



Annual Report and Financial Statements
for the year ended 31 December 2022

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Introduction

Mobile Tornado Group plc, a leading provider of resource management mobile solutions to the enterprise market, announces its results for the year ended 31 December 2022.

Financial Highlights

| | 2022 | 2021 |
|-----------------------------|----------------|---------|
| | £'000 | £'000 |
| Recurring revenue | 1,969 | 2,112 |
| Non-recurring revenue* | 310 | 479 |
| Total revenue | 2,279 | 2,591 |
| Gross profit | 2,223 | 2,491 |
| Administrative expenses** | (2,507) | (2,525) |
| Adjusted EBITDA*** | (284) | (34) |
| Group operating loss | (723) | (253) |
| Loss before tax | (1,419) | (861) |

- Total revenue decreased by 12% to £2.28m (2021: £2.59m)
 - Recurring revenues decreased by 7% to £1.97m (2021: £2.11m)
 - Non-recurring revenues* decreased by 35% to £0.31m (2021: £0.48m)
- Gross profit decreased by 11% to £2.22m (2021: £2.49m)
- Administrative expenses before depreciation, amortisation, exceptional items and exchange differences decreased by 1% to £2.51m (2021: £2.53m)
- Adjusted EBITDA** loss of £0.28m (2021: loss of £0.03m)
- Group operating loss for the year increased to £0.72m (2021: £0.25m)
- Loss after tax of £1.38m (2021: loss of £0.63m)
- Basic loss per share of 0.36p (2021: loss of 0.17p)
- Cash at bank at 31 December 2022 of £0.15m (31 December 2021: £0.07m) with net debt of £10.44m (2021: £9.63m)

* Non-recurring revenues comprise installation fees, hardware, professional services and capex license fees

** Administrative expenses excludes depreciation, amortisation and exchange differences

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

Operating highlights

- Successful trials completed with several public sector organisations across South & Central America and commercial discussions now in progress
- Deal closed in Caribbean with leading mobile network operator ("MNO")
- Landmark push-to-talk over cellular ("PoC") deal concluded with Leeds Bradford Airport post year-end, having run extensive trials during 2022
- Post year end fundraise to support the scale up of our sales, marketing and business development activities

Financial results and key performance indicators

Total revenue for the year ended 31 December 2022 decreased by 12% to £2.28m (2021: £2.59m). Recurring revenues decreased by 7% to £1.97m (2021: £2.11m). Non-recurring revenues, comprising installation fees, hardware, professional services and capex license fees decreased to £0.31m (2021: £0.48m). As a result, gross profit decreased by 11% to £2.22m (2021: £2.49m).

Our former customer located in Canada, which the Group lost at the end of 2021 as previously reported, accounted for 20% of total revenue and 10% of recurring revenues in the prior year comparative figures. It is pleasing to report therefore, that outside of this, we recorded a modest increase in both our total and recurring revenues across the remainder of our customer base.

Administrative expenses before depreciation, amortisation, exceptional items and exchange differences in the year decreased by 1% to £2.51m (2021: £2.53m), reflecting the continued positive impact that further investment in the development and operating efficiencies of our enhanced technical platform have delivered.

Due to the annual retranslation of certain financial liabilities on the balance sheet, the Group reported a translation loss of £0.23m (2021: gain of £0.08m) arising from the depreciation of Sterling relative to both the Euro and the US Dollar as at 31 December 2022 versus the previous year end. The Group recorded a net income tax credit of £0.04m (2021: £0.23m).

The loss after tax for the year increased to £1.38m (2021: loss of £0.63m) equating to a basic loss per share of 0.36p (2021: 0.17p).

The net cash used in operations decreased to £0.17m (2021: £0.25m). At 31 December 2022, the Group had £0.15m cash at bank (2021: £0.07m) and net debt of £10.44m (31 December 2021: £9.63m).

The balance sheet continues to reflect the cumulative loss position of the Group, and those net liabilities that have resulted from this. We continue to hold levels of debt in the Group which have funded these historical losses.

Results and dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2022 (year ended 31 December 2021: nil). The Company currently intends to reinvest future earnings to finance the growth of the business over the near term.

Review of operations

We have delivered a year of steady progress, managing the exit of one of our biggest customers and maintaining and securing modest growth across the balance of the customer base.

Much of our efforts in 2022 were directed towards public safety organisations in South and Central America, where we have witnessed growing interest in our solution having delivered 100% service reliability to our customer base in Colombia over the last 2 years. Our technical team worked hard during the year to introduce new features and functionality to meet the requirements of these organisations and we're pleased to report that all trials concluded successfully. As is always the case with public sector organisations, we are in a commercial process which always runs longer than expected and so it is difficult to know when service deployment will commence. We anticipate initial deployments in El Salvador and Guatemala, and providing these run successfully, further engagements in Costa Rica, Nicaragua and Honduras.

We are increasingly confident that our PoC technology platform has the potential to greatly enhance communication and coordination among first responders, law enforcement, and emergency services. By providing real-time, reliable, and secure communication channels, PoC can significantly improve response times and operational efficiency, and this has been borne out by the results of the trials that ran during the year. Encouragingly, we are now seeing public safety organisations in other territories express interest in running trials and we hope to achieve significant commercial breakthroughs during 2023.

As previously reported, our Caribbean partner signed a contract with a prominent mobile network operator (MNO) in 2022, initiating trials and discussions with numerous customers across various countries. A robust sales pipeline has developed, and we are now seeing the first commercial deployments across hotel groups, transportation companies and airports. At the same time, trials have commenced with several public safety organisations.

Activity levels across South Africa have been low due to economic and political challenges, but we maintain engagement with public utilities and agencies interested in deploying our platform. We are hopeful that commercial success with public safety organisations in South and Central America will stimulate broader engagement in the region.

Our UK partner recently finalised a landmark deal with Leeds Bradford Airport having run extensive trials during 2022. We understand this is one of the first airports in Europe to replace a legacy analogue radio system with PoC and anticipate that this will open engagement and discussions with many others.

Since we announced the Board changes on 9 January 2023, we are pleased to report that the business has moved quickly to scale up its sales and business development operation and is now actively engaged with several potential new partners and customers. We are in the process of finalising agreements with new partners across several markets, including Brazil, USA, Philippines and the Middle East.

Having navigated through the COVID period without any external funding (the last equity raise was in July 2019), we raised £500k through a strategic funding round in March 2023 to support marketing and business development activities. This will be directed towards enhanced PR activity, participation in major industry trade shows and the recruitment of additional sales professionals to manage the increasing portfolio of partners.

Research and Development

We are confident that our PoC platform provides a top-tier mission-critical communications solution, which is distinguished by the following key differentiators:

Seamless transition - our platform ensures uninterrupted communication during shifts between different networks or coverage zones. This allows users to maintain constant connectivity and enables efficient collaboration across teams, regardless of their location or network conditions.

Market-leading group sizes - our platform supports larger group sizes compared to competing solutions, making it ideal for organizations with extensive teams or complex communication requirements. The solution can manage group sizes of 5,000 compared to competing products that are limited to several hundred.

Dispatcher console - the dispatcher console is a centralized and user-friendly interface that allows for efficient coordination and management of communication channels. It enables dispatchers to monitor and control conversations, prioritize messages, and allocate resources, ensuring smooth communication flow and rapid response times during critical situations. Our console is capable of managing 64 groups simultaneously, which we believe puts us ahead of all competing platforms.

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Data utilization - our platform optimizes data usage by employing advanced compression techniques and minimizing bandwidth consumption. This results in cost savings for customers while maintaining high-quality voice and data transmission. Additionally, the platform's efficient data management allows for seamless integration with other systems, further enhancing its versatility and adaptability to various organizational needs.

Our development teams in Israel and India will continue to enhance the platform, in line with the demands from our customers, to ensure we maintain our current competitive advantage.

Funding

We increased our £0.3m revolving loan facility to £500,000 on 24 March 2022 with our principal shareholder InTechnology plc and extended the term for a further 12 months. This facility now has a term ending on 26 September 2023 with a maximum principal amount of £500,000 (previously £300,000). As at 31 December 2022, the balance drawn down was £400,000 (31 December 2021: £150,000).

In March 2023, we concluded a subscription for 25.0m new ordinary shares of 2 pence each representing approximately 6.6 per cent. of the existing issued ordinary share capital of the Company at a price of 2 pence per share to raise £500,000. The Company also announced the capitalisation of £259,490 of indebtedness owed by the Company to InTechnology plc into 12,974,492 new Ordinary Shares, also at 2 pence per share.

We remain confident that our available cash resources together with our long-established recurring revenue customer base and anticipated future contracts will provide us with adequate financial resources for the foreseeable future.

Principal risks and uncertainties

The management of the business and the nature of the Group's strategy are subject to a number of risks. The Directors have set out below the principal risks facing the business. The Directors are of the opinion that a thorough risk management process is adopted, which involves the formal review of all the risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

Product obsolescence

Due to the nature of the market in which the Group operates, products are subject to technological advances and as a result, obsolescence. The Directors are committed to the Group's current research and development strategy and are confident that the Group can react effectively to 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

The Financial Statements are prepared on a going concern basis.

When determining the adoption of this approach, the Directors have considered a wide range of information relating to present and future conditions, including the current state

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of the Balance Sheet, together with that continued support offered by our principal shareholder Intechology plc, who, as in previous years, has agreed not to call on existing loans and borrowings totaling £10,148,000 and to extend the duration of our £500,000 working capital facility if requested to do so. Further consideration has been given to future projections, cash flow forecasts, access to funding, ability to successfully secure additional investment, available mitigating actions and the medium-term strategy of the business.

The Group is dependent on its ability to meet its cash flow forecasts. Within those forecasts the Group has included a number of significant payments and receipts based on its best estimate but, as with all forecasts, there does exist some uncertainty as to the timing and size of those payments and receipts. In particular, the forecasts assume the ongoing deferral and phased payment of some of the Group's creditors, including a contingent consideration balance of £2,815,000, (as disclosed in note 12 to the financial statements), and the continuation at the current level of recurring revenue and a significant increase in the level of non-recurring revenues. In the event that some or all of these receipts are delayed, deferred or reduced, or payments not deferred, management has considered the actions that it would need to take to conserve cash. These actions would include significant cost savings (principally payroll based) and/or seeking additional funding from its shareholders, for which there is currently no shareholder commitment requested. These conditions, together with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The Directors, whilst noting the existence of a material uncertainty and having considered the possible management actions as noted above, are of the view that the Group is a going concern and will be able to meet its debts as and when they fall due for a period of at least 12 months from the date of signing these accounts.

Section 172 statement – our stakeholders

The Board recognises its duty to consider the needs and concerns of the Group's key stakeholders during its discussions and decision-making. The Board has had regard to the importance of fostering relationships with its stakeholders as set out below, and also detailed in the Corporate Governance section of this Annual Report.

Colleagues

We have an experienced, and dedicated workforce which we recognise as the key asset of our business. It is vital to the success of the Group to continue to create the right environment to encourage and create opportunities for individuals and teams to realise their full potential. The Board and management team pay close attention to employee feedback and seek to respond constructively to any suggestions or concerns raised.

Regular colleague briefing sessions are held with the Chief Executive Officer to enable colleagues to ask questions and raise issues and for colleagues to be provided with updates on the business. Key performance information such as trading updates and financial results are always promptly communicated to colleagues. The Group has in place a share option scheme to enable colleagues to become personally invested as shareholders of the Group.

Customers

Regular communication is with the Group's core customers to discuss operational updates, product roadmap developments and gain key customer feedback. This enables increased

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engagement with customers at a strategic level and a greater understanding of both customer pain points and future requirements from strategic to end-user level.

Strategy

The Group continues to invest in an R&D strategy, current details of which are provided in paragraph six of the review of operations.

Suppliers

The Board is committed to building trusted partnerships with the Group's suppliers. Through these partnerships, we deliver value and quality to our other stakeholders.

Shareholders

The Executive Chairman holds analyst and investor roadshow meetings during the year, particularly following the release of the Group's interim and full year results and feedback from those meetings is shared with the Board. The AGM is a key opportunity for engagement between the Board and shareholders, particularly private shareholders. The Group's annual report and accounts is made available to all shareholders both online and in hard copy where requested. All presentations and announcements and other key shareholder information is available on the investor section of the Group's website.

Outlook

The business has successfully established itself as a key player in the PoC market, with a presence in Africa, South America and Europe. We deliver a high-quality, reliable PoC solution that meets the mission-critical communication needs of our customers. Our platform boasts several key differentiators, such as seamless transition, market-leading group sizes, a unique dispatcher console, and highly efficient data utilization, which set us apart from our competitors and contribute to our platform's reputation for superior performance.

The Board is fully committed to maintaining the technical advantages that have been established, at the same time driving a much deeper and wider business development operation. The outreach campaign that has been running since the start of the year has already generated a good flow of new partner and customer opportunities, many of them in new geographic markets. We believe that this momentum can be accelerated significantly if we can successfully deploy our solution into a public safety organisation. Our teams worked hard on multiple trials during the last 15 months and I'm hopeful that we will very shortly see a successful conclusion with full platform deployment. This would represent a significant commercial breakthrough, and we are confident will lead to a material uplift in financial performance as we push for profitability in 2023.

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As always, we would like to thank our team for their outstanding efforts across the last financial year. We have started the new year with renewed energy, and we are encouraged by the early results. We look forward to updating shareholders as the year develops, and sincerely believe that we are very close to realizing the potential we have seen now for some years.

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

A handwritten signature in black ink, appearing to be "J. Fenn", written over a horizontal line.

Jeremy Fenn
Chairman
26 April 2023

Directors' report



The Directors present their annual report and audited financial statements of the Company and the Group for the year ended 31 December 2022.

Share issues & post balance sheet event

There was no movement in the Company's issued ordinary share capital during the year. Post year end, the Company completed on 6 March 2023 a placing of 25.0m ordinary shares at 2p per share to raise £0.50m to further support the growth of the Company's business development activities.

On the same date, the Company issued 12,974,492 new ordinary shares to InTechnology plc at 2p per share as capitalisation of £0.26m of indebtedness owed by the Company to InTechnology plc.

Directors

The Directors of the Company who were in office during the year 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 20 years' experience in financial services across wealth and investment banking, private equity and commercial lending. He was a Partner at Venn Partners LLP, the specialist private credit investment manager, from 2011-2015. He is currently CEO of Waveney Capital Management Ltd a credit focussed investment business he founded in 2016.

Avi Tooba resigned as a Director of the Company on 9 January 2023. Jeremy Fenn assumed the role of acting Chief Executive Officer on 9 January 2023.

The Board recognises the importance of ensuring our Board has the required skill set, and following the resignation of Avi Tooba is actively seeking to address this, to conform with the QCA code.

Directors' report



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

| | 31 December 2022 number | % | 31 December 2021 number | % |
|-------------------|--|-------------|-------------------------------|----------|
| Peter Wilkinson | 38,146,141 | 10.0 | 38,146,141 | 10.0 |
| Jeremy Fenn | 12,184,752 | 3.2 | 12,184,752 | 3.2 |
| Avi Tooba | 4,000,000 | 1.1 | 4,000,000 | 1.1 |
| Jonathan Freeland | 3,381,014 | 0.9 | 3,381,014 | 0.9 |

Third party indemnity insurance is in place for all 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 19 to the Group financial statements.

Directors' emoluments

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

| | Salary £'000 | Fees £'000 | Benefits in kind £'000 | 2022 Total £'000 | 2021 Total £'000 |
|-----------------------------|-------------------------|-----------------------|---------------------------------------|---------------------------------|------------------------|
| Peter Wilkinson | - | - | - | - | - |
| Jeremy Fenn | 6 | 120 | 4 | 130 | 128 |
| Avi Tooba | 136 | - | 40 | 176 | 164 |
| Jonathan Freeland | - | 18 | - | 18 | 18 |
| Aggregate emoluments | 142 | 138 | 44 | 324 | 310 |

Interests in share options

Set out below are details of share options granted to Directors as 31 December 2022:

| | No. of share options 2022 | Exercise price pence | Grant date | Earliest exercise date | Expiry date | No. of share options 2021 |
|--------------|--|-------------------------------------|-----------------------|---------------------------------------|------------------------|---------------------------------|
| Jeremy Fenn | 3,000,000 | 6.5 | 15/06/17 | 15/06/20 | 15/06/27 | 6,000,000 |
| Total | 3,000,000 | | | | | 6,000,000 |
| 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 | 3,000,000 |
| Avi Tooba | 1,000,000 | 5.0 | 28/02/19 | 28/02/22 | 28/02/29 | 1,000,000 |
| Avi Tooba | 2,000,000 | 6.0 | 22/06/20 | 22/06/23 | 22/06/30 | 2,000,000 |
| Total | 10,000,000 | | | | | 10,000,000 |

Directors' report



Substantial shareholdings

Following the shares admitted to trading on AIM on 6 March 2023 as detailed above, InTechnology plc holds 205,988,314 shares (31 December 2021: 193,013,822) in the Company representing 49.3% of the issued ordinary share capital (31 December 2021: 50.8%) and 71,276,735 non-convertible cumulative redeemable preference shares with aggregate nominal value of £5.7m.

Corporate governance

Since September 2018 all AIM Companies have been required to comply with a recognised corporate governance code. Mobile Tornado Group plc has chosen the Quoted Companies Alliance (QCA) Corporate Governance Code published in April 2018 for this purpose. High standards of corporate governance are a priority for the Board and details of how Mobile Tornado addresses key governance principles defined in the QCA code are set out below.

1. Establish a strategy and business model which promote long-term value for shareholders

The strategy and business operations of the Group are set out in the Strategic Report on pages 2 to 8.

The Group's strategy and business model and amendments thereto, are developed by the Chief Executive Officer and his senior management team and approved by the Board. The management team, led by the Chief Executive Officer, is responsible for implementing the strategy and managing the business at an operational level.

The Group operates in an inherently high risk sector and this is reflected in the principal risks and uncertainties set out on pages 5 to 7 and 15. In executing the Group's strategy and operational plans, management will typically confront a range of day-to-day challenges associated with these key risks and uncertainties and will seek to deploy the identified mitigation steps to manage these risks as they manifest themselves.

2. Seek to understand and meet shareholder needs and expectations

The Group seeks to maintain a regular dialogue with both existing and potential new shareholders in order to communicate the Group's strategy and progress and to understand the needs and expectations of shareholders.

Beyond the Annual General Meeting, the Chief Executive Officer and, where appropriate, other members of the Board meet regularly with investors and analysts to provide them with updates on the Group's business and to obtain feedback regarding the market's expectations of the Group.

The Group's investor relations activities encompass dialogue with both institutional and private investors and which the Board considers have proved beneficial. The Company's AGM provides an opportunity for all shareholders to address their needs and expectations to the Board so we encourage our shareholders to attend the AGM.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

The Group is aware of its corporate social responsibilities and the need to maintain effective working relationships across a range of stakeholder groups. These include the Group's: investors, employees, partners, suppliers and regulatory authorities. The Group's operations and working methodologies take account of the requirement to balance the needs of all these stakeholder groups while maintaining focus on the Board's primary responsibility to promote the success of the Group for the benefit of its members as a whole. The Group endeavours to take account of feedback received from stakeholders,

Directors' report



making amendments to working arrangements and operational plans where appropriate and where such amendments are consistent with the Group's longer term strategy.

The Group takes due account of any impact that its activities may have on the environment and seeks to minimise this impact wherever possible. Through the various procedures and systems it operates, the Group ensures full compliance with health and safety and environmental legislation relevant to its activities.

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation

The Board is responsible for the systems of risk management and internal control and for reviewing their effectiveness. The internal controls are designed to manage rather than eliminate risk and provide reasonable but not absolute assurance against material misstatement or loss. The Audit Committee evaluates the effectiveness of these internal controls on an annual basis or as required.

A summary of the principal risks and uncertainties facing the Group, as well as mitigating actions, are set out on pages 5 to 7 and 15. A comprehensive budgeting process is completed by the Finance Director once a year and is reviewed and approved by the Board. The Group's results, compared with the budget, are reported to the Board on a monthly basis.

The Group maintains appropriate insurance cover in respect of actions taken against the Directors because of their roles, as well as against material loss or claims against the Group. The insured values and type of cover are comprehensively reviewed by the Board on a periodic basis.

The senior management team meet at least twice monthly to consider new risks and opportunities presented to the Group, making recommendations to the Board and/or the Audit Committee as appropriate.

5. Maintain the Board as a well-functioning, balanced team led by the Chair

Following the resignation of Avi Tooba on 9 January 2023, Mobile Tornado's Board currently comprises two Non-executive Directors and one Executive Director. All of the Directors are subject to election by shareholders at the first Annual General Meeting after their appointment to the Board and will continue to seek re-election at least once every three years. Directors' biographies are set out on page 8.

The Board recognises the importance of ensuring our Board has the required skill set, and following the resignation of Avi Tooba is actively seeking to address this, to conform with the QCA code.

The Board is responsible to the shareholders for the proper management of the Group and meets at least six times a year to set the overall direction and strategy of the Group, to review operational and financial performance and to advise on management appointments. All key operational and investment decisions are subject to Board approval.

The Board considers itself to be sufficiently independent. Whilst Jonathan Freeland is the only one of the two Non-executive Directors who sit on the Board of the Company regarded as independent under the Code's guidance for determining such independence, the Board considers this to be appropriate for the Group's current size. The Board will regularly review the value to the Group and its stakeholders of making further appointments to the Board.

Non-Executive Directors receive their fees in the form of a basic cash fee. No equity-based fee arrangements are currently in place. The current remuneration structure for the Board's Non-Executive Directors is deemed to be proportionate to the time they are required to commit to their roles.

Directors' report



During the year, and since the year end, there was a full attendance at all Board meetings.

6. Ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities

The Board considers that all of the Non-Executive Directors are of sufficient competence and calibre to add strength and objectivity to its activities and bring considerable experience in operational and financial development of mobile applications services. Directors' biographies are set out on page 9.

The Board regularly reviews the composition of the Board to ensure that it has the necessary breadth and depth of skills to support the ongoing development of the Group.

The Chairman ensures that the Directors' knowledge is kept up to date on key issues and developments pertaining to the Group, its operational environment and to the Directors' responsibilities as members of the Board. The Board also receives regular guidance from its legal advisers and nominated adviser on key regulatory developments.

Directors' service contracts or appointment letters make provision for a Director to seek personal advice in furtherance of his or her duties and responsibilities. No external advisers have been appointed to assist the board of any of its committees in the past 12 months.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

Evaluation of the performance of the Board is implemented in an informal manner. On an ongoing basis, Board members maintain a watching brief to identify relevant internal and external candidates who may be suitable additions to, backup for or succession planning for current Board members. Given the size of the business, the primary evaluation metric utilised by the board is the financial performance of the Company.

The Board does not consider that the Company requires a nominations committee, given the size and nature of the business. As the Company progresses, the Board will consider the implementation of a nominations committee and more formal internal and external board appraisal procedures.

8. Promote a corporate culture that is based on ethical values and behaviours

The Board seeks to maintain the highest standards of integrity and probity in the conduct of the Group's operations. These values are enshrined in the written policies and working practices adopted by all employees in the Group. An open culture is encouraged within the Group, with regular communications to staff regarding progress and staff feedback regularly sought. The management team regularly monitors the Group's cultural environment and seeks to address any concerns that may arise, escalating these to Board level as necessary.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board has overall responsibility for promoting the success of the Group. The Executive Director has day-to-day responsibility for the operational management of the Group's activities. The Non-Executive Directors are responsible for bringing independent and objective judgement to Board decisions.

The Chairman is responsible for overseeing the running of the Board, ensuring that no individual or group dominates the Board's decision-making and ensuring the Non-Executive Directors are properly briefed on matters. The Chairman has overall responsibility for corporate governance matters in the Group and chairs the Corporate Governance

Directors' report



Committee. The Chief Executive Officer has the responsibility for implementing the strategy of the Board and managing the day-to-day business activities of the Group.

The Board has established an Audit Committee and Remuneration Committee with formally delegated duties and responsibilities.

The Audit Committee is chaired by Peter Wilkinson and its other member is Executive Chairman, Jeremy Fenn and normally meets twice a year and has responsibility for, amongst other things, planning and reviewing the annual report and accounts and interim statements involving, where appropriate, the external auditors. The Committee also approves external auditors' fees and ensures the auditors' independence as well as focusing on compliance with legal requirements and accounting standards. It is also responsible for ensuring that an effective system of internal control is maintained. The ultimate responsibility for reviewing and approving the annual financial statements and interim statements remains with the Board.

The Remuneration Committee is chaired by Peter Wilkinson and its other member is Executive Chairman, Jeremy Fenn and meets as required, but at least once a year, has responsibility for making recommendations to the Board on the compensation of senior executives and determining, within agreed terms of reference, the specific remuneration packages for each of the Executive Directors. It also supervises the Company's share incentive schemes and sets performance conditions for share options granted under the schemes.

10. Communicate how the Group is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Group places a high priority on regular communications with its various stakeholder groups and aims to ensure that all communications concerning the Group's activities are clear, fair and accurate. The Group's website is regularly updated with announcements or details of presentations and events as well as the Group's financial reports.

At the Company's last AGM, all votes were passed by a significant majority. The Company will provide details of any resolutions at the Company's AGMs which receive significant votes against and seek to understand from shareholders the reasons behind that vote result. All of the Company's AGM notices and annual reports and accounts for the past five years are available to view in the Report and Accounts section of the website.

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 Executive Director. 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

Directors' report



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 currently exposed to credit risk in respect of a significant overdue receivable from one particular customer. The Group has a strong trading relationship with this customer, and the Directors maintain an open dialogue with them as to their financial position. During the prior year, the Group re-entered into a formal repayment plan with this customer and as at today's date, this plan has been adhered to.

The Group continually monitors its trade receivables and incorporates this information into its credit risk controls.

Going concern

In preparing the consolidated financial statements the Directors must satisfy themselves that it is reasonable to adopt the going concern basis.

When determining the adoption of this approach, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the Balance Sheet, together with that continued support offered by our principal shareholder InTechnology plc, who, as in previous years, has agreed not to call on existing loans and borrowings totaling £10,148,000 and to extend the duration of our £500,000 working capital facility if requested to do so. Further consideration has been given to future projections, cash flow forecasts, access to funding, ability to successfully secure additional investment, available mitigating actions and the medium-term strategy of the business.

The Group is dependent on its ability to meet its cash flow forecasts. Within those forecasts the Group has included a number of significant payments and receipts based on its best estimate but, as with all forecasts, there does exist some uncertainty as to the timing and size of those payments and receipts. In particular, the forecasts assume the ongoing deferral and phased payment of some of the Group's creditors, including a

Directors' report



contingent consideration balance of £2,815,000, (as disclosed in note 12 to the financial statements), and the continuation at the current level of recurring revenue and a significant increase in the level of non-recurring revenues. In the event that some or all of these receipts are delayed, deferred or reduced, or payments not deferred, management has considered the actions that it would need to take to conserve cash. These actions would include significant cost savings (principally payroll based) and/or seeking additional funding from its shareholders, for which there is currently no shareholder commitment requested. These conditions, together with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The Directors, whilst noting the existence of a material uncertainty and having considered the possible management actions as noted above, are of the view that the Group is a going concern and will be able to meet its debts as and when they fall due for a period of at least 12 months from the date of signing these accounts.

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 8.

Employees

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

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

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

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

Share schemes

Share ownership is at the heart of the Group's remuneration philosophy and the Directors believe that the key to the Group's future success lies in a motivated workforce holding a stake in the Company. Details of share options granted are set out in note 15 to the financial statements.

Directors' report



Pension costs

The Group operates a defined contribution 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 £1,107,000 (2021: £1,051,000) is charged to the income statement as incurred after consideration of the criteria for capitalisation under UK-adopted International Accounting Standards.

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 UK-adopted International Accounting Standards 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 United Kingdom 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 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.

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.

Directors' report



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

Directors' confirmations

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 date for the next AGM of the Company will be announced in due course.

Independent auditors

Saffery Champness LLP, have indicated their willingness to continue in office and a resolution proposing that they be reappointed as independent auditors and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

On behalf of the Board

A handwritten signature in black ink, appearing to be "J Fenn", written over a vertical line.

Jeremy Fenn
Chairman
26 April 2023

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



Opinion

We have audited the financial statements of Mobile Tornado Group Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2022 which comprise Consolidated income statement, Consolidated statement of comprehensive income, Consolidated statement of financial position and Company balance sheet, Consolidated and Company statement of changes in equity, Consolidated statement of cash flows, and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the:

- the financial statements give a true and fair view of the state of affairs of the group and of the parent company as at 31 December 2022 and of the group's loss for the period then ended;
- the group financial statements have been properly prepared in accordance with UK-adopted International Accounting Standards;
- the parent company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty relating to going concern – Group and Company

As described in note 1.2 to the Group financial statements and note 3.2 to the Company financial statements, the Group and Company have a loan of £2,490,000 which is repayable on demand, and redeemable preference shares of £8,058,000 due on 31 December 2023. Both are due to the majority shareholder, InTechnology plc. The going concern assumption depends upon the repayment of these balances being deferred for at least 12 months from the date of signing the financial statements.

InTechnology plc has confirmed its willingness to extend the redemption date of the preference shares and not to demand repayment of the loan for at least 12 months from the date of signing the financial statements. We do not believe this confirmation is legally binding but it indicates the majority shareholder's intention. The majority shareholder has in prior years provided similar support.

There is also £2,815,000 of deferred consideration payable at 31 December 2022, of which £1,739,000 is disclosed as due within one year. An agreed amount is payable each month relating to this payable, and is included in the group's forecast, but the going concern

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



assumption depends on £1,085,000 of the balance being deferred for at least the next 12 months consistent with historic arrangements.

Further, the trading position of the group is such that the ongoing costs are currently not covered by recurring revenue. The cash flow forecasts include assumptions regarding non-recurring revenue which is needed to meet the current cost base. In the event that these revenues do not materialise the group has the ability to make significant cost savings and/or could request additional support from the majority shareholder.

These conditions indicate the existence of a material uncertainty, which may cast significant doubt on the Group's and Company's ability to continue as a going concern. Our opinion is not modified in respect of the matter.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the group and company's ability to continue to adopt the going concern basis of accounting included:

- obtaining and reviewing the cashflow forecasts prepared by management;
- testing the mathematical accuracy of those forecasts and agreeing to current cash balances;
- considering the outcome of previous forecasts to assess management's ability to accurately assess the timing and extent of the significant cash flows;
- reviewing the assumptions in the cash flow forecasts and sensitising projected revenues and operating expenses under a range of scenarios taking into account the possibility of mitigating actions where revenues are less than those forecast;
- discussing post balance sheet events with the Directors to assess their impact on the going concern assumption including reviewing the post year end cash balances compared to forecast positions;
- considering the level of headroom that exists on the Group's currently available facilities.
- We also obtained and reviewed the confirmation that the Group has received from its majority shareholder, and assessed the ability of the shareholder to provide that support.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

We conducted our audit in accordance with International Standards on Auditing (ISAs) (UK and Ireland). Our responsibilities under those standards are further described in the 'Auditor's Responsibilities for the audit of the financial statements' section of our report.

We tailored the scope of our audit to ensure that we obtained sufficient evidence to support our 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. 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.

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



The Group consists of the Company, incorporated and operating within the UK, and its subsidiary, located in Israel. A full scope audit of the UK Company has been performed by the Group engagement team. The subsidiary company is not considered a significant component of the Group as it contributes no revenue and less than 1% of the Group's losses before tax. Analytical procedures and substantive procedures were performed over this subsidiary by the Group audit team.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our 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) we identified, 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 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.

| Key Audit Matter | How our scope addressed this matter |
|--|--|
| <p>Revenue recognition (Group and Company)</p> <p>The Group has various revenue streams and bespoke contracts with customers. Due to the varying nature of the contracts there is a risk that revenue has not been recognised correctly in accordance with the requirements of IFRS 15 Revenue from Contracts with Customers.</p> <p>Due to the significance of the revenue streams to the financial statements this has been identified as a key audit matter.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We have gained a thorough understanding of the revenue streams and associated performance obligations including obtaining and reviewing contractual terms; • We have substantively tested all revenue streams on a sample basis by reference to contracts, license usage statements, bank statements, and third-party stock movement reports; • We have reviewed the revenue recognition accounting policies adopted for each revenue stream against the requirements of IFRS 15; • We have reviewed the revenue disclosures in the financial statements against the requirements of IFRS. <p>Based on the work performed, we believe that the Group and Company financial statements are not materially misstated in relation to the recognition of revenue.</p> |
| <p>Valuation of goodwill (Company)</p> <p>Goodwill was recognised in the Company on 31 October 2009 when the trade and assets of a wholly owned subsidiary were transferred to Mobile Tornado Group Plc. Given that the Company continues to be loss making there is a risk that goodwill is impaired.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We reviewed forecasts prepared by management in support of the goodwill, checked their mathematical accuracy and the methodology applied by management for consistency with the requirements of FRS102; |

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



| | |
|---|--|
| <p>Due to the significance of the goodwill balance to the company financial statements and the high level of estimation uncertainty attached to management's assessment of the recoverable amount this is considered to be a key audit matter.</p> | <ul style="list-style-type: none"> • We challenged the assumptions made in the impairment model, in particular the revenue growth rates and key areas of cost efficiency/ spend moving forward, and considered the historical accuracy of management's forecasts; • We reviewed substantive evidence to support the forecast and the assumptions used and considered whether the information gathered was consistent with findings from other areas of our audit. • We assessed the discount rate applied in the model; and • We assessed whether an impairment would be required if reasonably possible changes in the discount rate and other key assumptions occurred. <p>Based on the work performed, we believe it is reasonable that there is no impairment of goodwill in the Company financial statements.</p> |
| <p><i>Recoverability of trade receivables (Group and company)</i></p> <p>As referred to in note 10, the Group has an overdue receivable of £921,000 which relates to one customer, against which a provision of £51,000 has been made. A repayment plan is in place and has been adhered to during the year, however there remains estimation uncertainty in the level of provision required.</p> <p>Due to the significance of the receivable to the financial statements and the high degree of estimation uncertainty this has been identified as a key audit matter.</p> | <p>Our audit procedures included the following:</p> <ul style="list-style-type: none"> • We have reviewed current financial information available for the overdue trade receivable; • We have considered and tested in-year and post year end receipts compared to the repayment plan; and • We have reviewed the impairment model prepared by management and considered whether the assumptions are reasonable and in accordance with IFRS 9. <p>Based on the work performed, we believe the level of provision against trade receivables in the Group and Company financial statements is reasonable.</p> |

Our application of materiality

The scope of our audit was influenced by our application of materiality. We apply the concept of materiality in planning and performing our audit, in evaluating the effect of any identified misstatements and in forming our opinion. Our overall objective as auditor is to obtain reasonable assurance that the financial statements as a whole are free from material misstatement, whether due to fraud or error. We consider a misstatement to be material where it could reasonably be expected to influence the economic decisions of the users of the financial statements.

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



Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, if any, both individually and in aggregate on the financial statements as a whole.

Overall Group and Company materiality was set at £45,000 based on 2% of the expected level of turnover for the year. We have applied this benchmark based on our analysis of the information needs of the stakeholders and other users of the group financial statements. Performance materiality for the Group and Company was set at 75% of materiality. Our triviality level was set at £2,000, which is 5% of planning materiality, and any uncorrected audit differences below this level were not reported to management, unless warranted under qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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 course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or the Directors' Report.

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

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or

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



- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 and the parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent company by discussions with directors and by updating our understanding of the sector in which the group and parent company operate.

Laws and regulations of direct significance in the context of the group and parent company include The Companies Act 2006, the AIM Rules for Companies and UK Tax legislation.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of group and parent company financial statement disclosures. We reviewed the parent company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

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



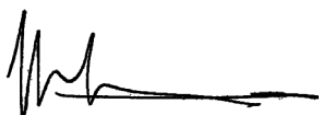
During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities is available on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

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

A handwritten signature in black ink, appearing to read 'Jonathan Davis', with a long horizontal stroke extending to the right.

Jonathan Davis (Senior Statutory Auditor)
for and on behalf of Saffery Champness LLP

Chartered Accountants
Statutory Auditors

Mitre House
North Park Road
Harrogate
HG1 5RX

26 April 2023

Consolidated income statement

For the year ended 31 December 2022



| | | 2022 | 2021 |
|--|------|----------------|---------|
| | Note | £'000 | £'000 |
| Continuing operations | | | |
| Revenue | 2 | 2,279 | 2,591 |
| Cost of sales | | (56) | (100) |
| Gross profit | | 2,223 | 2,491 |
| Operating expenses | | | |
| Administrative expenses | | (2,507) | (2,525) |
| Exchange differences | | (227) | 78 |
| Depreciation and amortisation expense | | (212) | (297) |
| Total operating expenses | | (2,946) | (2,744) |
| Group operating loss before exchange differences, depreciation and amortisation expense | | (284) | (34) |
| Group operating loss | 3 | (723) | (253) |
| Finance costs | 4 | (696) | (608) |
| Loss before tax | | (1,419) | (861) |
| Income tax credit | 5 | 37 | 231 |
| Loss for the year | | (1,382) | (630) |
| Loss per share (pence) | | | |
| Basic and diluted | 6 | (0.36) | (0.17) |

Consolidated statement of comprehensive income

For the year ended 31 December 2022

| | 2022 | 2021 |
|--|----------------|-------|
| | £'000 | £'000 |
| Loss for the year | (1,382) | (630) |
| Other comprehensive gain/(loss) | | |
| Item that will subsequently be reclassified to profit or loss: | | |
| Exchange differences on translation of foreign operations | (61) | (5) |
| Total comprehensive loss for the year | (1,443) | (635) |
| Attributable to: | | |
| Equity holders of the parent | (1,443) | (635) |

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

Consolidated statement of financial position
As at 31 December 2022



| | Note | 2022 £'000 | 2021 £'000 |
|--|------|-----------------|-----------------|
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | 155 | 122 |
| Right-of-use assets | 8 | 350 | 83 |
| | | 505 | 205 |
| Current assets | | | |
| Trade and other receivables | 9 | 1,414 | 1,632 |
| Inventories | 10 | 25 | 67 |
| Cash and cash equivalents | 11 | 145 | 65 |
| | | 1,584 | 1,764 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 12 | (5,191) | (4,661) |
| Borrowings | 13 | (10,558) | (9,662) |
| Lease liabilities | 13 | (105) | (91) |
| Net current liabilities | | (14,270) | (12,650) |
| Non-current liabilities | | | |
| Trade and other payables | 12 | (1,076) | (1,213) |
| Borrowings | 13 | (27) | (37) |
| Lease liabilities | 13 | (258) | - |
| | | (1,361) | (1,250) |
| Net liabilities | | (15,126) | (13,695) |
| Equity attributable to the owners of the parent | | | |
| Share capital | 14 | 7,595 | 7,595 |
| Share premium | 14 | 15,797 | 15,797 |
| Reverse acquisition reserve | | (7,620) | (7,620) |
| Merger reserve | | 10,938 | 10,938 |
| Foreign currency translation reserve | | (2,270) | (2,209) |
| Accumulated losses | | (39,566) | (38,196) |
| Total equity | | (15,126) | (13,695) |

The financial statements on pages 26 to 56 were approved by the Board of Directors on 26 April 2023 and were signed on its behalf by:

Jeremy Fenn
Chairman
26 April 2023
Company Number: 5136300

Consolidated statement of changes in equity

For the year ended 31 December 2022



| | Share capital £'000 | Share premium £'000 | Reverse acquisition reserve £'000 | Merger reserve £'000 | Foreign currency translation reserve £'000 | Accumulated Losses £'000 | Total equity £'000 |
|--|------------------------|------------------------|---|----------------------------|--|--------------------------------|--------------------------|
| Balance at 1 January 2021 | 7,595 | 15,797 | (7,620) | 10,938 | (2,204) | (37,583) | (13,077) |
| Loss for the year | - | - | - | - | - | (630) | (630) |
| Exchange differences on translation of foreign operations | - | - | - | - | (5) | - | (5) |
| Total comprehensive loss for the year | - | - | - | - | (5) | (630) | (635) |
| Equity settled share-based payments | - | - | - | - | - | 17 | 17 |
| Balance at 31 December 2021 | 7,595 | 15,797 | (7,620) | 10,938 | (2,209) | (38,196) | (13,695) |
| | | | | | | | |
| | Share capital £'000 | Share premium £'000 | Reverse acquisition reserve £'000 | Merger reserve £'000 | Foreign currency translation reserve £'000 | Accumulated Losses £'000 | Total equity £'000 |
| Balance at 1 January 2022 | 7,595 | 15,797 | (7,620) | 10,938 | (2,209) | (38,196) | (13,695) |
| Loss for the year | - | - | - | - | - | (1,382) | (1,382) |
| Exchange differences on translation of foreign operations | - | - | - | - | (61) | - | (61) |
| Total comprehensive loss for the year | - | - | - | - | (61) | (1,382) | (1,443) |
| Equity settled share-based payments | - | - | - | - | - | 12 | 12 |
| Balance at 31 December 2022 | 7,595 | 15,797 | (7,620) | 10,938 | (2,270) | (39,566) | (15,126) |

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 2022



| | Note | 2022 £'000 | 2021 £'000 |
|---|-------------|-----------------------|-----------------------|
| Operating activities | | | |
| Cash used in operations | 16 | (173) | (247) |
| Tax received | | 238 | 238 |
| Interest paid | | 9 | - |
| Net cash (used in)/from operating activities | | 74 | (9) |
| Investing activities | | | |
| Purchase of property, plant & equipment | | (60) | (19) |
| Disposal of property, plant & equipment | | - | 7 |
| Net cash used in investing activities | | (60) | (12) |
| Financing activities | | | |
| Receipt of borrowings | 13 | 250 | 150 |
| Repayment of borrowings | 13 | (10) | (3) |
| IFRS 16 leases | | (180) | (248) |
| Net cash generated from/(used) in financing activities | | 60 | (101) |
| Effects of exchange rates on cash and cash equivalents | | 6 | - |
| Net increase/(decrease) in cash and cash equivalents in the year | | 80 | (122) |
| Cash and cash equivalents at beginning of year | | 65 | 187 |
| Cash and cash equivalents at end of year | | 145 | 65 |

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

Notes to the financial statements

For the year ended 31 December 2022



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 UK-adopted International Accounting Standards. 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.

Going concern

In preparing the consolidated financial statements the Directors must satisfy themselves that it is reasonable to adopt the going concern basis.

When determining the adoption of this approach, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the Balance Sheet, together with that continued support offered by our principal shareholder Intechology plc, who, as in previous years, has agreed not to call on existing loans and borrowings totaling £10,148,000 and to extend the duration of our £500,000 working capital facility if requested to do so. Further consideration has been given to future projections, cash flow forecasts, access to funding, ability to successfully secure additional investment, available mitigating actions and the medium-term strategy of the business.

The Group is dependent on its ability to meet its cash flow forecasts. Within those forecasts the Group has included a number of significant payments and receipts based on its best estimate but, as with all forecasts, there does exist some uncertainty as to the timing and size of those payments and receipts. In particular, the forecasts assume the ongoing deferral and phased payment of some of the Group's creditors, including a contingent consideration balance of £2,815,000, (as disclosed in note 13 to the financial statements), and the continuation at the current level of recurring revenue and a significant increase in the level of non-recurring revenues. In the event that some or all of these receipts are delayed, deferred or reduced, or payments not deferred, management has considered the actions that it would need to take to conserve cash. These actions would include significant cost savings (principally payroll based) and/or seeking additional funding from its shareholders, for which there is currently no shareholder commitment requested. These conditions, together with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

Notes to the financial statements

For the year ended 31 December 2022



The Directors, whilst noting the existence of a material uncertainty and having considered the possible management actions as noted above, are of the view that the Group is a going concern and will be able to meet its debts as and when they fall due for a period of at least 12 months from the date of signing these accounts.

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:

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. Details of these judgements made are provided in accounting policy 1.15.

Satisfaction of performance obligations - The Group is required to assess each of its contracts with customers to determine whether performance obligations are satisfied over time or at a point in time in order to determine the appropriate method for recognising revenue.

1.3 Basis of consolidation

The Group financial statements consolidate those of the Company and its subsidiary undertakings at 31 December 2022. 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.

Notes to the financial statements

For the year ended 31 December 2022



1.5 Revenue recognition

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group recognises revenue from the following sources: sale of licences, services and goods, excluding inter-company sales and value-added taxes. Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

Payment for service fees is not due from the customer until the services are complete and therefore a contract asset is recognised over the period in which the services are performed representing the entity's right to consideration for the services performed to date.

The Group provides certain warranties on goods sold. In the event that goods supplied have a defect within the warranty terms offered, the Group has an obligation to make good such defect.

License fees

License fees comprise:

Recurring monthly license fee – represents a license fee with a duration of one month and is recognised at the time the license is sold and delivered to the customer, when at such point our performance obligations have been materially fulfilled.

Capex license fee – represents a license fee for a period greater than one month. Contracted fees of this nature are recognised in full when the license is sold and delivered to the customer, when at such point, our performance obligations have been materially fulfilled. If performance obligations are not fulfilled, a contract liability is recognised at the time of the initial sales transaction.

Notes to the financial statements

For the year ended 31 December 2022



Service fees

Service fees comprise:

Support & Maintenance - recognised on a straight-line basis over the contractual service period. The directors have assessed that the stage of completion determined as the proportion of the total time of the service contract that has elapsed at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under IFRS15 Revenue from Contracts with Customers.

Installation and other professional services - recognised when these have been provided to customer per our contractual deliverables. Where a service contract is delivered over a timeframe, the service fee will be part recognised based on a stage-of-completion assessment.

Hardware sales

Revenue is recognised when control of the goods has transferred, being when the goods have been shipped to the customer's specific location (delivery).

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 Employee benefits

Pension obligations

The Group operates a defined contribution pension scheme and makes contributions to its employees in adherence with its auto-enrolment obligations. 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.

1.9 Foreign currency translation

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

Notes to the financial statements

For the year ended 31 December 2022



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.

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.

1.10 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.

1.11 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. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised based on tax laws and rates that have been enacted or substantively enacted at the reporting Date

Notes to the financial statements

For the year ended 31 December 2022



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

1.12 Property, plant and equipment

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

| | |
|-----------------------|------------|
| Office equipment | 3-15 years |
| Computer equipment | 3-5 years |
| Leasehold improvement | 3-15 years |

Reviews are made annually of the estimated remaining lives and residual values of all 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.

In respect of leasehold improvements and estimating their expected useful lives, consideration is given to the length of existing lease term remaining, together with an assessment of the suitability of the current property continuing to serve the Company's needs beyond this current term and therefore the likelihood of a renewal.

1.13 IFRS 16 Leases

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement of the lease.

The right-of-use assets are included in the 'right-of-use asset' line of the Consolidated Statement of Financial position.

The Group applies IAS36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as per note 1.12.

1.14 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.

Notes to the financial statements

For the year ended 31 December 2022



1.15 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 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.

1.16 Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares.
- "Share premium" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue.
- "Reverse acquisition reserve" represents the difference between the required total of the Group's equity instruments and the reported equity of the legal parent.
- "Merger reserve" represents the difference between the nominal value of the share capital issued by the Company and their fair value at 7 March 2006, the date of the acquisition of Mobile Tornado International Ltd.
- "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.

1.17 Cash and cash equivalents

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

Notes to the financial statements

For the year ended 31 December 2022

1.18 Financial assets

Initial recognition and measurement

In accordance with IFRS9, 'Financial Instruments' the Group has classified its financial assets as 'Financial assets at amortised cost'. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

a. Financial assets carried at amortised cost

This category applies to trade and other receivables due from customers in the normal course of business. These assets are held at amortised cost.

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- (i) the asset is held within a business model with the objective of collecting the contractual cash flows; and
- (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost comprise current trade and other receivables due from customers in the normal course of business and cash and cash equivalents.

The Group does not hold any material financial assets at fair value through other comprehensive income or at fair value through profit or loss.

The Group does not hold any derivatives and does not undertake any hedging activities.

Trade receivables are initially recognised at their transaction price. The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money. Other financial assets are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Trade and other receivables are measured at amortised cost less provision for expected credit losses.

Impairment of financial assets

The Group assesses on a forward-looking basis the expected credit losses associated with its financial assets measured at amortised cost. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

For other financial assets at amortised cost, the Group determines whether there has been a significant increase in credit risk since initial recognition. The Group recognises twelve month expected credit losses if there has not been a significant increase in credit risk and lifetime expected credit losses if there has been a significant increase in credit risk.

Notes to the financial statements

For the year ended 31 December 2022



Expected credit losses incorporate forward looking information such as general economic conditions, take into account the time value of money when there is a significant financing component and are based on days past due; the external credit ratings of its customers; and significant changes in the expected performance and behaviour of the borrower.

Financial assets are written off when there is no reasonable expectation of recovery. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the Statement of Comprehensive Income.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

1.19 Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and previously included loans and other borrowings including Directors loans.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Comprehensive Income.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

Notes to the financial statements

For the year ended 31 December 2022



1.20 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.

1.21 Standards in issue not yet effective

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

- IFRS 17 - Insurance Contracts
- Amendments to IFRS 17 - Insurance Contracts; and Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4 Insurance Contracts)
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements)
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes)

The Directors are evaluating the impact that these standards will have on the financial statements of Group.

1.22 New standards and amendments

During the financial year, the Group has adopted the following new IFRSs (including amendments thereto) and IFRIC interpretations, that became effective for the first time.

- Reference to the Conceptual Framework (Amendments to IFRS 3 *Business Combinations*)
- Property, Plant and Equipment: Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*)
- Annual improvements 2018-2020 cycle

Their adoption has not had any material impact on the disclosures or amounts reported in the financial statements.

Notes to the financial statements

For the year ended 31 December 2022



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 2022 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.

Revenue by category

| | 2022 | 2021 |
|-----------------------|--------------|-------|
| | £'000 | £'000 |
| License fees | 2,014 | 2,003 |
| Hardware & software | 178 | 164 |
| Professional services | 26 | 201 |
| Support & Maintenance | 61 | 223 |
| Total | 2,279 | 2,591 |

| | 2022 | 2021 |
|---------------|--------------|-------|
| | £'000 | £'000 |
| Recurring | 1,969 | 2,112 |
| Non-recurring | 310 | 479 |
| Total | 2,279 | 2,591 |

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

| | 2022 | 2022 | 2021 | 2021 |
|---------------|----------------|--------------------|---------|-------------|
| | Revenue | Non-current | Revenue | Non-current |
| | £'000 | assets | £'000 | assets |
| | | £'000 | | £'000 |
| UK | 31 | - | 19 | 23 |
| Europe | 99 | - | 188 | - |
| North America | 65 | - | 581 | - |
| South America | 1,341 | - | 1,118 | - |
| Israel | 351 | 505 | 329 | 182 |
| Africa | 382 | - | 348 | - |
| Asia/Pacific | 10 | - | 8 | - |
| Total | 2,279 | 505 | 2,591 | 205 |

Of the total revenue of the Group, three customers each represented revenue greater than 10% of this total – these being 30% or £685,000 (2021: 21% or £551,000), 29% or £656,000 (2021: 22% or £567,000) and 17% or £382,000 (2021: 13% or £348,000) respectively.

Notes to the financial statements

For the year ended 31 December 2022



3 Group operating loss

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Group operating loss before taxation is stated after charging/(crediting): | | |
| Staff costs (note 18) | 2,008 | 2,084 |
| Depreciation of owned property, plant and equipment (note 7) | 42 | 52 |
| Depreciation of leased right-of-use assets (note 9) | 169 | 233 |
| Amortisation of intangible assets (note 8) | - | 12 |
| Research and development expenditure | 1,107 | 1,051 |
| Net exchange (gain)/loss | 227 | (78) |

Auditors' remuneration

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

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Fees payable to the Group's auditors for the audit of the Company's financial statements | 37 | 33 |

4 Finance costs

| | 2022 £'000 | 2021 £'000 |
|-------------------------------------|---------------|---------------|
| Finance charge on preference shares | (646) | (605) |
| Finance charge on loans | (35) | - |
| Finance charge on leases | (15) | (3) |
| Total finance costs | (696) | (608) |

5 Income tax credit

(a) Analysis of credit for the year

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| United Kingdom current tax | | |
| Current year research & development tax credit claimed | (60) | (239) |
| Prior year research & development tax credit claimed | (42) | (44) |
| Withholding tax on overseas sales receipts | 66 | 52 |
| Total credit for the year | (37) | (231) |

Notes to the financial statements

For the year ended 31 December 2022



(b) Factors affecting the tax credit for the year

Deferred tax:

At 31 December 2022 the Group had accumulated tax losses of £30,355,000 (31 December 2021: £28,882,000) 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.

| | 2022 £'000 | 2021 £'000 |
|--|-----------------------------|---------------|
| Loss before tax | (1,419) | (861) |
| At standard rate of corporation tax of 19.00% (2021: 19.00%) | (270) | (164) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 132 | 116 |
| Withholding tax on overseas sales receipts | 66 | 52 |
| Paye tax credit cap | 100 | - |
| Other permanent differences | 37 | 48 |
| Current year research & development tax credit claimed | (60) | (239) |
| Prior year research & development tax credit claimed | (42) | (44) |
| Total credit for the year | (37) | (231) |

6 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £1,382,000 (2021: £630,000) by the weighted average number of ordinary shares in issue during the year of 379,744,923 (2021: 379,744,923).

| | 2022 | | 2021 | |
|---|--------------------------|------------------|-------------------|------------------|
| | Basic and diluted | | Basic and diluted | |
| | Loss | Loss | Loss | Loss |
| | | per share | | per share |
| | £'000 | pence | £'000 | pence |
| Loss attributable to ordinary shareholders | (1,382) | (0.36) | (630) | (0.17) |

The loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options are anti-dilutive under the terms of IAS 33.

Notes to the financial statements
For the year ended 31 December 2022

7 Property, plant and equipment

| | Office equipment £'000 | Computer equipment £'000 | Leasehold improvement £'000 | Total £'000 |
|--|------------------------------|--------------------------------|-----------------------------------|----------------|
| Cost | | | | |
| At 1 January 2021 | 56 | 814 | 122 | 992 |
| Additions | 18 | 1 | 6 | 25 |
| Disposals | - | - | (7) | (7) |
| Exchange adjustments | - | 4 | 1 | 5 |
| At 31 December 2021 | 74 | 819 | 122 | 1,015 |
| Additions | - | 16 | 46 | 62 |
| Disposals | - | - | - | - |
| Reclassification | 18 | (20) | 9 | 7 |
| Exchange adjustments | 36 | 7 | 15 | 58 |
| At 31 December 2022 | 129 | 822 | 190 | 1,142 |
| Accumulated depreciation | | | | |
| At 1 January 2021 | 47 | 767 | 30 | 844 |
| Charge for the year | (11) | 42 | 14 | 45 |
| Exchange adjustments | 1 | 3 | 0 | 4 |
| At 31 December 2021 | 37 | 812 | 44 | 893 |
| Charge for the year | - | 43 | - | 43 |
| Reclassification | 52 | (49) | 0 | 4 |
| Exchange adjustments | 34 | 6 | 7 | 47 |
| At 31 December 2022 | 124 | 812 | 50 | 987 |
| Net book amount at 31 December 2022 | 5 | 10 | 140 | 155 |
| Net book amount at 31 December 2021 | 37 | 7 | 77 | 121 |

Notes to the financial statements
For the year ended 31 December 2022

8 Right-of-use assets

| | Leasehold Property £'000 | Vehicles £'000 | Total £'000 |
|--|---|---------------------------|------------------------|
| Cost | | | |
| At 1 January 2021 | 659 | 137 | 796 |
| Additions | - | - | - |
| Disposals | - | - | - |
| At 31 December 2021 | 659 | 137 | 796 |
| Additions | 436 | - | 436 |
| At 31 December 2022 | 1,095 | 137 | 1,232 |
| Accumulated depreciation | | | |
| At 1 January 2021 | 396 | 84 | 480 |
| Charge for the year | 198 | 35 | 233 |
| At 31 December 2021 | 594 | 119 | 713 |
| Charge for the year | 151 | 18 | 169 |
| At 31 December 2022 | 745 | 137 | 882 |
| Net book amount at 31 December 2022 | 350 | 0 | 350 |
| Net book amount at 31 December 2021 | 65 | 18 | 83 |

The above asset relates to a property lease. This lease agreement commenced on 1 July 2022 and has a four-year term, with a break clause after two years. The above asset is calculated on the assumption that the Group does not trigger the break clause available to it.

9 Trade and other receivables

| | 2022 £'000 | 2021 £'000 |
|---|-----------------------|-----------------------|
| Trade receivables | 1,120 | 1,111 |
| Less: provision for impairment of trade receivables | (70) | (65) |
| Trade receivables - net | 1,050 | 1,046 |
| Other receivables | 103 | 273 |
| Prepayments and contract assets | 261 | 313 |
| | 1,414 | 1,632 |
| Current portion | 1,414 | 1,632 |

The Group had contract assets within trade and other receivables of £156,000 (2021: £150,000)

Included within other receivables is a tax credit due of £60,000 (2021: £239,000)

Notes to the financial statements

For the year ended 31 December 2022

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

| | 2022 £'000 | 2021 £'000 |
|------------------------|-----------------------------|---------------|
| Impaired | | |
| Less than three months | - | - |
| Three to six months | - | - |
| Over six months | 70 | 65 |
| | 70 | 65 |
| Not impaired | | |
| Less than three months | 99 | 66 |
| Three to six months | 35 | 7 |
| Over six months | 810 | 815 |
| | 944 | 888 |

Of the overdue receivables, £921,000 (2021: £921,000) relates to one particular customer against which a provision of £51,000 (2021: £51,000) has been made and which reflects the Directors estimate of what amount the Company may forsake in return for accelerated repayments against the remaining debt balance.

Whilst the Sterling value of this debt remains the same as prior year end, this is impacted by the weaker Sterling v's Dollar closing exchange rate on prior year end. The functional currency of this debt has reduced by \$137,000 in the year (2021: \$1,000)

A formal repayment plan was agreed during the prior year and repayments per this agreement are fully up to-date as of the date of signing these accounts. In parallel, an assessment of this customer's ability to pay has been made by reference to 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 further provision has been made.

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

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

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

| | 2022 £'000 | 2021 £'000 |
|--|-----------------------------|---------------|
| At 1 January | 65 | 115 |
| Provision for receivables impairment | 5 | - |
| Receivables written off during the year as uncollectable | - | (50) |
| | 70 | 65 |

Notes to the financial statements

For the year ended 31 December 2022



10 Inventories

| | 2022 £'000 | 2021 £'000 |
|----------|---------------|---------------|
| Hardware | 25 | 67 |

The cost of inventories recognised as an expense and included within cost of sales amounted to £58,000 (2021: £57,000).

11 Cash and cash equivalents

| | 2022 £'000 | 2021 £'000 |
|---------------------------|---------------|---------------|
| Cash at bank and in hand: | | |
| -Sterling | 4 | 2 |
| -US Dollar | 55 | 2 |
| -Canadian dollar | 0 | 10 |
| -Euro | 3 | 9 |
| -New israel shekel | 83 | 42 |
| | 145 | 65 |

12 Trade and other payables

| | 2022 £'000 | 2021 £'000 |
|--|----------------|----------------|
| Trade payables | 878 | 924 |
| Accruals | 340 | 284 |
| Social security and other taxes | 86 | 118 |
| Contract liabilities | 2,148 | 2,031 |
| Contingent consideration | 2,815 | 2,517 |
| | 6,267 | 5,874 |
| Less non-current portion: contingent consideration | (1,076) | (1,213) |
| Current portion | 5,191 | 4,661 |

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.

Notes to the financial statements

For the year ended 31 December 2022



The split between current and non-current reflects the Group's estimate of future sales and the amount of royalty payment that would fall due within the next 12 months based on the above terms.

The deferred income balance includes an amount of £2,116,000 (2021: £1,998,000) 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.

13 Borrowings, other financial liabilities and other financial assets

| | 2022 £'000 | 2021 £'000 |
|---------------------------------------|---------------|---------------|
| Preference shares | 8,058 | 7,412 |
| Loans from related party undertakings | 2,490 | 2,240 |
| Bank loans | 37 | 47 |
| Lease liabilities | 363 | 91 |
| Total borrowings | 10,948 | 9,790 |

Maturity analysis

| | 2022 £'000 | 2021 £'000 |
|----------------------------|---------------|---------------|
| In one year or less | 10,558 | 9,662 |
| Between one and two years | 10 | 10 |
| Between two and five years | 17 | 27 |
| Greater than five years | - | - |
| Total | 10,585 | 9,699 |

Lease liabilities

| | 2022 £'000 | 2021 £'000 |
|----------------------------|---------------|---------------|
| In one year or less | 105 | 91 |
| Between two and five years | 258 | - |
| Total | 363 | 91 |

Other financial liabilities include Trade and Other payables, all of which have a maturity profile of being due within 30 days

All preference shares are non-voting, non-convertible cumulative redeemable preference shares. They are currently redeemable at par value on 31 December 2023, or, at the Company's discretion, at any earlier date and will accrue interest at a fixed rate of 10 per cent. per annum. All preference shares and accrued interest thereon are thus classified as repayable in one year or less.

The nominal value of preference share indebtedness is £5,702,000 (31 December 2021: £5,702,000) with the balance of £2,356,000 (31 December 2021: £1,710,000) comprising unpaid coupon and accrued interest thereon.

Of the total loan balance of £2,490,000 provided by InTechnology plc, £2,490,000 is repayable on demand and thus classified as repayable in one year or less.

Notes to the financial statements

For the year ended 31 December 2022

InTechnology plc provided the Group with a £500,000 loan facility (2021: £300,000). As at 31 December 2022, the balance on this facility was £400,000 (31 December 2021: £150,000). On 24 March 2022, the terms of this facility were amended, increasing the facility amount to £500,000 and extending the term by a further 12 months to 26 September 2023. Further details of the terms of this facility are provided within the related party note on page 54.

InTechnology plc has agreed not to demand repayment of all amounts due for payment in one year or less, for a period of at least 12 months from the date of signing of the financial statements. Further, InTechnology plc has confirmed its willingness, should the Group request, to extend the redemption date on these preference shares until 31 December 2024.

The Group availed of a £50,000 bounce-back loan offered in 2020. This loan accrues interest at a fixed rate of 2.5%. The balance of this loan at 31 December 2022 was £37,000 (31 December 2021: £47,000).

The Group do not have any derivative financial liabilities at 31 December 2022 or 31 December 2021.

Financial risks

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

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

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

Interest rate risk profile of financial assets

The interest rate risk profile of the financial assets of the Group comprise cash of £145,000 (2021: £65,000) as follows:

| | Floating rate | |
|-----------------|---------------|-----------|
| | 2022 | 2021 |
| | £'000 | £'000 |
| Currency | | |
| Sterling | 4 | 2 |
| US dollar | 55 | 2 |
| Canadian dollar | 0 | 10 |
| Euro | 3 | 9 |
| Israel shekel | 83 | 42 |
| Total | 145 | 65 |

The Sterling, US dollar and Euro financial assets relate to cash at bank. There are no fixed rate financial assets (2021: £nil).

Notes to the financial statements

For the year ended 31 December 2022



Interest rate risk profile of financial liabilities

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

| | Fixed | |
|---|--------------|-------|
| | 2022 | 2021 |
| | £'000 | £'000 |
| Fixed rate 10% preference shares classified as debt | 8,058 | 7,412 |
| Fixed rate 2.5% loan | 37 | 47 |
| Total | 8,095 | 7,459 |

The loans from related party undertakings do not bear any interest. Further details of which can be found in note 20.

Currency risk

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

| | 2022 | 2021 |
|--|----------------|---------|
| | £'000 | £'000 |
| Functional currency of operation: Sterling | | |
| US Dollar (net liabilities) | (1,648) | (1,485) |
| Euro (net liabilities) | (2,102) | (1,977) |
| Canadian Dollar net assets/(net liabilities) | 0 | 20 |
| Total | (3,750) | (3,442) |

Foreign currency assets comprise cash, contract assets and trade receivables. Liabilities comprise contract liabilities and trade payables.

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 £341,000 (2021: £313,000).

A 1% movement in interest rates would result in a charge or credit to profit and equity of £24,000 (2021: £17,000).

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.

Notes to the financial statements

For the year ended 31 December 2022



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.

Summary of the Group's financial assets and liabilities

| | 2022 | 2021 |
|--|-----------------|----------|
| | £'000 | £'000 |
| Current assets - financial assets at amortised cost | | |
| Trade and other receivables | 1,153 | 1,319 |
| Cash and cash equivalents | 145 | 65 |
| | 1,298 | 1,384 |
| Current liabilities - held at amortised cost | | |
| Trade and other payables | (2,958) | (2,512) |
| Preference shares | (8,058) | (7,412) |
| Loans | (2,500) | (2,250) |
| | (13,516) | (12,264) |
| Non-current liabilities - held at amortised cost | | |
| Trade and other payables | (1,076) | (1,213) |
| Loans | (27) | (37) |
| | (1,103) | (1,250) |
| Net financial assets and liabilities | (13,321) | (12,130) |

The Directors consider that the fair value of financial assets and liabilities approximates to the carrying value for both 2022 and 2021.

Notes to the financial statements

For the year ended 31 December 2022



14 Share capital and share premium

| | Number of issued and fully paid shares '000 | Share capital £'000 | Share premium £'000 | Total £'000 |
|-------------------------------|--|---------------------------|---------------------------|----------------|
| At 1 January 2022 | 379,745 | 7,595 | 15,797 | 23,392 |
| Issue of shares | - | - | - | - |
| As at 31 December 2022 | 379,745 | 7,595 | 15,797 | 23,392 |

The total authorised number of ordinary shares is 475 million (2021: 475 million) with a par value of 2p per share (2021: 2p per share).

Non-voting preference shares – included in financial liabilities

| | Number of shares '000 | Nominal Value £'000 |
|--|-----------------------------|---------------------------|
| As at 31 December 2021 and 2022 | 71,277 | 5,702 |

All preference shares are non-voting, non-convertible cumulative redeemable preference shares. They are currently redeemable at par value on 31 December 2022, or, at the Company's discretion, at any earlier date and will accrue interest at a fixed rate of 10 per cent. per annum. InTechnology plc has confirmed its willingness, should the Group request, to extend the redemption date on these preference shares until 31 December 2024. Unpaid dividends accrue interest at 3% above Bank of England base rate until settled.

15 Share-based payments

The Group has a share option scheme for certain employees and Directors. Options are exercisable at a price equal to the average market price of the Company's shares on the date of grant. The options are settled in equity.

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

Notes to the financial statements

For the year ended 31 December 2022



| Name of scheme | Number of shares 2022 '000 | 2021 '000 | Exercise price pence | Earliest exercise date | Vesting condition | Expiry date |
|----------------|----------------------------------|--------------|-------------------------|------------------------------|--------------------------------------|-------------|
| UK scheme | - | 3,300 | 7.5 | 03/01/15 | - | 03/01/22 |
| UK scheme | 200 | 200 | 6.0 | 18/06/18 | - | 18/06/25 |
| Israel scheme | - | 750 | 6.0 | 07/09/18 | - | 31/12/23 |
| Israel scheme | 2,500 | 2,500 | 2.0 | 16/05/19 | - | 31/12/26 |
| Israel scheme | 3,350 | 3,350 | 4.0 | 04/11/19 | - | 31/12/26 |
| Israel scheme | 4,450 | 4,950 | 6.5 | 15/06/20 | Group reports positive annual EBITDA | 15/06/27 |
| UK scheme | 3,200 | 3,200 | 6.5 | 15/06/20 | Group reports positive annual EBITDA | 15/06/27 |
| Israel scheme | 1,250 | 1,800 | 5.0 | 09/01/22 | - | 09/01/29 |
| UK scheme | 450 | 450 | 5.0 | 09/01/22 | - | 09/01/29 |
| Israel scheme | 1,000 | 1,000 | 5.0 | 28/02/22 | - | 28/02/29 |
| Israel scheme | 5,000 | 5,950 | 6.0 | 22/06/23 | - | 22/06/30 |
| UK scheme | 500 | 500 | 6.0 | 22/06/23 | - | 22/06/30 |
| Total | 21,900 | 27,950 | | | | |

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

The expected volatility is based on historical volatility over the last year. The expected life is assumed as being equal to the earliest exercise date. The risk-free rate of return is taken as the Bank of England base-rate at the date of grant.

A reconciliation of option movements over the year to 31 December 2022 is shown below:

| | 2022 Number '000 | Weighted average exercise price pence | 2021 Number '000 | Weighted average exercise price pence |
|----------------------------|------------------------|---|------------------------|---|
| Outstanding at 1 January | 27,950 | 5.6 | 30,350 | 5.6 |
| Granted | - | - | - | 0.0 |
| Forfeited | (2,750) | 5.9 | (2,400) | 5.9 |
| Expired | (3,300) | 7.5 | - | 0.0 |
| Outstanding at 31 December | 21,900 | 5.3 | 27,950 | 5.6 |
| Exercisable at 31 December | 16,400 | 5.1 | 18,250 | 6.0 |

The closing mid-market share price on 19 April 2023 was 1.90 pence.

The weighted average remaining contractual life of the share options outstanding at 31 December 2022 was 5.5 years (31 December 2021: 5.5 years) at exercise prices ranging from 2.0 pence to 7.5 pence. (31 December 2021: 2.0 pence to 7.5 pence).

Notes to the financial statements

For the year ended 31 December 2022



Those options exercisable at 31 December 2022 are at exercise prices ranging from 2.0 pence to 7.5 pence. (31 December 2021: 2.0 pence to 7.5 pence)

The total charge for the year relating to employee share-based payment plans was £12,000 (2021: £17,000), all of which related to equity-settled share-based payment transactions.

16 Cash used in operations

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Loss before taxation | (1,419) | (861) |
| Adjustments for: | | |
| Depreciation and amortisation | 212 | 297 |
| Share-based payment charge | 12 | - |
| Interest expense | 696 | 608 |
| Changes in working capital: | | |
| Decrease in inventories | 49 | (10) |
| Decrease/(Increase) in trade and other receivables | 41 | 192 |
| Increase/(Decrease) in trade and other payables | 236 | (473) |
| Net cash used in operations | (173) | (247) |

Changes in liabilities arising from financing activities

For the year ended 31 December 2021

| | 2020 £'000 | Cash flows £'000 | Non-cash changes | | | | 2021 £'000 |
|--|---------------|------------------------|------------------------|----------------------------|----------------------------------|----------------------------------|---------------|
| | | | New leases £'000 | Finance charge £'000 | conversion to equity £'000 | Exchange differences £'000 | |
| Preference shares | 6,808 | - | - | 605 | - | - | 7,413 |
| Loans from related party undertakings | 2,090 | 150 | - | - | - | - | 2,240 |
| Bank loans | 50 | (3) | - | - | - | - | 47 |
| Lease liabilities | 335 | (249) | - | 4 | - | - | 90 |
| Total liabilities from financing activities | 9,283 | (102) | - | 609 | - | - | 9,790 |
| Cash and cash equivalents | (187) | 122 | - | - | - | - | (65) |
| Net debt | 9,096 | 20 | - | 609 | - | - | 9,725 |

Notes to the financial statements

For the year ended 31 December 2022



For the year ended 31 December 2022

| | 2021 £'000 | Cash flows £'000 | Non-cash changes | | | | 2022 £'000 |
|--|---------------|------------------------|------------------------|----------------------------|----------------------------------|----------------------------------|---------------|
| | | | New leases £'000 | Finance charge £'000 | conversion to equity £'000 | Exchange differences £'000 | |
| Preference shares | 7,413 | - | - | 646 | - | - | 8,059 |
| Loans from related party undertakings | 2,240 | 250 | - | - | - | - | 2,490 |
| Bank loans | 47 | (10) | - | - | - | - | 37 |
| Lease liabilities | 90 | (180) | 453 | - | - | - | 363 |
| Total liabilities from financing activities | 9,790 | 60 | 453 | 646 | - | - | 10,949 |
| Cash and cash equivalents | (65) | (80) | - | - | - | - | (145) |
| Net debt | 9,725 | (20) | 453 | 646 | - | - | 10,804 |

17 Employee information

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

| | 2022 Number | 2021 Number |
|----------------------------------|----------------|----------------|
| Sales | 5 | 5 |
| Product development & operations | 41 | 41 |
| Finance & administration | 5 | 5 |
| Total | 51 | 51 |

Included in the table above are 33 persons that are contractors (2021: 26). 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:

| | 2022 £'000 | 2021 £'000 |
|----------------------------|---------------|---------------|
| Wages and salaries | 1,699 | 1,757 |
| Social security costs | 82 | 92 |
| Other pension costs | 117 | 105 |
| Share-based payment charge | 12 | 17 |
| Other benefits | 98 | 113 |
| Total | 2,008 | 2,084 |

Notes to the financial statements

For the year ended 31 December 2022



Directors' costs included within the above were:

| | Salary £'000 | Fees £'000 | Benefits in kind £'000 | 2022 Total £'000 | 2021 Total £'000 |
|-----------------------------|-----------------|---------------|------------------------------|------------------------|------------------------|
| Peter Wilkinson | - | - | - | - | - |
| Jeremy Fenn | 6 | 120 | 4 | 130 | 128 |
| Avi Tooba | 136 | - | 40 | 176 | 164 |
| Jonathan Freeland | - | 18 | - | 18 | 18 |
| Aggregate emoluments | 142 | 138 | 44 | 324 | 310 |

18 Capital commitments

The Group had no capital commitments at 31 December 2022 (2021: £nil).

19 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:

Peter Wilkinson is a shareholder and Director of InTechnology plc. Mobile Tornado Group plc has bought goods and services totalling £nil from InTechnology plc in the year to 31 December 2022 (year ended 31 December 2021; £nil). As at 31 December 2022, Mobile Tornado Group plc owed InTechnology plc £719,000 (31 December 2021; £719,000).

In previous years, InTechnology plc bought right of use licenses totalling €2,400,000 from Mobile Tornado Group plc. During the year to 31 December 2022 the value of licenses brought into use was €nil (year ended 31 December 2021; €nil). The balance of unused licenses as at 31 December 2022 was €2,376,000 (31 December 2021; €2,376,000). This balance is included in contract liabilities in the accounts.

InTechnology plc has provided loan finance, excluding the revolving loan facility detailed separately below, of £nil to Mobile Tornado Group plc in the year ended 31 December 2022 (year ended 31 December 2021; £nil). As at 31 December 2022, Mobile Tornado Group plc owed InTechnology plc £2,090,000 (31 December 2021; £2,090,000).

InTechnology plc has provided preference share finance of £nil to Mobile Tornado Group plc in the year ended 31 December 2022 (year ended 31 December 2021; £nil). As at 31 December 2022, Mobile Tornado Group plc had total preference share indebtedness to InTechnology plc of £8,058,000 (31 December 2021; £7,412,000).

On 26 September 2018, the Company entered into a revolving loan facility agreement with InTechnology Plc which was for a period of two years from date entered into. Subsequently on 23 September 2020, this was extended by a year and then on 24 September 2021 by a further year. On 24 March 2022, the terms of the facility were amended, increasing the facility amount to £500,000 and extending the term by a further 12 months to 26 September 2023.

Under the terms of the agreement, any new amounts drawn down by the Company pursuant to the facility agreement will be subject to a 2% facility fee and will bear interest at a rate of 10% per annum. The facility agreement allows for monies to be drawn down,

Notes to the financial statements

For the year ended 31 December 2022



repaid and redrawn again in any manner and any number of times by the Company until the agreement expires, however, any monies repaid and subsequently redrawn will not incur a further facility fee. At the expiration date of the facility agreement, all monies shall be repayable by the Company to InTechnology together with any facility fee and accrued interest thereon.

During the year £250,000 (2021: £150,000) was drawn down. As at 31 December 2022, Mobile Tornado Group plc owed InTechnology plc £400,000 (31 December 2021; £150,000). Interest and facilities fees for the year amounted to £34,000 (year ended 31 December 2021; £2,000), of which £9,000 (year ended 31 December 2021; £nil), was paid during the year.

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 2022, Mobile Tornado Group Plc owed £3,000 (31 December 2021: £29,000) to Mainstream Capital Partners LLP.

The Group is controlled by InTechnology plc (incorporated in the UK) which, as of today's date, owns 49.3% of the Company's ordinary shares. The Group's ultimate parent and controlling party is Peter Wilkinson. InTechnology plc's Report and Accounts can be obtained at the Group's website www.intechnologyplc.com and also at their registered office, address for which is the same as Mobile Tornado's and which is provided on page 68.

20 Investments

Details of the principal investments at 31 December 2022 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

21 Post balance sheet event

The Company completed on 6 March 2023 a placing of 25.0m ordinary shares at 2p per share to raise £0.50m to further support the growth of the Companies business development activities.

On the same date, the Company issued 12,974,492 new ordinary shares to InTechnology plc at 2p per share as capitalisation of £0.26m indebtedness owed by the Company to InTechnology plc.

Company balance sheet
As at 31 December 2022



| | Note | 2022 £'000 | 2021 £'000 |
|---|------|-----------------|-----------------|
| Fixed assets | | | |
| Intangible assets | 4 | 3,883 | 4,459 |
| Tangible assets | 5 | - | 23 |
| | | 3,883 | 4,482 |
| Current assets | | | |
| Debtors | 7 | 1,883 | 1,976 |
| Cash at bank and in hand | | 61 | 21 |
| | | 1,944 | 1,997 |
| Creditors - amounts falling due within one year | 8 | (15,396) | (13,955) |
| Net current liabilities | | (13,452) | (11,958) |
| Total assets less current liabilities | | (9,569) | (7,476) |
| Creditors - amounts falling due after more than one year | 8 | (1,103) | (1,250) |
| Net liabilities | | (10,672) | (8,726) |
| Capital and reserves | | | |
| Called up share capital | 9 | 7,595 | 7,595 |
| Share premium account | | 15,797 | 15,797 |
| Merger reserve | | 10,938 | 10,938 |
| Accumulated losses | | (45,002) | (43,056) |
| Total shareholders' deficit | | (10,672) | (8,726) |

The Company's loss for the financial year was £1,959,000 (2021: £1,249,000 loss).

The financial statements on pages 57 to 67 were approved by the Board of Directors on 26 April 2023 and were signed on its behalf by:

Jeremy Fenn
Chairman
26 April 2023
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 2022



| | Called up share capital £'000 | Share premium account £'000 | Merger reserve £'000 | Share option reserve £'000 | Accumulated losses £'000 | Shareholders' deficit £'000 |
|-------------------------------------|--|--------------------------------------|----------------------------|-------------------------------------|--------------------------------|-----------------------------------|
| Balance at 1 January 2021 | 7,595 | 15,797 | 10,938 | 302 | (42,126) | (7,494) |
| Equity settled share-based payments | - | - | - | 17 | - | 17 |
| Issue of share capital | - | - | - | - | - | - |
| Loss for the financial year | - | - | - | - | (1,249) | (1,249) |
| Balance at 31 December 2021 | 7,595 | 15,797 | 10,938 | 319 | (43,375) | (8,726) |
| | Called up share capital £'000 | Share premium account £'000 | Merger reserve £'000 | Share option reserve £'000 | Accumulated losses £'000 | Shareholders' deficit £'000 |
| Balance at 1 January 2022 | 7,595 | 15,797 | 10,938 | 319 | (43,375) | (8,726) |
| Equity settled share-based payments | - | - | - | 12 | - | 12 |
| Issue of share capital | - | - | - | - | - | - |
| Loss for the financial year | - | - | - | - | (1,959) | (1,959) |
| Balance at 31 December 2022 | 7,595 | 15,797 | 10,938 | 331 | (45,334) | (10,671) |

Notes to the Company financial statements

For the year ended 31 December 2022



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 in 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 Financial Statements are prepared on a going concern basis.

When determining the adoption of this approach, the Directors have considered a wide range of information relating to present and future conditions, including the current state of the Balance Sheet, together with that continued support offered by our principal shareholder Intechology plc, who, as in previous years, has agreed not to call on existing loans and borrowings totaling £10,148,000 and to extend the duration of our £500,000 working capital facility if requested to do so. Further consideration has been given to future projections, cash flow forecasts, access to funding, ability to successfully secure additional investment, available mitigating actions and the medium-term strategy of the business.

Notes to the Company financial statements

For the year ended 31 December 2022



The Group is dependent on its ability to meet its cash flow forecasts. Within those forecasts the Group has included a number of significant payments and receipts based on its best estimate but, as with all forecasts, there does exist some uncertainty as to the timing and size of those payments and receipts. In particular, the forecasts assume the ongoing deferral and phased payment of some of the Group's creditors, including a contingent consideration balance of £2,815,000, (as disclosed in note 13 to the Group financial statements), and the continuation at the current level of recurring revenue and a significant increase in the level of non-recurring revenues. In the event that some or all of these receipts are delayed, deferred or reduced, or payments not deferred, management has considered the actions that it would need to take to conserve cash. These actions would include significant cost savings (principally payroll based) and/or seeking additional funding from its shareholders, for which there is currently no shareholder commitment requested. These conditions, together with the other matters explained in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Group was unable to continue as a going concern.

The Directors, while noting the existence of a material uncertainty and having considered the possible management actions as noted above, are of the view that the Company is a going concern and will be able to meet its debts as and when they fall due for a period of at least 12 months from the date of signing these accounts.

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.

Valuation of goodwill – the carrying value of goodwill is reviewed for impairment at least annually. In determining whether goodwill is impaired an estimation of the fair value and/or the value in use of the cash generating unit (CGU) to which the goodwill has been allocated is required. This calculation of value in use requires estimates to be made relating to the timing and amount of future cash flows expected from the CGU, and suitable discount rates based on the Company's weighted average cost of capital adjusted to reflect the specific economic environment of the relevant CGU. The calculation of fair value requires estimates of the market value of the Company by reference to existing market data for the Company or for similar entities.

3.4 Share options

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

Notes to the Company financial statements

For the year ended 31 December 2022



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 |
|----------------------------|---------|

The Directors review tangible fixed assets for impairment if events or changes in circumstances indicate that the carrying value of 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 the remaining years of this period.

After initial recognition, goodwill is measured at cost less amortisation and accumulated impairment losses. At each year end date goodwill is reviewed for impairment using a discounted cash flow method applied to business forecasts. If this review demonstrates that impairment has occurred, this is expensed to the Company's income statement. Goodwill is allocated to cash generating units for the purpose of impairment testing.

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

Notes to the Company financial statements

For the year ended 31 December 2022



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 2022



4 Intangible assets

| | Goodwill £'000 | Software £'000 | Total £'000 |
|--|---------------------------|---------------------------|------------------------|
| Cost | | | |
| At 1 January 2022 | 12,758 | 187 | 12,945 |
| Additions | - | - | - |
| Disposals | - | (187) | (187) |
| At 31 December 2022 | 12,758 | - | 12,758 |
| Accumulated amortisation | | | |
| At 1 January 2022 | 8,299 | 187 | 8,486 |
| Charge for the year | 576 | - | 576 |
| Disposals | - | (187) | (187) |
| At 31 December 2022 | 8,875 | - | 8,875 |
| Net book amount at 31 December 2022 | 3,883 | - | 3,883 |

The Directors have considered the underlying cash generating assets to which the goodwill relates, and this does not indicate any impairment.

A 10% reduction in the revenue growth assumption will not result in an impairment of goodwill.

5 Tangible assets

| | Computer equipment £'000 | Vehicles £'000 | Total £'000 |
|--|---|---------------------------|------------------------|
| Cost | | | |
| At 1 January 2022 | 498 | 24 | 522 |
| Additions | - | - | - |
| Disposals | - | - | - |
| At 31 December 2022 | 498 | 24 | 523 |
| Accumulated depreciation | | | |
| At 1 January 2022 | 475 | 24 | 499 |
| Charge for the year | 23 | - | 23 |
| Disposals | - | - | - |
| At 31 December 2022 | 498 | 24 | 522 |
| Net book amount at 31 December 2022 | - | - | - |
| Net book amount at 31 December 2021 | 23 | - | 23 |

Notes to the Company financial statements

For the year ended 31 December 2022



6 Investment in subsidiary

Details of the investments at 31 December 2022 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 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

| | 2022 £'000 | 2021 £'000 |
|------------------------------------|---------------|---------------|
| Trade receivables | 1,032 | 1,002 |
| Prepayments | 26 | 29 |
| Accrued income | 156 | 150 |
| Other debtors | 63 | 240 |
| Amounts owed by Group undertakings | 606 | 555 |

Trade receivables includes £nil (2021: £nil) falling due after more than one year. Trade receivables are stated after provisions for impairment of £70,000 (2021: £65,000).

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

Notes to the Company financial statements

For the year ended 31 December 2022



8 Creditors

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Trade creditors | 793 | 816 |
| Accruals | 146 | 132 |
| Other taxation and social security | 12 | 10 |
| 10% cumulative preference shares | 8,058 | 7,412 |
| Bank loans | 37 | 47 |
| Deferred income | 2,148 | 2,031 |
| Loans owed to related party undertakings | 2,490 | 2,240 |
| Contingent consideration | 2,815 | 2,517 |
| | 16,499 | 15,205 |
| Less non-current portion: | | |
| Deferred consideration | (1,076) | (1,213) |
| Bank loans | (27) | (37) |
| Amounts due within 1 year | 15,396 | 13,955 |

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 split between current and non-current reflects the Group's estimate of future sales and the amount of royalty payment that would fall due within the next 12 months based on the above terms.

The deferred income balance includes an amount of £2,116,000 (2021: £1,998,000) 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.

9 Called up share capital

| | 2022 £'000 | 2021 £'000 |
|--|---------------|---------------|
| Allotted, called up and fully paid | | |
| 379,744,923 (2021: 379,744,923) Ordinary shares of 2p each | 7,595 | 7,595 |
| Total | 7,595 | 7,595 |

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 2022



Non-voting preference shares – classified as liability

| | Number of shares '000 | Nominal Value £'000 |
|--|-----------------------------|---------------------------|
| As at 31 December 2021 and 2022 | 71,277 | 5,702 |

All preference shares are non-voting, non-convertible cumulative redeemable preference shares. They are redeemable at par value on 31 December 2022, 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.

InTechnology plc has confirmed its willingness, should the Group request, to extend the redemption date on these preference shares until 31 December 2024.

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:

| | 2022 £'000 | 2021 £'000 |
|-------------------|---------------|---------------|
| One to five years | 5 | 5 |
| Total | 5 | 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 £nil from InTechnology plc in the year to 31 December 2022 (year ended 31 December 2021; £nil). As at 31 December 2022, Mobile Tornado Group plc owed InTechnology plc £719,000 (31 December 2021; £719,000).

In previous years, InTechnology plc bought right of use licenses totalling €2,400,000 from Mobile Tornado Group plc. During the year to 31 December 2022 the value of licenses brought into use was €nil (year ended 31 December 2021; €nil). The balance of unused licenses as at 31 December 2022 was €2,376,000 (31 December 2021; €2,376,000).

InTechnology plc has provided loan finance, excluding the revolving loan facility detailed separately below, of £nil to Mobile Tornado Group plc in the year ended 31 December 2022 (year ended 31 December 2021; £nil). As at 31 December 2022, Mobile Tornado Group plc owed InTechnology plc £2,090,000 (31 December 2021; £2,090,000).

Notes to the Company financial statements

For the year ended 31 December 2022



InTechnology plc has provided preference share finance of £nil to Mobile Tornado Group plc in the year ended 31 December 2022 (year ended 31 December 2021; £nil). As at 31 December 2022, Mobile Tornado Group plc had total preference share indebtedness to InTechnology plc of £8,058,000 (31 December 2021; £7,412,000).

On 26 September 2018, the Company entered into a revolving loan facility agreement with InTechnology Plc which was for a period of two years from date entered into. Subsequently on 23 September 2020, this was extended by a year and then on 24 September 2021 by a further year. On 24 March 2022, the terms of the facility were amended, increasing the facility amount to £500,000 and extending the term by a further 12 months to 26 September 2023.

Under the terms of the agreement, any new amounts drawn down by the Company pursuant to the facility agreement will be subject to a 2% facility fee and will bear interest at a rate of 10% per annum. The facility agreement allows for monies to be drawn down, repaid and redrawn again in any manner and any number of times by the Company until the agreement expires, however, any monies repaid and subsequently redrawn will not incur a further facility fee. At the expiration date of the facility agreement, all monies shall be repayable by the Company to InTechnology together with any facility fee and accrued interest thereon.

During the year £250,000 (2021: £150,000) was drawn down. As at 31 December 2022, Mobile Tornado Group plc owed InTechnology plc £400,000 (31 December 2021; £150,000). Interest and facilities fees for the year amounted to £34,000 (year ended 31 December 2021; £2,000), of which £9,000 (year ended 31 December 2021; £nil), was paid during the year.

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 2022, Mobile Tornado Group Plc owed £3,000 (31 December 2021: £29,000) to Mainstream Capital Partners LLP.

The Group is controlled by InTechnology plc (incorporated in the UK) which, as of today's date, owns 49.3% of the Company's ordinary shares. The Group's ultimate parent and controlling party is Peter Wilkinson. InTechnology plc's Report and Accounts can be obtained at the Group's website www.intechnologyplc.com and also at their registered office, address for which is the same as Mobile Tornado's and which is provided on page 68.

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 2022 was £1,959,000 (year ended 31 December 2021: £1,249,000 loss).

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 Adviser 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: | Saffery Champness LLP Mitre House North Park Road Harrogate HG1 5RX |
| Internet address: | www.mobiletornado.com |