Crimson Tide plc

Preliminary Announcement of Results to 31 December 2011

Crimson Tide plc ("Crimson Tide" or "the Company"), a leading service provider of mobile data and software solutions for business, is pleased to announce its unaudited preliminary results for the year ended 31 December 2011.

Financial Highlights

- Gross profits increased by 19% to £1.2m (2010: £1.0m)
- EBITDA increased 46% to £168k (2010: £115k)
- Gross margin before operating expenses of 80% (2010: 68%) reflects the move away from lower margin activities and higher intellectual property content
- Existing contracted subscriber book has no associated debt and facilities being agreed to finance accelerated growth

Operational Highlights

- 50% growth in subscriber base during 2011
- 100th haemophilia patient added
- mpro5 being developed to work on iOS, Android, Blackberry, Windows Phone and Windows 8 smartphone and tablet operating systems

Barrie Whipp, Executive Chairman of Crimson Tide, commented:
"I am pleased to report a further year of significant progress for Crimson Tide, in difficult economic times. In the year we completed our move away from lower margin activities through the disposal of our mobile phone connection business and as a result improved our gross margin to 80%. EBITDA of £168k confirms the robustness of our subscription based model."

"We have continued to invest time and resources in our mpro software and thereby the levels of IP within the business, which we believe will help to retain long-term competitive advantage and provide further margin support. We are excited by the release of mpro5 for the iOS, Android and BlackBerry platforms planned for Q2, 2012 with Windows Phone and Windows 8 providing further opportunities for platform expansion. Our subscriber base has grown by 50% with the size of new deals increasing and, whilst these take longer to secure, the pipeline for new business provides the Board with continued confidence in the future."

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Chairman's Statement

Crimson Tide continued to make significant progress in 2011. Profit at the EBITDA level reached £168,000 and the turnover and profitability were in line with our expectations. The fact that we were able to secure additional equity funding in the early part of the year, added to the final payment of our loan to buy our business in Ireland, left the Company entirely debt free at the end of the year, with a healthy cash surplus. Ideally, debt funding will be sourced to finance our growth in future periods, underpinned by a stronger equity balance sheet and we are in discussions with a provider for a term loan of up to £350,000 to fund the imminent purchase of extra equipment.

In September we disposed of our mobile phone connection business to Premier Telecom. This business was largely profit neutral, however it means that we lose the gross revenue associated with connecting customers to mobile phone networks. This revenue was welcome in our earlier days, however the networks now seek a more limited number of partners and margins are being squeezed for smaller players. As well as receiving a cash payment for the migration of the accounts, the Company has also benefited from the disposal through further margin improvement.

As a result, we have been able to dedicate more resources and focus to further developing our own proprietary software in 2011. We have a stable core web scheduling product, mpro Gemini 4, which now drives scheduling for cleaning, logistics and healthcare solutions. This product is now very stable and highlights the fact that our clients really do not need any infrastructure of their own to mobilise their business. The smartphone applications that we have developed have become more complex and the latest versions are being rolled out to customers in 2012. We have also spent a great deal of development time on our new range of mobile software, known as mpro5, which will work across all the major mobile platforms, including iOS , Android, Windows Phone, Windows 8 and BlackBerry. We firmly believe that the time invested in product development and increasing the level of intellectual property within the Company will pay off in years to come and continue to distance Crimson Tide from any competition in the market place, as well as providing further margin support.

The Directors have great hopes for the Company's healthcare applications. Recently, we delivered the smartphone to the 100th patient to use our haemophilia application. We are also delivering much more complex healthcare apps, especially in the field of home nursing and, with our commitment to mpro5, will be able to deliver these applications across all major mobile platforms, opening up the burgeoning tablet or pad market. We have also developed a product for the retail premises market that we believe has significant potential, which is currently undergoing testing for full launch in the second half of 2012 and opens up possibilities for larger subscriber numbers with some household names already expressing interest.

There is no doubt that the market continues to be challenging and a number of clients have not survived these circumstances. This, we believe, is further vindication of our subscription model, as it protects us from major bad debt failures. It is true to say that larger clients demand more and that this has led to more investment in our core products where we retain the Intellectual Property. However, these demands have led to more saleable products and we believe that the number of opportunities available for us remains significant and exciting. We have also continued to ensure that we retain sufficient consultancy type billing to balance our subscription model.

In summary, The Directors remain optimistic, and are especially confident in the quality of products that the Company has developed, which are now ripe for expansion.

Our staff continue to work tremendously hard to ensure we deliver world class mobile apps for business. I thank them for their commitment and our partners for their support of Crimson Tide

Barrie Whipp
Executive Chairman
10 May 2012

Operating and Financial Review

I am pleased to report on our results for the year to 31 December 2011 and how the business has developed over this period.

OPERATING REVIEW

The year started with a placing in January 2011 of new Ordinary Shares with the Helium Special Situations Fund, raising a second tranche of £0.5m equity funding within a three month period. These funds were subsequently used to repay a term loan leaving Crimson Tide debt free with the exception of a few small finance leases. The balance of the funds, together with the cash raised in October 2010, have allowed the business to grow by funding the supply of handheld smartphones and ruggedized devices for use by our subscribers. As a reminder, our core business model is to contract subscribers for usually an initial three year term, whereupon the customer receives our mpro software on a handheld device, a cloud-hosted database and reporting suite, often integrated to other core systems. Training and support is provided over the period of the agreement with mobile users utilising the mpro application to plan and schedule jobs, complete electronic documentation, manage assets, and many other activities that allow them to be significantly more productive and save operating costs.

We finished the year with over 1,000 subscribers, an increase of 50% from the end of 2010, with facilities management and healthcare markets continuing to show encouraging growth. Other examples of where Crimson Tide's software is used include provision of a circulation tracking and recording system for Metro, the world's largest circulated free newspaper, and county councils to audit and survey their services. Further exciting developments are currently underway to supply an application to provide evidential data for use in the retail industry and we will provide further details in due course.

Deal sizes are increasing although these do take longer to secure. This together with the continuing economic uncertainties, means we have achieved a slower rate of growth overall than we had hoped for, but any "spare" time, has been very effectively used to further enhance our mpro software, including its ability to operate on other operating platforms and a wider range of devices, as noted in the Chairman's statement. The team remain very excited about the pipeline of opportunities we are progressing. An increasing number of new leads are coming from our channel partners, generally large mobile telecoms companies. Their sales teams have been able to re-visit their customer bases and promote our services, opening new sources of revenue for them and giving us increased sales reach. Our strategy of continuing to invest in our products and services, concentrating our resources in these areas, will ensure we remain a leading provider of mobility solutions for the foreseeable future.

FINANCIAL REVIEW

Turnover in 2011 was broadly at the same level as in 2010 but such an overview hides the continuing change in the mix and quality of our sales. As previously reported, it has been our intention for some time to move away from lower margin, non-core activities and in September 2011, we completed the last part of this strategy by divesting our mobile phone connection business.

Gross margin for 2011 averaged 80% before operating expenses versus 68% in 2010, a significant improvement. Gross profit accordingly increased by 19% to £1.2m in 2011 and EBITDA by 46% to £168,000. Operating costs have increased with the planned rise in marketing spend, some aimed at the new channel partners, and with the addition of two more technical staff.

Crimson Tide's accounting policies can either be found in the notes to the published 2010 Consolidated Financial Statements or the 2011 Financial Statements when released in the next few weeks. There have been no changes to these other than the way we account for the cost of the smartphone and pda handheld devices purchased for our subscribers. Previously the cost of this equipment was treated as a current asset prepayment and spread over the term of the subscription contracts to which the purchases related. In 2011, our expenditure on this equipment significantly increased. £250,000 was spent on devices in 2011 totalling a net book value at the end of the year of £309,000. This represents a material class of assets that the Board of Directors believe is now more appropriately shown as tangible fixed assets, to be depreciated over their estimated useful life, i.e. typically the subscription term. 2010 reported results shown below have been re-stated to reflect this change which has had no impact on the reported profit before tax for 2010 or 2011.

At the year end, the Group had a cash balance of £219,000 after the capital expenditure noted above. This balance has been added to since the year end with receipts of some annual payments by customers. In addition a new loan facility in the final stages of negotiation will ensure funding is available for a reasonable level of future device requirements.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of Directors and management team continually review key performance indicators and trends, as well as regular financial information, to help identify future risks and uncertainties in the business.

The main financial risk concerns the rate of growth the Group can achieve with existing debt and working capital facilities. The Board believe that existing cash resources and a debt facility under negotiation are sufficient for the level of growth currently forecast. The Board is conscious that the Group will become increasingly cash generative at the operating level as economies of scale increase with the growth in subscriber numbers.

This financial risk highlights the main operational risk. The current level of overheads can sustain a greater subscriber base but should subscriber numbers not grow, there is little opportunity to reduce overheads without having a detrimental effect on our expected rate of growth. Examples might include less marketing generating fewer leads, insufficient operational staff delaying new subscriber additions, and ultimately less time available to ensure our applications remain leading edge. The current economic conditions are tending to result in slower decisions by prospective customers and in two recent cases the demise of subscription customers and the loss of their future business. Offsetting these uncertainties is however the considerable productivity benefit our customers immediately gain on implementing a mpro solution, without the need for capital expenditure, a very important consideration in this business climate.

In summary, the Board of Directors have a reasonable degree of flexibility to fit the Group's operations to market conditions, with the possible adverse result that growth may be slower than all stakeholders hope.

FUTURE PROSPECTS

Crimson Tide's latest mpro software applications are better and more easily implemented than they have ever been. The team is stronger and the Group's financial situation is less risky than at any time previously. Leads generated increasingly by our channel partners are more exciting and the Board are very much looking forward, despite the tough conditions, to dealing with the challenges ahead.

Stephen Goodwin
Chief Executive
10 May 2012

Crimson Tide plc

Unaudited Consolidated Income Statement

	Group	
	Year ended December 2011	**Year ended December 2010 (Restated)**
	£000	**£000**
Revenue	1,525	1,507
Cost of Sales	(299)	(479)
Gross Profit	**1,226**	**1,028**
Administration expenses	(1,058)	(913)
Earnings before interest, tax, depreciation & amortisation	**168**	**115**
Depreciation & amortisation	(130)	(86)
Profit from operations	38	29
Interest income	-	-
Finance costs	(11)	(22)
Profit before taxation	**27**	**7**
Tax on capital gain	(12)	-
Profit for the year attributable to equity holders of the parent	15	7
Earnings per share		
Basic and diluted earnings per Ordinary share (pence)	0.00	0.00

Unaudited Consolidated Statement of Comprehensive Income

	Group	
	Year ended December 2011	**Year ended December 2010 (Restated)**
	£000	**£000**
Net profit for the year	15	7
Other comprehensive income/(loss) for the year:		
Exchange differences on translating foreign operations	(5)	(4)
Total comprehensive profit for the year	10	3

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Unaudited Statement of Financial Position

	Group		
	As at 31 December 2011	**As at 31 December 2010 (Restated)**	**As at 1 January 2010 (Restated)**
	£000	**£000**	**£000**
Fixed Assets			
Intangible assets	1,058	938	868
Equipment, fixtures & fittings	337	160	123
	1,395	1,098	991
Current Assets			
Inventories	37	28	33
Trade and other receivables	408	504	343
Cash and cash equivalents	219	440	96
	664	972	472
Total Assets	2,059	2,070	1,463
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	7,335	6,760	6,210
Capital redemption reserve	49	49	49
Share premium	1,090	1,090	1,124
Other reserves	436	441	431
Reverse acquisition reserve	(5,244)	(5,244)	(5,244)
Retained earnings	(1,895)	(1,910)	(1,917)
	1,771	1,186	653
Liabilities			
Amounts falling due within one year	280	880	528
Amounts falling due after more than one year	8	4	282
Total liabilities	288	884	810
Total equity and liabilities	2,059	2,070	1,463

Crimson Tide plc

Unaudited Statement Of Changes In Equity

Group	Share capital £000	Capital redemption reserve £000	Share premium £000	Other reserves £000	Reverse acquisition reserve £000	Retained earnings £000	Total £000
Balance as at 1 January 2010 (Restated)	6,210	49	1,124	431	(5,244)	(1,917)	653
Profit for the year						7	7
Proceeds from new shares issued during the year	550		(34)				516
Employee share option reserve				14			14
Translation movement				(4)			(4)
Balance as at 31 December 2010 (Restated)	6,760	49	1,090	441	(5,244)	(1,910)	1,186
Profit for the year						15	15
Proceeds from new shares issued during the year	575						575
Translation movement				(5)			(5)
Balance as at 31 December 2011	7,335	49	1,090	436	(5,244)	(1,895)	1,771

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Unaudited Consolidated Cash Flow Statement

	Group	
	Year ended 31 December 2011	**Year ended 31 December 2010 (Restated)**
	£000	**£000**
Cash flows from operating activities		
Profit before taxation	27	7
Amortisation of intangible assets	31	19
Depreciation of equipment, fixtures and fittings	99	67
Interest expense	11	22
Operating cash flows before movements in working capital	168	115
(Increase)/decrease in inventories	(9)	5
Decrease/(increase) in trade and other receivables	96	(161)
(Decrease)/increase in trade and other payables	(296)	122
Cash (used in)/generated from operating activities	(41)	81
Taxes paid	(12)	-
Net cash (used in)/generated from operating activities	**(53)**	**81**
Cash flows used in investing activities		
Purchases of fixed assets	(427)	(194)
Interest received	-	-
Net cash used in investment activities	**(427)**	**(194)**
Cash flows from financing activities		
Net proceeds from issue of shares	575	516
Interest paid	(11)	(22)
Net decrease in borrowings	(305)	(18)
Net cash from financing activities	**259**	**476**
Net (decrease)/increase in cash and cash equivalents	**(221)**	**363**
Net cash and cash equivalents at beginning of period	440	77
Net cash and cash equivalents at end of period	**219**	**440**

	Group	
	Year ended 31 December 2011	Year ended 31 December 2010 (Restated)
	£000	**£000**
Analysis of net funds:		
Cash and cash equivalents	219	440
Bank overdraft	(17)	-
	202	**440**
Other borrowing due within one year	-	(308)
Borrowings due after one year	-	-
Finance leases	(14)	(10)
Net funds	**188**	**122**

Notes to the Consolidated Financial Statements for the year ended 31 December 2011

A) Significant accounting policies

a. Basis of preparation

The preliminary results for the period to 31 December 2011 are unaudited. The consolidated financial statements of Crimson Tide plc will be prepared and approved by the Directors in accordance with applicable law and International Financial Reporting Standards, incorporating International Accounting Standards (IAS) and Interpretations (collectively IFRSs) as endorsed by the European Union.

b. Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiaries.

On an acquisition, fair values are attributed to the Group's share of net assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill, which is capitalised and subjected to annual impairment reviews. The results of acquired companies are brought in from the date of their acquisition.

c. Changes in accounting policy

Smartphone and pda handheld devices were previously accounted for as prepayments and spread over the term of the subscription contract the equipment purchases related to. Due to their aggregate materiality, these devices are now recorded as tangible fixed assets and depreciated over their estimated useful life. 2010 reported results have been restated to reflect this change which has had no impact on the reported profit before tax for 2010 or 2011.

No other changes, including new or amended IFRSs, are expected to have an impact on the Company's financial results.

d. Revenue recognition

Subscription income and support and maintenance income is credited to turnover in equal monthly instalments over the period of the agreement.

B) Taxation

No corporation tax charges have been included in the consolidated accounts for the periods ended 31 December 2011 and 31 December 2010 due to the availability of tax losses.

A capital gains tax charge was paid in Ireland in 2011 arising on the disposal of the Company's Irish time and attendance business in 2009.

C) Earnings per share

	Group	
	Year ended 31 December 2011	**Year ended 31 December 2010 (Restated)**
Basic and Diluted Earnings per share		
Reported profit (£000)	15	7
Reported earnings per share (pence)	0.00	0.00

The earnings per share has been calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares in issue calculated as follows:

	Year ended 31 December 2011 No.	Year ended 31 December 2010 No.
Weighted average number of ordinary shares:		
Opening balance	387,986,234	332,986,234
Effect of share placing during the year	51,924,658	11,904,110
Weighted average number of ordinary shares	439,910,892	344,890,344

The diluted earnings per share is the same as the basic earnings per share.

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2011 or 31 December 2010. Statutory accounts for 2010, which were prepared under IFRS, have been delivered to the Registrar of Companies. The auditors have reported on the 2010 accounts; their report was unqualified and did not contain a statement under section 498(2) or (3) of the Companies Act 2006. The statutory accounts for 2011 which are prepared under accounting standards adopted by the EU will be finalised on the basis of the financial information presented by the directors in this preliminary announcement and will be delivered to the Registrar of Companies following the Company's annual general meeting. The statutory accounts will be published on the Company's website www.crimsontide.co.uk by the end of May 2012.