechnology plc, who are the main creditor, and who have confirmed that they will continue to support the Group for the foreseeable future through not calling on existing loans and borrowings and by providing working capital support under specific scenarios.</p>
<p>The Directors have assessed the 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 a reasonable expectation that the Group will be able to meet its liabilities as they fall due and continue to trade for the foreseeable future.</p>	<p>We have also obtained specific written representation from the Directors regarding future plans in relation to its going concern assessment.</p>
<p>They have therefore concluded that the financial statements are appropriately prepared on a going concern basis.</p>	<p>We believe that the work we have performed, and the disclosures made in the financial statements are consistent and it is reasonable for the management to assess that the Group will continue as a going concern for the foreseeable future.</p>
<p>It is noted that this assessment includes the assumption that InTechnology plc will not call on its loans and borrowings to be repaid during the next twelve months.</p>	
<p>In addition the Directors are confident that if new funding is required during the foreseeable future to fund day to day activities (not to repay existing borrowings), there is sufficient appetite in the market to support a further round of funding through a new issue of shares.</p>	

## Independent auditors' report to the members of Mobile Tornado Group plc

Key audit matter	How our audit addressed the key audit matter
<p><b><i>Goodwill in the Parent entity may be impaired</i></b></p> <p>On 31 October 2009 the trade and assets of a wholly owned subsidiary were transferred to Mobile Tornado Group plc at book value. The transfer of the trade and assets were accounted for as a hive up resulting in de-recognition of an investment in a subsidiary and recognition of material goodwill.</p> <p>Given that the Company is loss making and is in a net liabilities position impairment indicators are present.</p>	<p>We have reviewed management's forecasts and challenged assumptions within them.</p> <p>We have evaluated the adequacy of support for significant assumptions underlying the prospective financial information based on our knowledge of the entity, its business, and its Directors. Particular attention has been made to assumptions that are material to the prospective financial information, which includes the viability of revenue growth assumptions.</p> <p>We believe that the work we have performed, and the disclosures made in the financial statements are consistent and it is reasonable for the management to assess that the Company does not require an impairment to goodwill in the year.</p>

### How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

The Group consists of the Company, incorporated and operating out of the UK, and one subsidiary, located in Israel. The Group is considered to have one significant component. The UK is considered to require a full scope audit for the Group audit engagement, as it is considered a significant component due to its financial significance (UK contributes 99% of both Group revenue and losses before tax). Israel is not considered a significant component as it contributes less than 1% of the Group's revenues and losses before tax. Specified procedures are performed over specific balances, where the balance contributes 15% or more of the total balance for the Group. Both components are audited by the Group engagement team based in the UK.

### Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

## Independent auditors' report to the members of Mobile Tornado Group plc

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	<b>Group financial statements</b>	<b>Company financial statements</b>
<b>Overall materiality</b>	£131,000 (2016: £148,000).	£118,000 (2016: £132,000).
<b>How we determined it</b>	5% of average losses before tax for the last three years.	5% of average losses before tax for the last three years, capped at 90% of Group materiality.
<b>Rationale for benchmark applied</b>	Based on the benchmarks used in the annual report, loss before tax is the primary measure used by the shareholders in assessing the performance, and is a generally accepted auditing benchmark. It is considered appropriate to use the average loss over the last three years whilst the Group is in the initial stages of its life cycle.	Based on the benchmarks used in the annual report, loss before tax is the primary measure used by the shareholders in assessing the performance, and is a generally accepted auditing benchmark. It is considered appropriate to use the average loss over the last three years whilst the Company is in the initial stages of its life cycle.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between £100,000 and £118,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £6,550 (Group audit) (2016: £6,600) and £5,900 (Company audit) (2016: £6,600) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern.

## **Independent auditors' report to the members of Mobile Tornado Group plc**

### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The Directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### ***Strategic Report and Directors' Report***

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2017 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

### **Responsibilities for the financial statements and the audit**

#### ***Responsibilities of the Directors for the financial statements***

As explained more fully in the Statement of Directors' Responsibilities Statement in respect of the financial statements set out on page 11, the Directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

#### ***Auditors' responsibilities for the audit of the financial statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance,

## **Independent auditors' report to the members of Mobile Tornado Group plc**

but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### ***Use of this report***

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### **Other required reporting**

#### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

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

We have no exceptions to report arising from this responsibility.

**Randal Casson (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
Leeds  
1 May 2018**

## Consolidated income statement

### For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Continuing operations</b>			
Revenue	2	<b>2,530</b>	2,024
Cost of sales		<b>(106)</b>	(103)
<b>Gross profit</b>		<b>2,424</b>	1,921
<b>Operating expenses</b>			
Administrative expenses		<b>(4,148)</b>	(3,885)
Exchange differences		<b>135</b>	(642)
Exceptional items	3	<b>(54)</b>	(276)
Depreciation and amortisation expense		<b>(112)</b>	(203)
Total operating expenses		<b>(4,179)</b>	(5,006)
<b>Group operating loss before exchange differences, exceptional items &amp; depreciation &amp; amortisation expense</b>			
		<b>(1,724)</b>	(1,964)
<b>Group operating loss</b>	4	<b>(1,755)</b>	(3,085)
Finance costs	5	<b>(698)</b>	(640)
<b>Loss before tax</b>		<b>(2,453)</b>	(3,725)
Income tax credit	6	<b>852</b>	277
<b>Loss for the year</b>		<b>(1,601)</b>	(3,448)

## Consolidated statement of comprehensive income

### For the year ended 31 December 2017

	2017 £'000	2016 £'000
<b>Loss for the year</b>	<b>(1,601)</b>	(3,448)
<b>Other comprehensive loss</b>		
Item that will subsequently be reclassified to profit or loss:		
Exchange differences on translation of foreign operations	<b>41</b>	(71)
<b>Total comprehensive loss for the year</b>	<b>(1,560)</b>	(3,519)
<b>Attributable to:</b>		
Equity holders of the parent	<b>(1,560)</b>	(3,519)

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



## Consolidated statement of financial position

As at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	276	294
Intangible assets	9	125	162
		<b>401</b>	456
<b>Current assets</b>			
Trade and other receivables	10	1,721	1,313
Inventories	11	1	-
Cash and cash equivalents	12	732	165
		<b>2,454</b>	1,478
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	13	(5,085)	(4,719)
Borrowings	14	(10,545)	(3,667)
<b>Net current liabilities</b>		<b>(13,176)</b>	(6,908)
<b>Non-current liabilities</b>			
Trade and other payables	13	(2,241)	(2,625)
Borrowings	14	-	(5,560)
		<b>(2,241)</b>	(8,185)
<b>Net liabilities</b>		<b>(15,016)</b>	(14,637)
<b>Equity attributable to the owners of the parent</b>			
Share capital	15	5,427	4,951
Share premium	15	12,672	12,012
Reverse acquisition reserve		(7,620)	(7,620)
Merger reserve		10,938	10,938
Foreign currency translation reserve		(2,213)	(2,254)
Accumulated losses		(34,220)	(32,664)
<b>Total equity</b>		<b>(15,016)</b>	(14,637)

The financial statements on pages 20 to 45 were approved by the Board of Directors on 1 May 2018 and were signed on its behalf by:

**Jeremy Fenn**  
**Chairman**  
**1 May 2018**  
**Company Number: 5136300**

## Consolidated statement of changes in equity

### For the year ended 31 December 2017

	Share capital	Share premium	Reverse acquisition reserve	Merger reserve	Foreign currency translation reserve	Accumulated Losses	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2016</b>	<b>4,951</b>	<b>12,012</b>	<b>(7,620)</b>	<b>10,938</b>	<b>(2,183)</b>	<b>(29,239)</b>	<b>(11,141)</b>
Equity settled share-based payments	-	-	-	-	-	23	23
<b>Transactions with owners</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>23</b>	<b>23</b>
Loss for the year	-	-	-	-	-	(3,448)	(3,448)
Exchange differences on translation of foreign operations	-	-	-	-	(71)	-	(71)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(71)</b>	<b>(3,448)</b>	<b>(3,519)</b>
<b>Balance at 31 December 2016</b>	<b>4,951</b>	<b>12,012</b>	<b>(7,620)</b>	<b>10,938</b>	<b>(2,254)</b>	<b>(32,664)</b>	<b>(14,637)</b>

	Share capital	Share premium	Reverse acquisition reserve	Merger reserve	Foreign currency translation reserve	Accumulated Losses	Total equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Balance at 1 January 2017</b>	<b>4,951</b>	<b>12,012</b>	<b>(7,620)</b>	<b>10,938</b>	<b>(2,254)</b>	<b>(32,664)</b>	<b>(14,637)</b>
Equity settled share-based payments	-	-	-	-	-	45	45
Issue of share capital	476	660	-	-	-	-	1,136
<b>Transactions with owners</b>	<b>476</b>	<b>660</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45</b>	<b>1,181</b>
Loss for the year	-	-	-	-	-	(1,601)	(1,601)
Exchange differences on translation of foreign operations	-	-	-	-	41	-	41
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>41</b>	<b>(1,601)</b>	<b>(1,560)</b>
<b>Balance at 31 December 2017</b>	<b>5,427</b>	<b>12,672</b>	<b>(7,620)</b>	<b>10,938</b>	<b>(2,213)</b>	<b>(34,220)</b>	<b>(15,016)</b>

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

## Consolidated statement of cash flows

### For the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Operating activities</b>			
Cash used in operations	17	(1,528)	(1,721)
Tax received		431	277
<b>Net cash used in operating activities</b>		<b>(1,097)</b>	<b>(1,444)</b>
<b>Investing activities</b>			
Purchase of property, plant & equipment		(80)	(108)
Purchase of intangible assets		-	(81)
<b>Net cash used in investing activities</b>		<b>(80)</b>	<b>(189)</b>
<b>Financing activities</b>			
Issue of ordinary share capital		1,190	-
Share issue costs		(54)	-
Proceeds from borrowings	14	620	1,670
<b>Net cash inflow from financing activities</b>		<b>1,756</b>	<b>1,670</b>
<b>Effects of exchange rates on cash and cash equivalents</b>		<b>(12)</b>	<b>21</b>
<b>Net increase in cash and cash equivalents in the year</b>		<b>567</b>	<b>58</b>
Cash and cash equivalents at beginning of year		165	107
<b>Cash and cash equivalents at end of year</b>		<b>732</b>	<b>165</b>

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

## Changes in liabilities arising from financing activities

### For the year ended 31 December 2017

	2016 £'000	Cash flows £'000	Non-cash changes		2017 £'000
			Finance charge £'000	Exchange differences £'000	
Preference shares	7,557	-	698	-	8,255
Loans from related party undertakings	1,670	620	-	-	2,290
<b>Total liabilities from financing activities</b>	<b>9,227</b>	<b>620</b>	<b>698</b>	<b>-</b>	<b>10,545</b>
Cash and cash equivalents	(165)	(555)	-	(12)	(732)
<b>Net debt</b>	<b>9,062</b>	<b>65</b>	<b>698</b>	<b>(12)</b>	<b>9,813</b>

## Notes to the financial statements

### For the year ended 31 December 2017

#### 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. The Company is a public limited company which is listed on the Alternative Investment Market and incorporated and domiciled in England within the UK. The address of the registered office is Cardale House, Cardale Court, Beckwith Head Road, Harrogate, HG3 1RY.

##### 1.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), International Financial Reporting Interpretations Committee (IFRS IC) 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 both 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 which are supported by the recent placing of new shares completed on 10 January 2018 raising £1.35m, together with continued support from our principal shareholder – Intechology plc, who have confirmed that they will not call on existing loans and borrowings and will provide working capital support under specific scenarios, as well as 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:

## Notes to the financial statements

### For the year ended 31 December 2017

Share options – Share-based payments are dependent on estimates of the number of shares which are expected to vest (note 16).

Contingent consideration – payments are dependent on estimates of future license sales revenues (note 13).

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 10).

Research and development – distinguishing the research and development phases of the Group's research and development expenditure and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement.

#### 1.3 Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings at 31 December 2017. A subsidiary is an entity controlled by the Group. Control is achieved where the Group has the power over the investee; exposure, or rights, to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. 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.

#### 1.4 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. Business combinations that preceded the Group's transition to IFRS on 1 July 2006 have not been restated.

#### 1.5 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 on a straight line basis 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 where the Group has no remaining obligations to perform and hardware sales when the risks and rewards have been transferred to the customer, this is when goods have been received and accepted by the customer.

## Notes to the financial statements

For the year ended 31 December 2017

### 1.6 Interest

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

### 1.7 Operating expenses

Operating expenses are recognised in the income statement upon utilisation of the service or as incurred.

### 1.8 Exceptional items

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

### 1.9 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 in the period to which the contributions relate.

#### Share-based payments

The Group operates equity-settled share-based remuneration plans for its employees. Vesting conditions are non-market based.

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.

### 1.10 Foreign currency translation

The consolidated financial statements are presented in UK Sterling (GBP £000). Sterling is also the functional currency of the 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 re-measurement 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).

#### 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.

## Notes to the financial statements

For the year ended 31 December 2017

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 other 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.

### 1.11 Segmental reporting

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

### 1.12 Taxation

#### Current tax

Current tax is provided at amounts expected to be paid (or recovered) using tax rates and laws that have been enacted or substantively enacted at the statement of financial position date. The tax currently payable is based on taxable profit for the year. Taxable loss differs from net loss as reported in income statement because it excludes items of income that are taxable or deductible in other years and it further excludes items that are never tax deductible.

#### Deferred tax

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 and laws 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.



## Notes to the financial statements

### For the year ended 31 December 2017

#### 1.13 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.

#### 1.14 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.

#### 1.15 Inventories

Inventories are stated at the lower of historical 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.

#### 1.16 Intangible assets – 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' which are;

- the development costs can be measured reliably;
- the project is technically and commercially feasible;
- the Group intends to and has sufficient resources to complete the project;
- the Group has the ability to use or sell the resulting technology; and
- the resulting technology will generate probable future economic benefits.

Measurement uncertainties over economic benefits 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

## Notes to the financial statements

### For the year ended 31 December 2017

at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off immediately to the income statement in operating expenses.

#### 1.17 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.
- "Foreign currency translation reserve" represents the differences arising from translation of investments in overseas subsidiaries into Sterling.
- "Accumulated losses" represents retained losses.

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

Reverse acquisition and merger reserves were frozen at their previous GAAP values from 1 July 2006, the date of transition to IFRS. The foreign currency translation reserve was reset to zero at this date.

#### 1.18 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 with maturities of three months or less from inception and which are subject to an insignificant risk of changes in value.

#### 1.19 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 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.

## Notes to the financial statements

### For the year ended 31 December 2017

#### 1.20 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. Trade payables accruals and other creditors are measured at initial recognition at fair value plus translation cost 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.

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.

#### 1.21 Contingent consideration

Contingent consideration arising on the acquisition of a business is held as a creditor in the balance sheet until such time as those amounts are paid. Amounts arising on business combinations before 1 July 2006, the date of transition to IFRS, were not restated at this date.

#### 1.22 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 9 'Financial instruments' (for more detail see below);
- IFRS 15 'Revenue from contracts with customers (and the related clarifications)' (for more details see below);
- IFRS 16 'Leases' (for more detail see below);
- IFRIC 22 'Foreign Currency Transactions and Advance Consideration';
- Amendments to IFRS 4, 'Insurance contracts';
- Amendments to IAS 40 'Transfers of investment property';
- Amendments to IAS 28, 'Investments in associates and joint ventures';
- IFRS 17, 'Insurance contracts';
- Amendment to IFRS 2 'Classification and Measurement of Share-based Payment Transactions'; and
- IFRIC 23 'Uncertainty over Income Tax Treatments'.

IFRS 9 and IFRS 15 are expected to be effective for the year ended 31 December 2018, with IFRS 16 expected to be effective for the year ended 31 December 2019.

## Notes to the financial statements

### For the year ended 31 December 2017

The impact of IFRS 9 is being assessed by management, with the main impact arising from the expected credit loss model. The financial effect will depend on the financial instruments held by the Group during 2018 as well as economic conditions and judgements made as at the year end. The Group has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments as at the date of initial application of IFRS 9 and believe it will have no impact on the financial statements.

The impact of IFRS 15 has begun to be assessed by management and is ongoing, however it has not progressed to a state where the impact can be quantified.

The impact of IFRS 16 has not yet been assessed.

#### 1.23 New standards and amendments

The following amendments to standards are mandatory for the first time for the financial year beginning 1 January 2017 but do not have any impact on the Group:

- Amendments to IAS 12 'Recognition of deferred tax assets for unrealised losses';
- Annual Improvements to IFRSs: 2014-2016 cycle; and
- Amendments to IAS 7 'Disclosure initiative'.

## 2 Segmental analysis

The Group presents its results in accordance with internal management reporting information to the chief operating decision maker (Board of Directors). At 31 December 2017 the Board continued to monitor operating results by category of revenue within a single operating segment, the provision of instant communication solutions. 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 £45,000 (year ended 31 December 2016: £23,000).

#### Revenue by category

	<b>2017</b>	2016
	<b>£'000</b>	£'000
License fees	<b>1,972</b>	1,679
Hardware & software	<b>38</b>	22
Professional services	<b>319</b>	163
Other	<b>201</b>	160
<b>Total</b>	<b>2,530</b>	2,024

## Notes to the financial statements

### For the year ended 31 December 2017

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

	<b>2017</b>	<b>2017</b>	2016	2016
	<b>Revenue</b>	<b>Non-current</b>	Revenue	Non-current
	<b>£'000</b>	<b>assets</b>	£'000	assets
		<b>£'000</b>		<b>£'000</b>
UK	<b>33</b>	<b>15</b>	62	11
Europe	<b>437</b>	–	418	–
North America	<b>1,018</b>	–	895	–
South America	<b>367</b>	<b>28</b>	261	–
Israel	<b>274</b>	<b>358</b>	76	445
Africa	<b>401</b>	–	312	–
<b>Total</b>	<b>2,530</b>	<b>401</b>	2,024	456

Our mobile network operator customer in Canada represents £886,000 (2016: £852,000) of the total revenue of the Group.

### 3 Exceptional costs

These comprise:

- Property costs of £54,000 during the period January to April 2017 (2016: £216,000) arising from our joint lessee – Alvarion Technologies Ltd entering receivership. Under the terms of the lease, MT Labs Ltd, became liable for that proportion of the office previously utilised by Alvarion Technologies Ltd. Effective 1 May 2017, our property lease was re-signed on improved terms and removed this onerous expense.
- Salary and redundancy costs of £nil (2016: £60,000) arising from the transition of the research and development management team.

### 4 Group operating loss

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Group operating loss before taxation is stated after charging:		
Staff costs (note 18)	<b>2,809</b>	2,746
Depreciation of owned property, plant and equipment (note 8)	<b>75</b>	178
Amortisation of intangible assets (note 9)	<b>37</b>	25
Research and development expenditure	<b>1,427</b>	1,350
Other operating lease rentals	<b>344</b>	409
Net exchange (gain)/loss	<b>(135)</b>	642

## Notes to the financial statements

### For the year ended 31 December 2017

#### Auditors' remuneration

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

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Fees payable to the Company's auditors for the audit of the Company's financial statements	<b>24</b>	24

#### 5 Finance costs

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Finance charge on preference shares	<b>(698)</b>	(640)
<b>Total finance costs</b>	<b>(698)</b>	(640)

#### 6 Income tax credit

##### (a) Analysis of credit for the year

	<b>2017</b>	2016
	<b>£'000</b>	£'000
<b>United Kingdom current tax</b>		
Adjustment in respect of prior years	<b>(431)</b>	(277)
Current year research & development tax credit claimed	<b>(476)</b>	-
Overseas current tax in respect of prior years	<b>55</b>	-
<b>Total credit for the year</b>	<b>(852)</b>	(277)

##### (b) Factors affecting the tax credit for the year

###### Deferred tax:

At 31 December 2017 the Group had accumulated tax losses of £28,867,000 (31 December 2016: £28,493,000) 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.

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Loss before tax	<b>(2,453)</b>	(3,725)
At standard rate of corporation tax of 19.25% (2016: 20%)	<b>(472)</b>	(745)
Effects of:		
Expenses not deductible for tax purposes	<b>140</b>	134
Un-utilised tax losses	<b>332</b>	611
Current year research & development tax credit claimed	<b>(476)</b>	-
Prior year overseas current tax	<b>55</b>	-
Prior year research & development tax credit claimed	<b>(431)</b>	(277)
<b>Total credit for the year</b>	<b>(852)</b>	(277)

## Notes to the financial statements

### For the year ended 31 December 2017

#### 7 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £1,601,000 (2016: £3,448,000) by the weighted average number of ordinary shares in issue during the year of 263,398,121 (2016: 247,553,189).

	2017		2016	
	Basic and diluted Loss £'000	Loss per share pence	Basic and diluted Loss £'000	Loss per share pence
<b>Loss attributable to ordinary shareholders</b>	<b>(1,601)</b>	<b>(0.61)</b>	(3,448)	(1.39)
<b>Adjusted basic loss per share</b>	<b>(1,601)</b>	<b>(0.61)</b>	(3,448)	(1.39)

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
<b>Cost</b>				
At 1 January 2016	63	1,021	106	1,190
Additions	12	103	3	118
Exchange adjustments	7	129	21	157
<b>At 31 December 2016</b>	<b>82</b>	<b>1,253</b>	<b>130</b>	<b>1,465</b>
Additions	–	66	13	79
Exchange adjustments	(5)	(77)	(11)	(93)
<b>At 31 December 2017</b>	<b>77</b>	<b>1,242</b>	<b>133</b>	<b>1,451</b>
<b>Accumulated depreciation</b>				
At 1 January 2016	34	815	26	875
Charge for the year	12	129	50	191
Exchange adjustments	4	96	5	105
<b>At 31 December 2016</b>	<b>50</b>	<b>1,040</b>	<b>81</b>	<b>1,171</b>
Charge for the year	5	63	4	72
Exchange adjustments	(2)	(59)	(7)	(68)
<b>At 31 December 2017</b>	<b>53</b>	<b>1,044</b>	<b>78</b>	<b>1,175</b>
<b>Net book amount at 31 December 2017</b>	<b>24</b>	<b>198</b>	<b>55</b>	<b>276</b>
Net book amount at 31 December 2016	29	206	80	294

## Notes to the financial statements

### For the year ended 31 December 2017

#### 9 Intangible assets

	<b>Software £'000</b>
At 1 January 2017	162
Amortisation for the year	(37)
<b>At 31 December 2017</b>	<b>125</b>

These comprise third party services and internal staff costs in relation to a quality assurance automation project.

#### 10 Trade and other receivables

	<b>2017 £'000</b>	2016 £'000
Trade receivables	<b>891</b>	1,133
Less: provision for impairment of trade receivables	<b>(56)</b>	(330)
Trade receivables – net	<b>835</b>	803
Other receivables	<b>679</b>	256
Prepayments and accrued income	<b>207</b>	254
	<b>1,721</b>	1,313
<b>Current portion</b>	<b>1,721</b>	1,313

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

	<b>2017 £'000</b>	2016 £'000
<b>Impaired</b>		
Three to six months	–	–
Over six months	<b>56</b>	330
	<b>56</b>	330
<b>Not impaired</b>		
Less than three months	<b>96</b>	79
Three to six months	–	101
Over six months	<b>478</b>	507
	<b>574</b>	687

Of the overdue receivables against which no provision has been made, £480,000 (2016: £547,000) 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 and a repayment plan has been agreed to clear this overdue debt. In parallel, 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, 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.



## Notes to the financial statements

### For the year ended 31 December 2017

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:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
At 1 January	<b>330</b>	260
Provision for receivables impairment	<b>56</b>	89
Receivables written off during the year as uncollectable	<b>(330)</b>	(19)
	<b>56</b>	330

#### 11 Inventories

	<b>2017</b>	2016
	<b>£'000</b>	£'000
<b>Hardware</b>	<b>1</b>	-

The cost of inventories recognised as an expense and included within cost of sales amounted to £nil (2016: £nil). Inventories put to internal use during the year and therefore transferred to property, plant and equipment amounted to £nil (2016: £28,000).

#### 12 Cash and cash equivalents

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Cash at bank and in hand:		
Sterling	<b>515</b>	6
US Dollar	<b>17</b>	56
Canadian dollar	<b>57</b>	19
Euro	<b>6</b>	-
New Israel Shekel	<b>137</b>	84
	<b>732</b>	165

#### 13 Trade and other payables

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Trade payables	<b>876</b>	990
Accruals	<b>492</b>	570
Social security and other taxes	<b>91</b>	65
Other payables	<b>415</b>	51
Deferred income	<b>2,384</b>	2,314
Contingent consideration	<b>3,068</b>	3,354
	<b>7,326</b>	7,344
Less non-current portion: contingent consideration	<b>(2,241)</b>	(2,625)
<b>Current portion</b>	<b>5,085</b>	4,719

## Notes to the financial statements

### For the year ended 31 December 2017

The contingent consideration arose on the purchase of intellectual property from Tersync Limited in 2001 and represents a royalty payable on future sales of Push to Talk related products by Mobile Tornado, payable in part as 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 income balance includes an amount of £2,110,000 (2016: £2,026,000) received from InTechnology plc in respect of 12 month licenses that had not been brought into use at the balance sheet date. The Group will recognise related income from the date of activation of each licence, or the expiration of its obligations if sooner.

#### 14 Borrowings, other financial liabilities and other financial assets

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Preference shares	<b>8,255</b>	7,557
Loans from related party undertakings	<b>2,290</b>	1,670
<b>Total borrowings</b>	<b>10,545</b>	9,227

#### Maturity analysis

	<b>2017</b>	2016
	<b>£'000</b>	£'000
In one year or less	<b>10,545</b>	3,667
Between two and five years	–	5,560
<b>Total</b>	<b>10,545</b>	9,227

InTechnology plc has agreed not to demand immediate repayment of the unpaid accrued interest on the 10% preference shares amounting to £2,632,000 (2016: £1,997,000) and have agreed to extend the redemption date on these preference shares until 31 December 2020. This will be put to shareholders for approval at the forthcoming AGM on 12 June 2018.

The Group do not have any derivative financial liabilities at 31 December 2017 or 31 December 2016.

#### 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.

## Notes to the financial statements

### For the year ended 31 December 2017

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 risk profile of the financial assets of the Group comprise cash of £732,000 (2016: £165,000) as follows:

	Floating rate	
	2017 £'000	2016 £'000
<b>Currency</b>		
Sterling	515	6
US dollar	17	56
Canadian dollar	57	19
Euro	6	-
New Israel shekel	137	84
<b>Total</b>	<b>732</b>	<b>165</b>

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 (2016: £nil).

#### Interest rate risk profile of financial liabilities

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

	Fixed	
	2017 £'000	2016 £'000
Fixed rate 10% preference shares classified as debt	8,255	7,557
<b>Total</b>	<b>8,255</b>	<b>7,557</b>

  

	Floating	
	2017 £'000	2016 £'000
Loans from related party undertakings	2,290	1,670
<b>Total</b>	<b>2,290</b>	<b>1,670</b>

Further details of which can be found in note 21.

## Notes to the financial statements

### For the year ended 31 December 2017

#### Currency risk

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

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Functional currency of operation: Sterling		
US Dollar (net liabilities)	<b>(2,324)</b>	(2,711)
Euro (net liabilities)	<b>(2,049)</b>	(1,876)
Canadian Dollar (net liabilities)	<b>(57)</b>	(89)
<b>Total</b>	<b>(4,430)</b>	(4,676)

#### 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 £583,000 (2016: £425,000).

A 1% movement in interest rates would result in a charge or credit to profit and equity of £26,000 (2016: £20,000).

#### 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 year covered by the financial statements.

## Notes to the financial statements

### For the year ended 31 December 2017

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

	2017 £'000	2016 £'000
<b>Current assets – loans and receivables</b>		
Trade and other receivables	1,514	1,060
Cash and cash equivalents	732	165
	<b>2,246</b>	1,225
<b>Current liabilities – held at amortised cost</b>		
Trade and other payables	(2,610)	(2,340)
Preference shares	(8,255)	(1,997)
Loans	(2,290)	(1,670)
	<b>(13,155)</b>	(6,007)
<b>Non-current liabilities – held at amortised cost</b>		
Trade and other payables	(2,241)	(2,625)
Preference shares	–	(5,560)
	<b>(2,241)</b>	(8,185)
<b>Net financial assets and liabilities</b>	<b>(13,150)</b>	(12,967)

The Directors consider that the fair value of financial assets and liabilities approximates to the carrying value for both 2017 and 2016.

#### 15 Share capital and share premium

	Number of issued and fully paid shares '000	Share capital £'000	Share premium £'000	Total £'000
At 1 January 2017	247,553	4,951	12,012	16,963
Issue of shares	23,800	476	660	1,136
<b>As at 31 December 2017</b>	<b>271,353</b>	<b>5,427</b>	<b>12,672</b>	<b>18,099</b>

The total authorised number of ordinary shares is 475 million (2016: 475 million) with a par value of 2p per share (2016: 2p per share).

#### Non-voting preference shares – included in financial liabilities

	Number of shares '000	Nominal Value £'000
<b>As at 31 December 2016 and 2017</b>	<b>71,277</b>	<b>5,702</b>

All preference shares are non-voting, non-convertible cumulative redeemable preference shares. They are currently 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. The Company has, however, agreed with Intechnology plc to extend the redemption date on these preference shares until 31 December 2020 and that this will be put to shareholders for approval at the forthcoming AGM on 12 June 2018. Unpaid dividends accrue interest at 3% above Bank of England base rate until settled.

## Notes to the financial statements

### For the year ended 31 December 2017

#### 16 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		Exercise price pence	Earliest exercise date	Vesting condition	Expiry date
	2017 '000	2016 '000				
Israel scheme	1,169	1,169	2.0	02/02/09	-	31/12/19
Israel scheme	800	1,250	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	400	400	7.5	03/01/15	-	31/12/19
UK scheme	3,300	3,500	7.5	03/01/15	-	03/01/22
UK scheme	200	200	6.0	18/06/18	-	18/06/25
Israel scheme	1,500	2,300	6.0	07/09/18	-	31/12/23
Israel scheme	2,500	2,500	2.0	16/05/19	-	31/12/26
Israel scheme	4,250	4,250	4.0	04/11/19	-	31/12/26
Israel scheme	5,950	-	6.5	15/06/20	Group reports positive annual EBITDA	15/06/27
Israel scheme	3,200	-	6.5	15/06/20	Group reports positive annual EBITDA	15/06/27
<b>Total</b>	<b>23,569</b>	15,869				

Options were valued using the Black-Scholes option-pricing model.

Grant date	15/06/17
Shares under option ('000)	9,350
Share price at grant date (pence)	6.5
Exercise price (pence)	6.5
Vesting period (years)	3.0
Expected volatility	32%
Expected life	3.0

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.

## Notes to the financial statements

### For the year ended 31 December 2017

A reconciliation of option movements over the year to 31 December 2017 is shown below:

	2017	Weighted average exercise price		2016	Weighted average exercise price
	Number '000	pence		Number '000	pence
Outstanding at 1 January 2017/2016	15,869	4.8		16,469	6.0
Granted	9,350	6.5		7,000	3.3
Forfeited	(1,650)	6.0		(7,600)	5.9
Outstanding at 31 December	<b>23,569</b>	<b>5.4</b>		15,869	4.8
Exercisable at 31 December	<b>5,969</b>	<b>6.0</b>		2,169	3.4

The closing mid-market share price on 27 April 2018 was 6.0 pence.

The weighted average remaining contractual life of the share options outstanding at 31 December 2017 was 7.5 years at exercise prices ranging from 2.0 pence to 7.5 pence.

Those options exercisable at 31 December 2017 are at exercise prices of 2.0 pence, 5.0 pence and 7.5 pence.

The total charge for the year relating to employee share-based payment plans was £45,000 (2016: £23,000), all of which related to equity-settled share-based payment transactions.

#### 17 Cash used in operations

	2017 £'000	2016 £'000
Loss before taxation	(2,453)	(3,725)
Adjustments for:		
Depreciation and amortisation	112	203
Share-based payment charge	45	23
Interest expense	698	640
Changes in working capital:		
(Increase)/Decrease in inventories	(1)	31
(Increase)/Decrease in trade and other receivables	(1)	38
Increase in trade and other payables	72	1,069
<b>Net cash used in operations</b>	<b>(1,528)</b>	<b>(1,721)</b>

## Notes to the financial statements

### For the year ended 31 December 2017

#### 18 Employee information

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

	<b>2017</b>	2016
	<b>Number</b>	Number
Sales	<b>3</b>	3
Product development & operations	<b>39</b>	37
Finance & administration	<b>6</b>	6
<b>Total</b>	<b>48</b>	46

Included in the table above are 23 persons that are contractors (2016: 17). These are included as employees on the basis of their providing services to the Company on a material time basis over the year.

Staff costs for the persons above were:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Wages and salaries	<b>2,465</b>	2,463
Social security costs	<b>93</b>	117
Other pension costs	<b>90</b>	92
Share-based payment charge	<b>45</b>	23
Other benefits	<b>116</b>	51
<b>Total</b>	<b>2,809</b>	2,746

Directors' costs included within the above are as separately detailed in the Directors' report under the heading Directors' emoluments.

#### 19 Capital commitments

The Group had no capital commitments at 31 December 2017 (2016: £nil).

#### 20 Operating leases

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

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Lease payments under operating leases charged to operating costs in the year	<b>344</b>	409



## Notes to the financial statements

### For the year ended 31 December 2017

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

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Within one year	<b>223</b>	189
One to five years	<b>754</b>	669
<b>Total</b>	<b>977</b>	858

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

#### 21 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:

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Salaries including bonuses	<b>118</b>	76
Other benefits	<b>40</b>	22
<b>Total remuneration</b>	<b>158</b>	98
Sums paid to third parties for services	<b>194</b>	204
<b>Total short-term employee benefits</b>	<b>352</b>	302

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

Peter Wilkinson is a shareholder and Director of InTechnology plc. Mobile Tornado Group plc has bought goods and services totalling £174,000 (year ended 31 December 2016; £158,000) from InTechnology plc in the year to 31 December 2017. As at 31 December 2017, Mobile Tornado Group plc owed InTechnology plc £693,000 (31 December 2016; £519,000).

InTechnology plc has provided loan finance of £420,000 to Mobile Tornado Group plc in the year ended 31 December 2017 (year ended 31 December 2016; £1,670,000). As at 31 December 2017, Mobile Tornado Group plc owed InTechnology plc £2,090,000 (31 December 2016; £1,670,000).

Peter Wilkinson has provided loan finance of £100,000 to Mobile Tornado Group plc in the year ended 31 December 2017 (year ended 31 December 2016; £nil). As at 31 December 2017, Mobile Tornado Group plc owed Peter Wilkinson £100,000 (31 December 2016; £nil). These loan monies were repaid in full on 10 January 2018.

Payments to a third party, Mainstream Capital Partners LLP, are made in respect of the services provided by Jeremy Fenn, Executive Chairman. As at 31 December 2017, Mobile Tornado Group plc owed £4,000 (31 December 2016; £nil) to Mainstream Capital Partners LLP.

Jeremy Fenn has provided loan finance of £100,000 to Mobile Tornado Group plc in the year ended 31 December 2017 (year ended 31 December 2016; £nil). As at 31 December 2017,

## Notes to the financial statements

### For the year ended 31 December 2017

Mobile Tornado Group plc owed Jeremy Fenn £100,000 (31 December 2016; £nil). These loan monies were repaid in full on 12 January 2018.

The Group is controlled by InTechnology plc (incorporated in the UK), which owns 42.5% of the Company's ordinary shares. The Group's ultimate parent and controlling party is Peter Wilkinson.

## 22 Investments

Details of the principal investments at 31 December 2017 in which the Company holds more than 20% of the nominal value of ordinary share capital are as follows:

	<b>Country of incorporation or registration</b>	<b>Nature of business</b>	<b>Group proportion held</b>	<b>Company proportion held</b>
M.T. Labs Limited	Israel	Sale of instant communication services	100%	100%

With registered address: 13 Amal street, Afek Industrial Park, Rosh Ha'ayin 4809249, Israel

## Company balance sheet

### As at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Fixed assets</b>			
Intangible assets	4	<b>6,888</b>	7,500
Tangible assets	5	<b>42</b>	11
		<b>6,930</b>	7,511
<b>Current assets</b>			
Debtors	7	<b>2,020</b>	1,395
Cash at bank and in hand		<b>595</b>	27
		<b>2,615</b>	1,422
<b>Creditors</b> – amounts falling due within one year	8	<b>(15,164)</b>	(7,605)
<b>Net current liabilities</b>		<b>(12,549)</b>	(6,182)
<b>Total assets less current liabilities</b>		<b>(5,619)</b>	1,328
<b>Creditors</b> – amounts falling due after more than one year	8	<b>(2,241)</b>	(8,327)
<b>Net liabilities</b>		<b>(7,860)</b>	(6,999)
<b>Capital and reserves</b>			
Called up share capital	9	<b>5,427</b>	4,951
Share premium account		<b>12,672</b>	12,012
Merger reserve		<b>10,938</b>	10,938
Share option reserve		<b>171</b>	126
Accumulated losses		<b>(37,068)</b>	(35,026)
<b>Total shareholders' deficit</b>		<b>(7,860)</b>	(6,999)

The Company's loss for the financial year was £2,042,000 (2016: £3,987,000).

The financial statements on pages 46 to 54 were approved by the Board of Directors on 1 May 2018 and were signed on its behalf by:

**Jeremy Fenn**  
**Chairman**  
**1 May 2018**  
**Company Number: 5136300**

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

## Company statement of changes in equity

For the year ended 31 December 2017

	Called up share capital £'000	Share premium account £'000	Merger reserve £'000	Share option reserve £'000	Accumu- lated losses £'000	Share- holders' funds/ (deficit) £'000
<b>Balance at</b>						
<b>1 January 2016</b>	<b>4,951</b>	<b>12,012</b>	<b>10,938</b>	<b>103</b>	<b>(31,039)</b>	<b>(3,035)</b>
Equity settled						
share-based payments	-	-	-	23	-	23
Loss for the year	-	-	-	-	(3,987)	(3,987)
<b>Balance at</b>						
<b>31 December 2016</b>	<b>4,951</b>	<b>12,012</b>	<b>10,938</b>	<b>126</b>	<b>(35,026)</b>	<b>(6,999)</b>
<b>Balance at</b>						
<b>1 January 2017</b>	<b>4,951</b>	<b>12,012</b>	<b>10,938</b>	<b>126</b>	<b>(35,026)</b>	<b>(6,999)</b>
Equity settled						
share-based payments	-	-	-	45	-	45
Issue of share capital	476	660	-	-	-	1,136
Loss for the year	-	-	-	-	(2,042)	(2,042)
<b>Balance at</b>						
<b>31 December 2017</b>	<b>5,427</b>	<b>12,672</b>	<b>10,938</b>	<b>171</b>	<b>(37,068)</b>	<b>(7,860)</b>

## Notes to the Company financial statements

For the year ended 31 December 2017

### 1. General information

The principal activity of the Company is the provision of instant communication mobile applications which serve the market of mobile data services in the mobile communication industry. The Company is a Public Limited Company which is listed on the Alternative Investment Market and incorporated and domiciled England within the UK. The address of the registered office is Cardale House, Cardale Court, Beckwith Head Road, Harrogate, HG3 1RY.

### 2. Statement of compliance

The individual financial statements of Mobile Tornado Group plc have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and the Companies Act 2006.

### 3. Summary of significant accounting policies

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

#### 3.1 Basis of preparation

The financial statements are presented in sterling, rounded to the nearest thousand. They are prepared on a going concern basis and under the historical cost convention. The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 3.3.

The Company has taken advantage of the following exemptions in its individual financial statements:

- From preparing a statement of cashflows;
- Disclosure of related party transactions with and between wholly-owned subsidiaries;
- Disclosures relating to financial instruments.

#### 3.2 Going concern

The Directors have reviewed the available cash reserves which are supported by the recent placing of new shares completed on 10 January 2018 raising £1.35m, together with continued support from our principal shareholder – Intechology plc, who have confirmed that they will not call on existing loans and borrowings and will provide working capital support under specific scenarios, as well as 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.

## Notes to the Company financial statements

### For the year ended 31 December 2017

#### 3.3 Critical accounting estimates and judgements

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Contingent consideration – payments are dependent on estimates of future license sales revenues

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

Research and development – distinguishing the research and development phases of the Group's research and development expenditure and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement.

#### 3.4 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.

#### 3.5 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.

#### 3.6 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 & other equipment	3 years
Vehicles	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.

#### 3.7 Goodwill

The Directors continue to assess that the goodwill has a finite life of 20 years and therefore will continue to amortise the goodwill over this period.

## Notes to the Company financial statements

### For the year ended 31 December 2017

#### 3.8 Intangible assets

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 FRS102 Section 18 'Intangible Assets which, other than for goodwill', are;

- The technical feasibility of completing the intangible asset so that it will be available for use or sale.
- Its intention to complete the intangible asset and use or sell it.
- Its ability to use or sell the intangible asset
- How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Measurement uncertainties over economic benefits 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.

#### 3.9 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. The investment has been fully impaired in previous periods.

#### 3.10 Financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligation of the financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains and losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividend and distributions relating to equity instruments are debited direct to equity.

## Notes to the Company financial statements

### For the year ended 31 December 2017

#### 4 Intangible assets

	Goodwill £'000	Software £'000	Total £'000
<b>Cost</b>			
At 1 January 2017	12,758	187	12,945
Additions	–	–	–
<b>At 31 December 2017</b>	<b>12,758</b>	<b>187</b>	<b>12,945</b>
<b>Accumulated amortisation</b>			
At 1 January 2017	5,420	25	5,445
Charge for the year	575	37	612
<b>At 31 December 2017</b>	<b>5,995</b>	<b>62</b>	<b>6,057</b>
<b>Net book amount at 31 December 2017</b>	<b>6,763</b>	<b>125</b>	<b>6,888</b>
Net book amount at 31 December 2016	7,338	162	7,500

#### 5 Tangible assets

	Computer equipment £'000	Vehicles £'000	Total £'000
<b>Cost</b>			
At 1 January 2017	363	24	387
Additions	47	–	47
<b>At 31 December 2017</b>	<b>410</b>	<b>24</b>	<b>434</b>
<b>Accumulated depreciation</b>			
At 1 January 2017	355	21	376
Charge for the year	13	3	16
<b>At 31 December 2017</b>	<b>368</b>	<b>24</b>	<b>392</b>
<b>Net book amount at 31 December 2017</b>	<b>42</b>	<b>–</b>	<b>42</b>
Net book amount at 31 December 2016	8	3	11

#### 6 Fixed asset investments

Details of the investments at 31 December 2017 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%

With registered address: 13 Amal street, Afek Industrial Park, Rosh Ha'ayin 4809249, Israel

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 did not impair the future



## Notes to the Company financial statements

### For the year ended 31 December 2017

profitability of the Company, £12,758,000 was transferred from investments to goodwill in the Company balance sheet.

Mobile Tornado International Limited was subsequently dissolved.

#### 7 Debtors

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Trade receivables	<b>835</b>	803
Prepayments and accrued income	<b>180</b>	236
Other debtors	<b>482</b>	6
Amounts owed by Group undertakings	<b>523</b>	350
	<b>2,020</b>	1,395

Trade receivables includes £nil (2016: £nil) falling due after more than one year. Trade receivables are stated after provisions for impairment of £56,000 (2016: £330,000).

Amounts due from Group undertakings are unsecured, interest free and repayable on demand.

#### 8 Creditors

	<b>2017</b>	2016
	<b>£'000</b>	£'000
Trade creditors	<b>649</b>	641
Accruals	<b>249</b>	234
Other taxation and social security	<b>16</b>	16
10% cumulative preference shares	<b>8,334</b>	7,699
Other creditors	<b>415</b>	4
Deferred income	<b>2,384</b>	2,314
Loans owed to related party undertakings	<b>2,290</b>	1,670
Contingent consideration	<b>3,068</b>	3,354
	<b>17,405</b>	15,932
Less non-current portion:		
Deferred consideration	<b>(2,241)</b>	(2,625)
10% cumulative preference shares	<b>-</b>	(5,702)
<b>Amounts due within 1 year</b>	<b>15,164</b>	7,605

#### 9 Called up share capital

	<b>2017</b>	2016
	<b>£'000</b>	£'000
<b>Allotted, called up and fully paid</b>		
271,353,189 (2016: 247,553,189) Ordinary shares of 2p each	<b>5,427</b>	4,951
<b>Total</b>	<b>5,427</b>	4,951

There is a single class of ordinary shares. There are no restrictions on the distributions.

## Notes to the Company financial statements

### For the year ended 31 December 2017

#### Non-voting preference shares – classified as liability

	<b>Number of shares '000</b>	Nominal Value £'000
<b>As at 31 December 2016 and 2017</b>	<b>71,277</b>	5,702

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. Unpaid dividends accrue interest at 3% above Bank of England base rate until settled.

#### 10 Capital and other commitments

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

	<b>2017 £'000</b>	2016 £'000
Within one year	–	5
One to five years	<b>11</b>	–
<b>Total</b>	<b>11</b>	5

Operating lease payments represent rentals payable by the Company for certain properties.

#### 11 Related party transactions

The Company has taken advantage of the exemption available under FRS 102 '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.

Peter Wilkinson is a shareholder and Director of InTechnology plc. Mobile Tornado Group plc has bought goods and services totalling £174,000 (year ended 31 December 2016; £158,000) from InTechnology plc in the year to 31 December 2017. As at 31 December 2017, Mobile Tornado Group plc owed InTechnology plc £693,000 (31 December 2016; £519,000).

InTechnology plc has provided loan finance of £420,000 to Mobile Tornado Group plc in the year ended 31 December 2017 (year ended 31 December 2016; £1,670,000). As at 31 December 2017, Mobile Tornado Group plc owed InTechnology plc £2,090,000 (31 December 2016; £1,670,000).

Peter Wilkinson has provided loan finance of £100,000 to Mobile Tornado Group plc in the year ended 31 December 2017 (year ended 31 December 2016; £nil). As at 31 December 2017, Mobile Tornado Group plc owed Peter Wilkinson £100,000 (31 December 2016; £nil). These loan monies were repaid in full on 10 January 2018.

Payments to a third party, Mainstream Capital Partners LLP, are made in respect of the services provided by Jeremy Fenn, Executive Chairman. As at 31 December 2017, Mobile Tornado Group plc owed £4,000 (31 December 2016: £nil) to Mainstream Capital Partners LLP.

## **Notes to the Company financial statements**

### **For the year ended 31 December 2017**

Jeremy Fenn has provided loan finance of £100,000 to Mobile Tornado Group plc in the year ended 31 December 2017 (year ended 31 December 2016; £nil). As at 31 December 2017, Mobile Tornado Group plc owed Jeremy Fenn £100,000 (31 December 2016; £nil). These loan monies were repaid in full on 12 January 2018.

The Group is controlled by InTechnology plc (incorporated in the UK), which owns 42.5% of the Company's ordinary shares. The Group's ultimate parent and controlling party is Peter Wilkinson.

#### **12 Loss for the financial year**

The 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 2017 was £2,042,000 (year ended 31 December 2016: £3,987,000 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 12 June 2018 at 09.00 a.m. to transact the following business. Resolutions 1 to 5 (inclusive) will be proposed as ordinary resolutions and resolutions 6 and 7 will be proposed as special resolutions.

### ORDINARY RESOLUTIONS

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 2017 together with the report of the auditors thereon.
2. to re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office from the conclusion of this meeting until the conclusion of the next annual general meeting of the Company at which accounts are laid, and to authorise the Directors to fix their remuneration.
3. to re-appoint Peter Wilkinson, 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.
4. to re-appoint Jonathan Freeland who has been appointed by the Board since the last annual general meeting as a Director of the Company.
5. **THAT** pursuant to section 551 of the Companies Act 2006 (the "**Act**") the Directors be generally and unconditionally authorised to exercise all powers of the Company to allot shares and grant rights to subscribe for or to convert any security into shares up to an aggregate nominal amount of £4,651,879.94 comprising of:
  - a. an aggregate nominal amount of £2,325,939.97 (being approximately 33 per cent of the Company's issued share capital as enlarged following the issue and allotment of shares in connection with the Capitalisation referred to in the explanatory note to resolution 6) in the form of equity securities (as defined in section 560 of the Act) in connection with an offer or issue by way of rights, open for acceptance for a period fixed by the Directors, to holders of ordinary shares (other than the Company) on the register on any record date fixed by the Directors in proportion (as nearly as may be) to the respective number of ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever; and
  - b. an aggregate nominal amount of £2,325,939.97 (being approximately 33 per cent of the Company's issued share capital as enlarged following the issue and allotment of shares in connection with the Capitalisation referred to in the explanatory note to resolution 6) (whether in connection with the same offer or issue as under (a) above or otherwise),

This authority shall expire (unless previously varied as to duration, revoked or renewed by the Company in general meeting) at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the date falling 15 months after the date on which this resolution is passed (whichever is the earlier), except that the Company may before such expiry make any offer or agreement which would or might require shares to be allotted or such rights to be granted after such expiry and the Directors may allot shares or grant such rights in pursuance of such offer or agreement as if the authority conferred by this resolution had not expired, and this authority shall be in substitution for all existing authorities to allot to the extent unused.

## Notice of Annual General Meeting

### SPECIAL RESOLUTIONS

6. THAT, subject to the passing of resolution 5, pursuant to section 570 of the Act, the Directors be and are hereby generally empowered to allot equity securities (as defined in section 560 of the Act) for cash or otherwise pursuant to the authority given by resolution 5 and/or to sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Act did not apply to any such allotment or sale, provided that this authority shall be limited to:
- a. any such allotment and/or sale of equity securities in connection with the grant of options under any share option scheme of the Company;
  - b. any such allotment and/or sale of equity securities in connection with an offer or issue by way of rights or other pre-emptive offer or issue, open for acceptance for a period fixed by the Directors, to holders of Ordinary shares (other than the Company) on the register on any record date fixed by the Directors in proportion (as nearly as may be) to the respective number of Ordinary shares deemed to be held by them, subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements, legal or practical problems arising in any overseas territory, the requirements of any regulatory body or stock exchange or any other matter whatsoever;
  - c. any such allotment and/or sale, otherwise than pursuant to paragraph (a) above, up to an aggregate nominal amount of £1,714,480.47,

provided that this authority (unless previously revoked, varied or renewed) shall expire at the conclusion of the next annual general meeting of the Company after the passing of this resolution or on the date falling 15 months after the date on which this resolution is passed (whichever is the earlier), save that the Company may make an offer or agreement before the expiry of this power which would or might require equity securities to be allotted for cash or sold after such expiry and the Directors may allot for cash or sell equity securities pursuant to any such offer or agreement as if the power conferred by this resolution had not expired.

7. THAT, article 5.6.1 of the articles of association of the Company be replaced with the following:

5.6.1 Subject to the Companies Acts and the provisions of these Articles, the Preference Shares shall be redeemed at the price set out in Article 5.6.6 in the numbers and on the dates set out below:

Number of Preference Shares to be redeemed	Date of Redemption
71,276,735	31 December 2020

#### By Order of the Board

Jeremy Fenn  
Executive Chairman  
14 May 2018

#### Registered office:

Cardale House  
Cardale Court  
Beckwith Head Road  
Harrogate  
HG3 1RY

## Notice of Annual General Meeting

### 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 Link Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU or you may photocopy the enclosed proxy form.
4. If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote or abstain from voting as he or she thinks fit in relation to any other matter which is put before the Meeting.

#### Appointment of proxy using hard copy proxy form

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

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

- completed and signed;
- sent or delivered to Link Asset Services at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- received by Link Asset Services by no later than 9.00 a.m. on 8 June 2018.

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 which the proxy form is signed (or a duly certified copy of such power or attorney) 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](http://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 Link Asset Services (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 cut-off time will be disregarded.

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

If you submit more than one valid 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 Link Asset Services by sending a hard copy notice clearly stating your intention to revoke your proxy appointment to Link Asset Services at PXS, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

In either case, the revocation notice must be received by Link Asset Services by no later than 9.00 a.m. on 8 June 2018.

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 the completed proxy form, other such instruments, 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 application 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 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 close of business on 8 June 2018 (or if the Meeting is adjourned, close of business 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.

## Notice of Annual General Meeting

### **Explanatory notes to the resolutions to be proposed at the Annual General Meeting of the Company**

The resolutions to be proposed at the Annual General Meeting to be held on 12 June 2018 at 09.00 a.m. are set out in the Notice of Annual General Meeting. The following notes provide brief explanations of the resolutions being put to shareholders.

#### **Ordinary resolutions**

Resolutions 1 to 5 are proposed as ordinary resolutions. These resolutions will be passed if more than 50% of the votes are cast in favour of them.

#### Resolution 1 – Laying of financial statements

The Directors are required to present to shareholders at the Annual General Meeting the audited financial statements of the Company and the reports of the Directors and auditors for the financial year ended 31 December 2017.

#### Resolution 2 – Appointment of auditors and fixing the remuneration of the auditors

The Companies Act 2006 requires that auditors be appointed at each general meeting at which financial statements are laid to hold office until the next such meeting. PricewaterhouseCoopers LLP have indicated their willingness to stand for re-appointment as auditors of the Company until the conclusion of the next Annual General Meeting. The Company's Audit Committee keeps under review the independence and objectivity of the external auditors and further information can be found in the Annual Report and Financial Statements on page 9. After considering the relevant information, the Audit Committee has recommended to the Board that PricewaterhouseCoopers LLP be appointed auditors.

It is normal practice for shareholders to resolve at the Annual General Meeting that the Directors decide on the level of remuneration of the auditors for the audit work to be carried out by them in the next financial year. The amount of the remuneration paid to the auditors for the next financial year will be disclosed in the next audited financial statements of the Company.

#### Resolution 3 and Resolution 4 – Re-appointment of Directors

The Company's Articles of Association require one third of the Directors or, if their number is not a multiple of three, then the number nearest to but not less than one third, to retire from office each year. Peter Wilkinson is retiring and seeks re-appointment at the Annual General Meeting.

Having considered the performance of and contribution made by the Director standing for re-appointment, the Board remains satisfied that his performance continues to be effective and to demonstrate commitment to the role and as such the Board recommends his re-appointment. A biography of Peter Wilkinson appears on page 7 of the Company's Annual Report and Financial Statements and on the Company's website at <https://www.mobiletornado.com/>.

The Company's Articles of Association provide that a Director appointed by the Board since the date of the last Annual General Meeting should retire and be proposed for reappointment by shareholders at the next Annual General Meeting. Jonathan Freeland was appointed as a Non-Executive director of the Company on 9 February 2018. A biography of Jonathan Freeland appears on page 7 of the Company's Annual Report and Financial Statements and on the Company's website at <https://www.mobiletornado.com/>.



## Notice of Annual General Meeting

### Resolution 5 – Authority to allot shares

The Directors may only allot shares or grant rights over shares if authorised to do so by shareholders. The authority granted at the last Annual General Meeting to allot shares or grant rights to subscribe for, or convert any security into, shares is due to expire at the conclusion of this year's Annual General Meeting.

The Investment Association (IA) guidelines on authority to allot shares state that IA members will permit, and treat as routine, resolutions seeking authority to allot shares representing up to one-third of a company's issued share capital. In addition they will treat as routine a request for authority to allot shares representing an additional one third of the Company's issued share capital provided that it is only used to allot shares for the purpose of a fully pre-emptive rights issue.

Accordingly, resolution 5, if passed, would authorise the Directors under Section 551 of the Companies Act 2006 to allot new shares or grant rights to subscribe for, or convert any security into, new shares (subject to shareholders' pre-emption rights) up to a maximum nominal amount of £4,651,879.94, representing the IA guideline limit of approximately 66% of the Company's issued share capital (as enlarged following the issue and allotment of shares in connection with the Capitalisation - see explanatory note to resolution 6 below).

Resolution 5(a) would give the Directors authority to allot new shares or grant rights to subscribe for, or convert any security into, new shares up to an aggregate nominal value of £2,325,939.97, representing approximately one third of the Company's existing issued share capital (as enlarged following the issue and allotment of shares in connection with the Capitalisation - see explanatory note to resolution 6 below), in connection with a rights issue in favour of Ordinary shareholders.

Resolution 5(b), if passed, would give the Directors general authority to allot new shares or grant rights to subscribe for, or convert any security into, new shares up to an aggregate nominal value of £2,325,939.97, representing approximately one third of the Company's existing issued share capital (as enlarged following the issue and allotment of shares in connection with the Capitalisation - see explanatory note to resolution 6 below). As resolution 5(b) imposes no restrictions on the way the authority may be exercised, it could be used in conjunction with resolution 5(a) so as to enable the whole two-thirds to be used in connection with a rights issue. Where the usage of this authority exceeds one-third of the issued share capital, the Directors intend to follow best practice as regards its use (including as to the requirement for all Directors to stand for re-election at the next Annual General Meeting of the Company).

The authority will expire at the earlier of the conclusion of the next Annual General Meeting of the Company and close of business on the date falling 15 months after the passing of this resolution 5.

Passing this resolution 5 will ensure that the Directors continue to have the flexibility to act in the best interests of shareholders, when opportunities arise, by issuing new shares.

The Company does not at present hold any shares in treasury.

### Special resolutions

Resolutions 6 and 7 are proposed as special resolutions. These resolutions will be passed if not less than 75% of the votes are cast in favour.

## Notice of Annual General Meeting

### Resolution 6 – Disapplication of pre-emption rights

The Companies Act 2006 requires that if the Company issues new shares or grants rights to subscribe for or to convert any security into shares for cash, it must first offer them to existing shareholders in proportion to their current holdings. In certain circumstances, it may be in the best interests of the Company to allot shares (or to grant rights over shares) for cash without first offering them proportionately to existing shareholders. This cannot be done under the Companies Act 2006 unless the shareholders have first waived their pre-emption rights. In accordance with investor guidelines, therefore, approval is sought by the Directors to issue a limited number of Ordinary shares for cash without first offering them to existing shareholders.

Resolution 6 seeks to renew the Directors' authority to issue equity securities of the Company for cash without application of pre-emption rights pursuant to Section 561 of the Companies Act 2006. Other than in connection with the grant of options under any share option scheme of the Company, a rights or other pre-emptive issue, scrip dividend or other similar issue, the authority contained in this resolution would be limited to a maximum nominal amount of £1,714,480.47 (comprising £1,016,000 for the Capitalisation and £698,480.47 for general headroom).

In the placing announced on 10 January 2018, the Directors referenced their intention to capitalise up to £2.54 million of indebtedness owed by the Company to InTechnology plc (**InTechnology**), the Directors now intend to utilise the authorities sought by resolutions 4 (Authority to allot shares) and 5 (Disapplication of pre-emption rights) to allot and issue 50,800,000 ordinary shares of 2 pence each in the Company's share capital at a price of 5.00 pence per share in settlement of £2,540,000 indebtedness (comprising unpaid coupon and related interest on the Preference Shares held by InTechnology owed by the Company to InTechnology (**Capitalisation**)). The Directors believe that it is in the best interests of the Company to take this opportunity to strengthen its balance sheet.

Resolution 6 seeks a disapplication of the pre-emption rights on a rights issue or other pre-emptive offer so as to allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which might arise, for example, with overseas shareholders. If passed, this authority will expire at the same time as the authority to allot shares given pursuant to resolution 5 (Authority to allot shares).

Save for the Capitalisation and share issues in respect of employee share schemes and any share dividend alternatives, the Directors have no other plans to utilise either of the authorities sought by resolutions 5 (Authority to allot shares) and 6 (Disapplication of pre-emption rights), although they consider their renewal appropriate in order to retain maximum flexibility to take advantage of business opportunities as they arise.

### Resolution 7 – Amendment to the Company's Articles of Association

The Companies Act 2006 requires a special resolution of shareholders to amend a Company's articles of association.

The Company and the holder of the Preference Shares in the capital of the Company have agreed that the date of redemption of the Preference Shares be extended from 31 December 2018 to 31 December 2020.

## Corporate information

Company Registration Number:	5136300
Registered Office:	Cardale House Cardale Court Beckwith Head Road Harrogate North Yorkshire HG3 1RY
Directors:	Peter Wilkinson (Non-Executive Director) Jeremy Fenn (Executive Chairman) Avi Tooba (Chief Executive Officer) Jonathan Freeland (Non-Executive Director)
Nominated Advisor and Broker:	Allenby Capital Ltd 5 St Helen's Place London EC3A 6AB
Bankers:	Barclays Bank Plc Hanover Square 50 Pall Mall London SW1Y 5AX
Solicitors:	Schofield Sweeney LLP 76 Wellington Street Leeds LS1 2AY
Registrars:	Link Asset Services The Registry 34 Beckenham Road Beckenham Kent BR3 4TU
Auditors:	PricewaterhouseCoopers LLP Central Square 29 Wellington Street Leeds LS1 4DL
Internet address:	<a href="http://www.mobiletornado.com">www.mobiletornado.com</a>









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[www.mobiletornado.com](http://www.mobiletornado.com)