

crimsontide

interim report

2016


www.mpro5.com

Crimson Tide is a leading service provider of mobile data solutions and software for business. The company is listed on the AIM market of The London Stock Exchange with offices in the UK and Ireland

Our values are Partnership, Dynamism and Teamwork.

Crimson Tide's mpro solutions are used in a wide range of environments, from blue chip organisations to high street stores to landmark buildings. Our healthcare solutions are used for nurse, patient and drug management and our vehicle based solutions monitor the delivery of newspapers and vegetable oils.

Crimson Tide supplies all of the software and hardware required for its mpro solutions on a subscription basis, there is no need for the customer to commit up front capital and our services show immediate Return On Investment. Contracts are typically of 36 month duration and the Company's subscriber book continues to grow.

www.crimsontide.co.uk
www.mpro5.com

INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

- Profit Before Tax doubled to £122k (1H 2015: £60k);
- Revenues 25% up on 1H 2015 (£845k vs. £673k)
- More significant customers added
- Balance Sheet reconstruction completed

Barrie Whipp, Executive Chairman,
commented;

We have continued to build and grow mpro5 into, in our opinion, the leading full service mobility service for organisations. We are expanding our team and our footprint and commencing an investment programme for further growth, both in our existing markets and overseas.

CHAIRMAN'S STATEMENT

I am very pleased to report on the Company's progress for the first half of 2016. Once again, we exceeded all of our key indicators and of particular note, Profit after Tax for the period increased by 100% to £122k on increased turnover. We have achieved record subscriber numbers but our most recent contract wins are enterprise level agreements which place less relevance on user numbers and more on net revenues.

We have consolidated agreements with leading facilities management groups and can report that mpro5 is used in over 15,000 sites in the UK and Ireland. Our long term revenue has continued to increase and is underpinned by significant contracts. Our retail implementations have gone well and there is more opportunity in this sector, where we are offering new solutions to our clients.

Our growth is reflected not only in profitability but also in terms of cash where we are well placed. Lombard Technical Services continue to support our contracts where devices are required and we remain confident of our ability to fulfil contract wins.

We are now starting to invest in expansion of our sales channels in the UK and overseas with confidence. We expect this strategy to start to bear more fruit late in the second half and the coming year and is focused upon four or five areas where we believe that mpro5 can fulfil demand.

I am encouraged by our activities with Vodafone in Ireland and we are hopeful of expanding this relationship in the UK and overseas.

Technically mpro5 is in extremely good shape. We have added modules to the service based upon customer demand and have an extremely high satisfaction rating. We are currently working on a significant platform change for the mobile application investing in the latest Angular 2 framework. We are also adding Internet of Things capabilities into mpro5 and have a new proprietary alerting platform, which has replaced a third party product, thereby increasing margins further.

In the healthcare world, we are progressing with a range of transactions and are hopeful of further news soon. There is little doubt that pharma offers enormous opportunities for mpro5.

Our capital reorganisation was successful and allows the Directors to recommend a dividend when appropriate.

The board is extremely pleased with the Company's progress. The positive decision to invest in further growth opportunities is designed to grow our top line revenues which, with our high margins, should see bottom line improvements after absorbing short term increases in sales and marketing overhead. For the first time we will see Crimson Tide with sales channels outside the UK & Ireland. We are excited for the future.

Barrie Whipp
Executive Chairman
22 September 2016

OPERATING AND FINANCIAL REVIEW

Operating Review

The year commenced on a very positive note following the earlier than expected full rollout of the Company's mpro5 solution with one of the country's leading retailers. This highlighted two factors; one, the ease with which we were able to organise and install our mpro5 solution nationwide and two, the value placed on mpro5 by our customers, immediately allowing them to reap the operational and financial benefits from adopting the solution. mpro5 has since started to be implemented elsewhere in the retail sector and we announced in July 2016 a new pilot with another retailer to monitor store safety, cleanliness and security.

The flexibility of our mpro5 solution means it is able to generate value across a wide range of different markets. Elsewhere, in healthcare, we remain very encouraged by the number of opportunities we are working on including a pilot project for the serialisation and verification of pharmaceutical products. Here, mpro5 provides barcode scanning and cloud-based synchronisation services via Microsoft Azure, which enables real-time information to be uploaded, quickly verified and communicated to users. Job scheduling, tracking, bespoke dashboards, all add value ensuring mobile users are able to work most efficiently. Our investment in mpro5 continues and we aim to make sure it remains a leading solution as technological advances continue apace.

The nature of some of our business is moving to bigger, enterprise solutions. The customer's commitment is unchanged, signing a subscriber agreement for typically an initial thirty-six month term. However, our pricing in these cases reflects the large numbers of users expected. Furthermore, we are finding more opportunities abroad and as mentioned in the Chairman's statement, we are investing in overseas sales resources and related marketing to be able to progress these most effectively. The positive cashflows we are generating together with the security of funding available from Lombard Technical Services to finance devices provided as part of our solution, means the Company's directors are comfortable with this increased expenditure. There may as a result be some short term impact on our rate of profitability growth but we expect over the medium term to generate additional revenues and greater profits.

Financial Review

Turnover for the six months to 30 June 2016 increased to £845k, up 25% on the same period in 2015. With gross profit margins still over 90% and operating margins before depreciation, amortisation and interest of 33%, up from 29% in 1H 2015, the additional investments previously made in staff have been more than compensated for by increased profitability.

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OPERATING AND FINANCIAL REVIEW continued

After depreciation, amortisation and interest costs, the Group achieved a profit of £122k in the first half 2016 (1H 2015: £60k).

There have been no changes to Crimson Tide's accounting policies which can be found in the notes to the published 2015 Consolidated Financial Statements available on our website, www.crimsontide.co.uk.

It should be noted, however, that early in 2016, the Company completed its capital reconstruction and now has positive retained earnings in the Balance Sheet to allow the Company to, if appropriate, pay dividends in the future. Shareholders also approved future share buy-backs at the General Meeting, again if thought by the directors to be appropriate. This exercise together with the positive cashflows generated by the Group means the financial position of Crimson Tide looks favourable at the half year and has further improved since as net funds have continued to increase.

Future Prospects

The outlook for the business remains very positive. Our mpro5 solution has continually proved a sound investment for our customers even as these customers have become more sizable and/or more geographically spread. The Board and team at Crimson Tide are working hard on behalf of shareholders to ensure that our reputation and success continue to advance.

Stephen Goodwin
Finance Director
22 September 2016

UNAUDITED CONSOLIDATED INCOME STATEMENT

for the 6 months to 30 June 2016

| | Unaudited 6 Months ended 30 June 2016 £000 | Unaudited 6 Months ended 30 June 2015 £000 | Audited 12 Months ended 31 December 2015 £000 |
|---|---|---|--|
| Revenue | 845 | 673 | 1,402 |
| Cost of Sales | (71) | (62) | (104) |
| Gross Profit | 774 | 611 | 1,298 |
| Overhead expenses | (493) | (413) | (868) |
| Earnings before interest, tax, depreciation & amortisation | 281 | 198 | 430 |
| Depreciation & Amortisation | (142) | (132) | (245) |
| Profit from operations | 139 | 66 | 185 |
| Interest income | - | - | - |
| Interest payable and similar charges | (17) | (6) | (17) |
| Profit before taxation | 122 | 60 | 168 |
| Taxation | - | - | - |
| Profit for the year attributable to equity holders of the parent | 122 | 60 | 168 |
| Earnings per share | | | |
| | Unaudited 6 Months ended 30 June 2016 | Unaudited 6 Months ended 30 June 2015 | Audited 12 Months ended 31 December 2015 |
| Basic and diluted earnings per Ordinary Share (see Note 2) | 0.03p | 0.01p | 0.04p |

UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the 6 months to 30 June 2016

| | Unaudited 6 Months ended 30 June 2016 £000 | Unaudited 6 Months ended 30 June 2015 £000 | Audited 12 Months ended 31 December 2015 £000 |
|---|---|---|--|
| Profit for the period | 122 | 60 | 168 |
| Other comprehensive income/(loss) for period: | | | |
| Exchange differences on translating foreign operations | 1 | (5) | (5) |
| Total comprehensive profit recognised in the period and attributable to equity holders of parent | 123 | 55 | 163 |

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION at 30 June 2016

| | Unaudited As at 30 June 2016 £000 | Unaudited As at 30 June 2015 £000 | Audited As at 31 December 2015 £000 |
|--|---|---|---|
| Fixed Assets | | | |
| Intangible assets | 1,452 | 1,308 | 1,373 |
| Equipment, fixtures & fittings | 458 | 390 | 527 |
| | <u>1,910</u> | <u>1,698</u> | <u>1,900</u> |
| Current Assets | | | |
| Inventories | 14 | 11 | 15 |
| Trade and other receivables | 495 | 346 | 634 |
| Cash and cash equivalents | 661 | 499 | 539 |
| Total current assets | <u>1,170</u> | <u>856</u> | <u>1,188</u> |
| Total assets | <u>3,080</u> | <u>2,554</u> | <u>3,088</u> |
| Equity and liabilities | | | |
| Equity | | | |
| Share capital | 447 | 7,335 | 7,335 |
| Capital redemption reserve | - | 49 | 49 |
| Share premium | 28 | 1,090 | 1,090 |
| Other reserves | 422 | 421 | 421 |
| Reverse acquisition reserve | (5,244) | (5,244) | (5,244) |
| Retained earnings | 6,533 | (1,726) | (1,618) |
| Total Equity | <u>2,186</u> | <u>1,925</u> | <u>2,033</u> |
| Creditors | | | |
| Amounts falling due within one year | 638 | 513 | 806 |
| Creditors | | | |
| Amounts falling due after more than one year | 256 | 116 | 249 |
| Total liabilities | <u>894</u> | <u>629</u> | <u>1,055</u> |
| Total equity and liabilities | <u>3,080</u> | <u>2,554</u> | <u>3,088</u> |

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at 30 June 2016

| | Share Capital | Capital redemption reserve | Share premium | Other reserves | Reverse acquisition reserve | Retained earnings | Total |
|--------------------------------|------------------|----------------------------------|------------------|-------------------|-----------------------------------|----------------------|--------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 31 December 2014 | 7,335 | 49 | 1,090 | 426 | (5,244) | (1,786) | 1,870 |
| Profit for the period | - | - | - | - | - | 60 | 60 |
| Translation movement | - | - | - | (5) | - | - | (5) |
| Balance at 30 June 2015 | 7,335 | 49 | 1,090 | 421 | (5,244) | (1,726) | 1,925 |
| Balance at 31 December 2015 | 7,335 | 49 | 1,090 | 421 | (5,244) | (1,618) | 2,033 |
| Profit for the period | - | - | - | - | - | 122 | 122 |
| Capital reconstruction (*) | (6,890) | (49) | (1,090) | - | - | 8,029 | - |
| Share options exercised | 2 | - | 28 | - | - | - | 30 |
| Translation movement | - | - | - | 1 | - | - | 1 |
| Balance at 30 June 2016 | 447 | - | 28 | 422 | (5,244) | 6,533 | 2,186 |

(*) At the Company's General Meeting on 26 January 2016 shareholders approved plans to undertake a capital reconstruction, the purpose of which was to create positive retained earnings in the Balance Sheet to allow the Company to, if appropriate, pay dividends in the future. Shareholders also approved future share buy-backs. Following a court hearing on 24 February 2016 the court confirmed the reduction of capital of the Company. The nominal value of each Ordinary Share in the Company reduced from one penny to 0.1 pence per share and the Company's Deferred Shares of 19 pence each, Share Premium Account and Capital Redemption Reserve were cancelled. Trading in the shares with a nominal value of 0.1 pence commenced on 25 February 2016.

UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOWS

for the 6 months to 30 June 2016

| | Unaudited 6 Months ended 30 June 2016 £000 | Unaudited 6 Months ended 30 June 2015 £000 | Audited 12 Months ended 31 December 2015 £000 |
|--|---|---|--|
| Cash flows from operating activities | | | |
| Profit before tax | 122 | 60 | 168 |
| Adjustments for: | | | |
| Amortisation of Intangible Assets | 48 | 52 | 90 |
| Depreciation of equipment, fixtures and fittings | 94 | 80 | 155 |
| Profit on Sale of Assets | - | - | - |
| Net Interest | 17 | 6 | 17 |
| Operating cash flows before movement in working capital and provisions | 281 | 198 | 430 |
| Decrease in inventories | 1 | 19 | 15 |
| Decrease/(increase) in trade and other receivables | 134 | 217 | (71) |
| (Decrease)/increase in trade and other payables | (204) | (73) | 147 |
| Cash generated from operations | 212 | 361 | 521 |
| Taxes paid | - | - | - |
| Net cash generated in operating activities | 212 | 361 | 521 |
| Cash flows used in investing activities | | | |
| Purchase of fixed assets | (150) | (230) | (552) |
| Sale of fixed assets | - | - | - |
| Interest received | - | - | - |
| Net cash used in investing activities | (150) | (230) | (552) |
| Cash flows from financing activities | | | |
| Net proceeds from issues of shares | 30 | - | - |
| Interest paid | (17) | (6) | (17) |
| Net increase in borrowings | 48 | 135 | 347 |
| Net cash from/(used in) financing activities | 61 | 129 | 330 |
| Net increase in cash and cash equivalents | 123 | 260 | 299 |
| Net cash and cash equivalents at beginning of period | 538 | 239 | 239 |
| Net cash and cash equivalents at end of period | 661 | 499 | 538 |

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UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOWS

for the 6 months to 30 June 2016 continued

| | Unaudited 6 Months ended 30 June 2016 £000 | Unaudited 6 Months ended 30 June 2015 £000 | Audited 12 Months ended 31 December 2015 £000 |
|-------------------------------------|---|---|--|
| <hr/> | | | |
| Analysis of net funds: | | | |
| Cash and cash equivalents | 667 | 499 | 539 |
| Bank overdraft | (6) | - | (1) |
| | <hr/> | <hr/> | <hr/> |
| | 661 | 499 | 538 |
| Other borrowing due within one year | (198) | (78) | (157) |
| Borrowings due after one year | (256) | (116) | (249) |
| | <hr/> | <hr/> | <hr/> |
| Net funds | 207 | 305 | 132 |

NOTES TO THE UNAUDITED INTERIM RESULTS for the 6 months to 30 June 2016

1) Basis of preparation of interim report

The information for the period ended 30 June 2016 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. It has been prepared in accordance with the accounting policies set out in, and is consistent with, the audited financial statements for the twelve months ended 31 December 2015. A copy of the statutory accounts for that period has been delivered to the Registrar of Companies. The auditor's report on those accounts was unqualified and did not contain statements under Section 498 (2) or (3) of the Companies Act 2006.

2) Earnings per share

The calculation of the basic earnings per share is based on the profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period.

The calculation of the diluted earnings per share is based on the profit per share attributable to ordinary shareholders and the weighted average number of ordinary shares that would be in issue, assuming conversion of all dilutive potential ordinary shares into ordinary shares.

Reconciliations of the profit and weighted average number of ordinary shares used in the calculation are set out below:

| | Unaudited 6 Months ended 30 June 2016 | Unaudited 6 Months ended 30 June 2015 | Audited 12 Months ended 31 December 2015 |
|--|---|---|--|
| Basic and diluted earnings per share | | | |
| Reported profit (£000) | 122 | 60 | 168 |
| Reported profit per share (pence) | 0.03 | 0.01 | 0.04 |
| | | | |
| | Unaudited 6 Months ended 30 June 2016 No.000 | Unaudited 6 Months ended 30 June 2015 No.000 | Audited 12 Months ended 31 December 2015 No.000 |
| Weighted average number of ordinary shares: | | | |
| Shares in issue at start of period | 445,486 | 445,486 | 445,486 |
| Effect of shares issued during the period | 197 | - | - |
| Weighted average number of ordinary shares | 445,683 | 445,486 | 445,486 |

Crimson Tide Plc

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