

*crimson tide* plc

interim report

2011

mpro  
simply smart

**C**rimson 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](http://www.crimsontide.co.uk)**

## INTERIM 2011 HIGHLIGHTS

- Revenue improved to £752k (H1 2010: £733k)
- Profitable first half performance and well placed for H2
- Cash balance of over £400k and minimal debt
- Subscriber numbers in core business up 32%
- mpro Gemini now available on Apple's iOS platform
- Strong pipeline of significant new business leads

### **Barrie Whipp, Executive Chairman, commented;**

"Against a backdrop where overall economic conditions have remained challenging we are pleased to have continued to be profitable in the first half of the year on increased revenue. New deals have taken longer to negotiate and ultimately finalise but this is reflective of larger size transactions with larger organisations, which are by their nature more complex."

"Importantly, the long-term contracted subscriber base in our core mobile applications business has grown by 32% as we continue our focus away from software and consultancy. With our recent investments in products and marketing, healthy cash balances and a strong pipeline of significant new business opportunities, the Board remains confident of continued growth."

## CHAIRMAN'S STATEMENT

I am pleased to report the Company's interim results for the period to 30 June 2011, which show Turnover of £752k and a Profit Before Tax of £6k, in line with expectations.

The financial results do not completely reflect the progress made in the period, as we continue to expand our book of long-term contracted subscribers, at the expense of the traditional software and consultancy business. As we progress, contracted monthly subscription revenues are providing a larger percentage of total revenues and cash, and we are confident of further growth in the short and medium term.

Subscriber numbers grew by 32% in the period, with the significant rollouts to Associated Newspapers and two City Councils amongst others. We are working hard to close more significant deals in the second half of the year, a number of which have taken longer to negotiate than previously. As the margin on subscriber business continues to grow, the associated cash return means that we are well placed to finance additional subscriber business from our own resources with no reliance on debt funding. The additional capital raised in January enabled us to plan for subscriber growth with confidence and allowed us to invest in product development and marketing. We ended the period with over £400k in cash, having repaid the loan against our contracted receivables, with only a small debt remaining on the loan for the purchase of the business in Ireland in 2006.

Whilst the economy in the UK & Ireland continues to be challenging, we have seen no drop in potential demand for our mobile applications. The Directors are optimistic that the number of deals in the company's qualified pipeline will fuel further subscriber growth in the second half and beyond. Overheads are tightly controlled, contracted revenues continue to grow and we believe we are well placed to take advantage of deals in our traditional SME sector and some with organisations of a much larger nature.

Our actions to reduce costs in Ireland have paid dividends and the business there is operating at a breakeven level despite the difficulties in the economy. Applications in the medical field are led by our experiences in Ireland and we see substantial opportunities for mpro Gemini's healthcare applications, which include some groundbreaking work in nursing and patient care.

Our focus on subscriber business has been enhanced significantly by the investment made in our mpro gemini system. The software now allows faster rollout, is a substantial enhancement to our previous mobile solutions and is much more "out of the box" than previous versions. We have recently completed a version of mpro gemini on Apple's iOS platform and can now sell on iPhone and iPad, devices that are providing new opportunities in the increasingly device sensitive marketplace. Our roadmap plans versions for Android and Windows Phone 7 devices early next year.

Our staff, professional advisors and major shareholders have continued to support our efforts in a transitional period for the company. We thank them for their support.

**Barrie Whipp**  
Executive Chairman  
29 September 2011

## OPERATING AND FINANCIAL REVIEW

I am pleased to report on our interim results for the six months to 30th June 2011 and our achievements over this period.

### OPERATING REVIEW

As previously announced, the two tranches of additional finance raised in October 2010 and January 2011 secured much needed capital and ensured we could fund the demand from new subscribers previously held up. The Chairman in his statement highlights an increase in new subscribers of 32% in the six months which, along with subscription renewals, has significantly increased the value of future contracted revenues from subscribers.

Following the release of the subscriber “log-jam”, we have been able to accelerate our drive for more subscribers. We have invested in various marketing initiatives, including developing opportunities with our new channel partners. In doing so we recognise that, to an extent, this has impacted profitability, but we are convinced this strategy will lead to more opportunities in the second half and beyond.

We have also invested in developing and enhancing our mpro applications. Improvements to mpro gemini fulfil the vast majority of functionality required by our subscriber users without the need for additional software development, allowing us to roll out our solutions to new and existing subscribers faster than previously. We continue to expense a significant proportion of internal resources utilised in this regard with capitalised development time, that is the value of our applications on our balance sheet, still only £0.2m as at 30th June 2011, ensuring that future earnings are not materially reduced by amortisation costs.

With the funding risk mostly eliminated in all but the most aggressive of growth scenarios, the most immediate issue we have to deal with is a better, more regular, rate of deal flow. Over the latter part of the first half and into the summer, a number of deals that had either closed or were expected to close, could not be rolled out due to delays requested by these customers. Whether these experiences were due to the current economic turmoil or for other reasons has yet to be identified. We do know that our customers benefit from significant productivity and efficiency savings once they commence using our services. We have been encouraged that over that period none of these deals were lost and more recently have started to move forward at a more acceptable pace. Management will continue to adopt a watchful approach, balancing investing now for future growth and ultimately a more valuable company, with the more immediate requirement to deliver improving results.

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**OPERATING AND FINANCIAL REVIEW** CONTINUED**FINANCIAL REVIEW**

Turnover in the six months to 30th June 2011 totalled £752,000, up from £733,000 in the same period in 2010 but this once again hides the improvement in core revenues as we continued the move away from lower margin activities and focused on subscriptions and related activities. Subscription income increased by 64% to £311,000 in the first half of 2011 over the same period last year. Comparing the same periods, income from mobile connections decreased by £100,000 leading management to conclude the recent sale of the connection book announced on 12th September 2011. The Company will continue this strategy of margin improvement from higher quality sales as it allows our people and working capital resources to focus on core activities and results in margin improvements as demonstrated by gross margin increasing to over 70% on average, up from 64% reported in 2010.

Overheads remain under tight control but have increased in the first half 2011 as indicated above with £20,000 higher spend on marketing. After amortisation, depreciation and interest, the Company is reporting a profit before tax of £6,000 for the six months to 30th June 2011.

At 30th June 2011 the Group had a cash balance of £422,000 after making loan repayments of £287,000 in the six month period and investing £183,000 in devices for subscribers contracting, in almost all cases, for a minimum of three years.

There have been no changes to Crimson Tide's accounting policies which can be found in the notes to the published 2010 Consolidated Financial Statements.

**Stephen Goodwin**

Chief Executive

29 September 2011

## UNAUDITED CONSOLIDATED INCOME STATEMENT for the 6 months to 30 June 2011

	Unaudited 6 Months ended 30 June 2011 £000	Unaudited 6 Months ended 30 June 2010 £000	Audited 12 Months ended 31 December 2010 £000
Revenue	752	733	1,507
Cost of Sales	(224)	(236)	(538)
Gross Profit	529	497	969
Total operating expenses	(500)	(479)	(912)
Earnings before interest, tax, depreciation & amortisation	29	18	57
Depreciation & Amortisation	(16)	(10)	(28)
Profit from operations	13	8	29
Interest income	-	-	-
Interest payable and similar charges	(7)	(7)	(22)
Profit before taxation	6	1	7
Tax on profit on ordinary activities	-	-	-
Profit for the year attributable to equity holders of the parent	6	1	7
Profit per share			
Basic and diluted profit per Ordinary Share	0.00p	0.00p	0.00p

## UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME for the 6 months to 30 June 2011

	Unaudited 6 Months ended 30 June 2011 £000	Unaudited 6 Months ended 30 June 2010 £000	Audited 12 Months ended 31 December 2010 £000
Profit for the period	6	1	7
Other comprehensive income/(loss) for period:			
Exchange differences on translating foreign operations	1	(8)	(4)
Total comprehensive profit/(loss) recognised in the period and attributable to equity holders of parent	7	(7)	(3)

**UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
at 30 June 2011**

	Unaudited As at 30 June 2011 £000	Unaudited As at 30 June 2010 £000	Audited As at 31 December 2010 £000
<b>Fixed Assets</b>			
Intangible assets	982	915	938
Equipment, fixtures & fittings	21	12	18
	1,003	927	956
<b>Current Assets</b>			
Inventories	39	34	28
Trade and other receivables	697	416	646
Cash and cash equivalents	422	28	440
Total current assets	1,158	478	1,114
<b>Total assets</b>	<b>2,161</b>	<b>1,405</b>	<b>2,070</b>
<b>Equity and liabilities</b>			
<b>Equity</b>			
Share capital	7,335	6,210	6,760
Capital redemption reserve	49	49	49
Share premium	1,090	1,124	1,090
Other reserves	442	423	441
Reverse acquisition reserve	(5,244)	(5,244)	(5,244)
Retained earnings	(1,904)	(1,916)	(1,910)
Total Equity	1,768	646	1,186
<b>Creditors</b>			
Amounts falling due within one year	385	465	884
<b>Creditors</b>			
Amounts falling due after more than one year	8	294	-
Total liabilities	393	759	884
<b>Total equity and liabilities</b>	<b>2,161</b>	<b>1,405</b>	<b>2,070</b>



## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY at 30 June 2011

	Share Capital	Capital redem- tion reserve	Share premium	Other reserves	Reverse acquis- ition reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000	£000
Balance at 31 December 2009	6,210	49	1,124	431	(5,244)	(1,917)	653
Profit for the period	-	-	-	-	-	1	1
Translation movement	-	-	-	(8)	-	-	(8)
<b>Balance at 30 June 2010</b>	<b>6,210</b>	<b>49</b>	<b>1,124</b>	<b>423</b>	<b>(5,244)</b>	<b>(1,916)</b>	<b>646</b>
Balance at 31 December 2010	6,760	49	1,090	441	(5,244)	(1,910)	1,186
Proceeds from new shares issued in the period	575	-	-	-	-	-	575
Profit for the period	-	-	-	-	-	6	6
Translation movement	-	-	-	1	-	-	1
<b>Balance at 30 June 2011</b>	<b>7,335</b>	<b>49</b>	<b>1,090</b>	<b>442</b>	<b>(5,244)</b>	<b>(1,904)</b>	<b>1,768</b>

## UNAUDITED CONSOLIDATED STATEMENT OF CASHFLOWS for the 6 months to 30 June 2011

	Unaudited 6 Months ended 30 June 2011 £000	Unaudited 6 Months ended 30 June 2010 £000	Audited 12 Months ended 31 December 2010 £000
<b>Cash flows from operating activities</b>			
Profit before tax	6	1	7
Adjustments for:			
Amortisation of Intangible Assets	13	5	19
Depreciation of equipment, fixtures and fittings	3	5	8
Interest expense	7	7	22
Operating cash flows before movement in working capital and provisions	29	18	56
(Increase)/Decrease in inventories	(11)	(1)	5
(Increase)/Decrease in trade and other receivables	(55)	33	(197)
(Decrease)/Increase in trade and other payables	(230)	(67)	122
Cash used in operations	(267)	(17)	(14)
Income taxes paid	-	-	-
<b>Net cash used in operating activities</b>	<b>(267)</b>	<b>(17)</b>	<b>(14)</b>
<b>Cash flows used in investing activities</b>			
Purchase of fixed assets	(42)	(52)	(99)
Interest received	-	-	-
<b>Net cash used in investing activities</b>	<b>(42)</b>	<b>(52)</b>	<b>(99)</b>
<b>Cash flows from financing activities</b>			
Net proceeds on issues of shares	575	-	516
Interest paid	(7)	(7)	(22)
Net (decrease)/increase in borrowings	(287)	4	(18)
<b>Net cash from/(used in) financing activities</b>	<b>281</b>	<b>(3)</b>	<b>476</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(28)</b>	<b>(72)</b>	<b>363</b>
Net cash and cash equivalents at beginning of period	440	77	77
<b>Net cash and cash equivalents at end of period</b>	<b>422</b>	<b>5</b>	<b>440</b>
<b>Analysis of net funds:</b>			
Cash and cash equivalents	422	28	440
Bank overdraft	-	(23)	-
	<b>422</b>	<b>5</b>	<b>440</b>
Other borrowing due within one year	(19)	(28)	(308)
Borrowings due after one year	-	(306)	-
Finance leases	(13)	(3)	(10)
<b>Net funds/(debt)</b>	<b>390</b>	<b>(332)</b>	<b>122</b>

## NOTES TO THE UNAUDITED INTERIM RESULTS for the 6 months to 30 June 2011

### • Basis of preparation of interim report

The information for the period ended 30 June 2011 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 2010. 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.

### • Earnings per share

The calculation of the basic profit 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 profit 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 2011	Unaudited 6 Months ended 30 June 2010	Audited 12 Months ended 31 December 2010
<b>Basic and diluted profit per share</b>			
Reported profit (£000)	6	1	7
Reported profit per share (pence)	0.00	0.00	0.00
	Unaudited 6 Months ended 30 June 2011	Unaudited 6 Months ended 30 June 2010	Audited 12 Months ended 31 December 2010
	No.000	No.000	No.000
<b>Weighted average number of ordinary shares:</b>			
Shares in issue at start of period	387,986	332,986	332,986
Effect of shares issued during the period	46,257	-	11,904
Weighted average number of ordinary shares	434,243	332,986	344,890

## **Crimson Tide Plc**

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