Crimson Tide plc

Preliminary Announcement of Results to 31 December 2018

Crimson Tide plc ("Crimson Tide" or "the Company"), the provider of the mpro5 solution, is pleased to announce its unaudited preliminary results for the year ended 31 December 2018.

Financial Highlights

- Profit Before Tax ahead of market expectations at £69k (2017: £309k) after significant new investments in sales and marketing to accelerate growth potential
- Turnover increased to £2.40m (2017: £2.28m) reflecting higher percentage of SaaS contracts
- Equipment operating lease debt decreased by over 40% to £376k (2017: £639k) with net funds doubling to £237k (2017: £118k)

Operational Highlights

- mpro5's Internet of Things and Time & Attendance modules maturing and seeing first rollouts, including temperature, humidity lux, motion sensors, NFC, fingerprint, and facial recognition
- New solutions sales channel offering data SIM, Mobile Device Management, and managed hardware subscription services
- Partner network contributing maiden revenues in Rail sector
- NHS contracts expanding

Barrie Whipp, Executive Chairman of Crimson Tide, commented:

"A year of significant investment in new Sales & Marketing resource, whilst still producing profitability and net cash, sees Crimson Tide well set for growth. mpro5 has evolved into a gold standard mobility system used in over 260,000 sites and is poised for even wider opportunities"

About the Company

Crimson Tide plc is the provider of mpro5 – #notjustanapp. mpro5 is delivered entirely cross platform (Android, IOS, Windows) on smartphones, tablets and PDAs, and enables organisations to transform their business and strengthen their workforce by smart mobile working. mpro5 is a full mobility service hosted in the cloud on Microsoft Azure. The Company's contracts are provided on a long term, contracted subscription basis and clients can immediately see a return on their investment.

mpro5 is used in over 260,000 sites in facilities management, healthcare, transportation and logistics.

Enquiries:

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Chairman's Statement

2018 was a year when the Board of Crimson Tide plc took the decision to increase the Company's sales and marketing effort quite dramatically, to allow us to create a platform for increased growth in the future. We asked stakeholders to recognise that such investment would be reflected in the bottom line profitability but that it would stand us well in the future. Management expectations were for a break even result for the year. I am very pleased that, in the light of adding some very senior sales people and their associated costs, as well as increasing our marketing, we were not only profitable but exceeded market expectations.

We are very confident in our new sales team, consisting of director level appointments in Partner sales, Enterprise sales and Solution sales and the team has already increased our pipeline. Our first partner sales were reflected in a new sector to Crimson Tide, the rail industry, where we completed transactions with Northern Rail and Chiltern Rail.

We have ambitious plans for growth with both IT channel and OEM partners, where we are now recognised as a Solution Partner for Samsung. In Enterprise sales, we are focused on larger transactions, including international opportunities. We have secured further business from existing clients and are hopeful that our new offerings in solution sales, such as Mobile Device Management, data SIMs and the Internet of Things (IOT) will open opportunities with new and existing clients.

Our marketing efforts are seeing very positive results in terms of pipeline and the gearing that these opportunities give us for 2019 and beyond are in excess of at any time in the past.

Internationally, we have restructured our Middle East efforts by appointing a partner to manage the transactions that we have completed and to employ our sales representative in the region. Our partner will manage existing contracts, first line support and will also market mpro5 for us to its own client base. We continue to see interest in Northern Europe for mpro5 including some new interest in Scandinavia.

Our efforts in healthcare have been part of a longer strategy and we continue to see a wide range of opportunity. We are currently enhancing mpro5 for people with autism and our pilots for a global regulatory organisation have been a success, with a substantial increase in reported cases of falsified medicines. We have also completed further work in the reporting of clinical usage of a drug for the treatment of high cholesterol with a large American pharma company. Healthcare business takes some time to come to fruition.

In terms of mpro5, our upgrade to the mobile application with our Apollo release has seen further enhancements in terms of a Time & Attendance module, which has already been sold to a number of clients and a significant upgrade in the underlying codebase allows even more features and improved performance. This has now been followed by an upgrade to our web infrastructure with Project 13, where we have modernised some of our core technologies on Microsoft Azure.

mpro5 is continually improved by client feedback and our two major investments at present are in location-based services and facial and fingerprint recognition. We continue to increase our development staff to ensure that we remain at the cutting edge of both mobile and web technologies.

In many ways, the most exciting addition to mpro5 has been our Internet of Things module and the certification of related sensors, gateways and network technologies. IOT is now available with mpro5 with approved sensors for temperature, humidity, lux, CO_2 and motion sensors, which can trigger mpro5 Jobs and Flows automatically. We are experiencing high levels of interest in mpro5 with IOT and now have a dedicated sales resource and presales consultant.

Crimson Tide's organogram now shows 34 members of staff. I recall that not more than a few years ago this figure was 14. It shows that we have invested short term profits into growth; mpro5 has never been more widely used, with over 260,000 sites benefitting from our technology.

Financially, we grew at the turnover level, and increased the number of software only contracts. Additions to base subscribers were good in the second half of 2018, a trend that has continued into 2019. As I mentioned at the start of my statement, we took controlled risks in terms of growth at the sales level with a view to a breakeven result and overachieved with a small profit. Our cash position improved even in the light of over £250k of device finance repaid.

Operationally the day to day running of the business is now in the hands of Luke Jeffrey who, with over a year in the role is now putting his own stamp on the organisation. In 2018 we recruited Peter Hurter as Financial Controller and Peter will succeed Steve Goodwin as Finance Director in 2019. Steve has agreed to remain as a Non-Executive Director.

During 2018, we recognised that we had the capacity to set a strategy for more investments in the Company and that the investment in increased sales and marketing resource was going to be an investment for the future, with associated costs now. The Board believes we took the right decision. We have an enviable pipeline and our sales team is focused on delivery. The Company is set well for the future.

Barrie R. J. Whipp
Executive Chairman
30 April 2019

Financial Review

I am very pleased to comment on our results for the year to 31 December 2018.

As previously communicated, the Company's strategy is one of continuing investment in the growth of the business. In 2018 the Company re-invested the vast majority of its profits generated from long term subscription contracts to achieve this aim. Human resources, focused particularly on software development and future sales, were added throughout the year along with targeted marketing expenditure. The Company has maintained a profit before tax for the year of £69k (2017: £309k), better than the market's expectation of breakeven, on turnover up 5% to £2.40m (2017: £2.28m), reflecting more software-only contracts.

International subscribers are beginning to be added. To ensure the Company is positioned to take full advantage of the opportunities that are emerging, further investment in the Company's international operations was made during 2018. This expenditure, along with the higher other operating expenses noted above, have added over £300k more costs than in 2017, excluding amortisation and depreciation. The Company's management keep close track on this spend to ensure these investments are wisely targeted with the aim of achieving faster growth in future years. Notwithstanding this expenditure, the Company has largely maintained its cash balances, which totalled over £600k at the year end, whilst continuing to repay debt used to finance mobile devices for subscribers. Borrowings decreased by over 40% to £376k (2017: £639k) and net funds finished the year at £237k (2017: £118k).

Crimson Tide's balance sheet remains healthy. Intangible fixed assets includes goodwill of £0.8m (2017: £0.8m) and the cost of our mpro5 software, £1.1m at the 2018 year end (2017: £0.9m), During the year, the underlying platform on which our mpro5 software operates was upgraded and "Internet of Things" technology incorporated to further add to users' capabilities. The Company believes this additional investment has already created new opportunities including the ability to utilise sensor-based functionality.

The Group has previously not made fair value adjustments to intra-group loans denominated in currencies other than Sterling as the amounts were considered immaterial. Due to the decline in the value of Sterling to Euro in 2016, an adjustment to the fair value of intra-group loans denominated in Euro has become necessary. The adjustment did not impact Earnings per Share or Diluted Earnings per Share as reported in the prior year.

Future Prospects

Cash generation from organic business continues to be strong. Additional functionality and international expansion is expected to accelerate long term contracted revenue growth. Margins close to 90% and high operational gearing leads the Directors to believe that the majority of these increased revenues will positively impact profit before tax. The market for cloud, mobility and Internet of Things is undoubted and mpro5 provides clients with these fully inclusive services on a subscription basis. With the planned addition of a new biometric time and attendance module to mpro5 and an opportunity pipeline higher than ever before, the Board is excited about the continuing development of the Company and its future prospects.

Stephen Goodwin
Finance Director
30 April 2019

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Unaudited Consolidated Income Statement

	Group Year ended December 2018 £000	Year ended December 2017 £000 As restated – Note E
Revenue	2,398	2,275
Cost of Sales	(324)	(231)
Gross Profit	2,074	2,044
Administration expenses	(1,581)	(1,246)
Exceptional item (note B)	-	(44)
Earnings before interest, tax, depreciation & amortisation	**493**	**754**
Depreciation & amortisation	(384)	(394)
Profit from operations	109	360
Finance costs	(40)	(51)
Profit before taxation	**69**	**309**
Tax (note C)	-	(5)
Profit for the year attributable to equity holders of the parent	69	304
Earnings per share (note D)		
Basic earnings per Ordinary share (pence)	0.02	0.07
Diluted earnings per Ordinary share (pence)	0.01	0.07

Unaudited Consolidated Statement of Comprehensive Income

	Group Year ended December 2018 £000	Year ended December 2017 £000 As restated – Note E
Profit for the year	69	304
Other comprehensive income/(loss) for the year:		
Exchange differences on translating foreign operations	-	5
Total comprehensive profit for the year	69	309

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Unaudited Statement of Financial Position

	Group		
	As at 31 December 2018 £000	**As at 31 December 2017 £000**	**As at 1 January 2017 £000**
		As restated - Note E	**As restated - Note E**
Fixed Assets			
Intangible assets	1,904	1,698	1,522
Equipment, fixtures & fittings	401	611	750
	2,305	2,309	2,272
Current Assets			
Inventories	15	8	7
Trade and other receivables	935	974	636
Cash and cash equivalents	613	757	878
	1,563	1,739	1,521
Total Assets	3,868	4,048	3,793
Equity and liabilities			
Equity attributable to equity holders of the parent			
Share capital	457	454	453
Share premium	148	121	112
Other reserves	478	478	473
Reverse acquisition reserve	(5,244)	(5,244)	(5,244)
Retained earnings	7,081	7,012	6,708
	2,920	2,821	2,502
Liabilities			
Amounts falling due within one year	723	868	769
Amounts falling due after more than one year	225	359	522
Total liabilities	948	1,227	1,291
Total equity and liabilities	3,868	4,048	3,793

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Unaudited Statement Of Changes In Equity

Group	**Share capital**	**Share premium**	**Other reserves**	**Reverse acquisition reserve**	**Retained earnings**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Balance as at 1 January 2017 as previously stated	453	112	422	(5,244)	6,759	2,502
Prior year adjustment – Note E			51		(51)	-
Balance as at 1 January 2017 as restated	453	112	473	(5,244)	6,708	2,502
Retained profit for the year					310	310
Share options exercised	1	9				10
Translation movement			(1)			(1)
Prior year adjustment – Note E			6		(6)	-
Balance as at 31 December 2017 as restated	454	121	478	(5,244)	7,012	2,821
Retained profit for the year					69	69
Share options exercised	3	27				30
Balance as at 31 December 2018	457	148	478	(5,244)	7,081	2,920

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Unaudited Consolidated Cash Flow Statement

	Group	
	Year ended 31 December 2018	**Year ended 31 December 2017**
	£000	**£000**
		As restated - Note E
Cash flows from operating activities		
Profit before taxation	69	309
Add back:		
Amortisation of intangible assets	141	120
Depreciation of equipment, fixtures and fittings	243	274
Interest expense	40	51
Unrealised currency translation losses	-	6
Operating cash flows before movements in working capital	493	760
Increase in inventories	(7)	(1)
Decrease/(increase) in trade and other receivables	70	(338)
(Decrease)/increase in trade and other payables	(15)	143
Cash generated from operating activities	541	564
Taxes paid	(32)	(5)
Net cash generated from operating activities	**509**	**559**
Cash flows used in investing activities		
Purchases of fixed assets	(380)	(431)
Sales of fixed assets	-	-
Net cash used in investing activities	**(380)**	**(431)**
Cash flows from financing activities		
Net proceeds from share issues	30	10
Interest paid	(40)	(51)
Net decrease in borrowings	(263)	(189)
Net cash from financing activities	**(273)**	**(230)**
Net (decrease)/increase in cash and cash equivalents	**(144)**	**(102)**
Net cash and cash equivalents at beginning of period	757	859
Net cash and cash equivalents at end of period	**613**	**757**

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	Group	
	Year ended 31 December 2018	**Year ended 31 December 2017**
	£000	**£000**
Analysis of net funds:		
Cash and cash equivalents	613	757
Bank overdraft	-	-
	613	**757**
Other borrowing due within one year	(151)	(280)
Borrowings due after one year	(225)	(359)
Net funds	**237**	**118**

Notes to the Consolidated Financial Statements for the year ended 31 December 2018

A) Significant accounting policies

a. Basis of preparation

The preliminary results for the period to 31 December 2018 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

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

d. Revenue recognition

Subscription income and support income is credited to turnover in equal monthly instalments over the period of the agreement. There is no recognition in the Consolidated Income Statement of the contracted value of future revenues.

B) Exceptional item

The Company incurred one-off legal fees of £37k and accounting due diligence costs of £7k in preparation of an acquisition that was subsequently aborted by the Company.

C) Taxation

A reduced corporation tax charge of £nil (2017: £5,000) has been included in the consolidated accounts for the period ended 31 December 2018 due to the availability of tax losses.

D) Earnings per share

The basic earnings per share has been calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares in issue during the period.

The diluted earnings per share has been calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of shares that would be in issue, assuming conversion of all dilutive potential ordinary shares into ordinary shares.

Reconciliation of the weighted average number of shares used in the calculations are set out below.

	Group	
	Year ended 31 December 2018	**Year ended 31 December 2017**
Earnings per share		
Reported profit for the year (£000)	69	309
Reported basic earnings per share (pence)	0.02	0.07
Reported diluted earnings per share (pence)	0.01	0.07

	Year ended 31 December 2018 No.	Year ended 31 December 2017 No.
Weighted average number of ordinary shares:		
Opening balance	454,486,234	453,486,234
Effect of 3m share options issued during the year	493,151	-
Effect of 1m share options issued during the year	-	52,055
Weighted average number of ordinary shares for basic EPS	454,979,385	453,538,289
Effect of options outstanding	8,580,357	11,282,258
Weighted average number of ordinary shares for basic EPS	463,559,742	464,820,547

E) Prior year adjustment

Group	Share capital	Share premium	Other reserves	Reverse acquisition reserve	Retained earnings	Total
	£000	£000	£000	£000	£000	£000
Balance as at 1 January 2017 as previously stated	453	112	422	(5,244)	6,759	2,502
Effect of intra-group foreign currency fair value adjustment			51		(51)	-
Balance as at 1 January 2017 as restated	453	112	473	(5,244)	6,708	2,502

The Group has previously not made fair value adjustments to intra-group loans denominated in currencies other than Sterling as the amounts were considered immaterial. Due to the decline in the value of Sterling to Euro in 2016, an adjustment to the fair value of intra-group loans denominated in Euro has become necessary.

This adjustment has the effect of reducing the Group's profit for the prior year, while increasing the value of the Group's Irish subsidiary. The Irish subsidiary's value is increased by means of the Cumulative Translation Adjustment, which forms part of "Other Reserves" on the Consolidated Statement of Financial Position. The increase in the Cumulative Translation Adjustment is reported in the Consolidated Statement of Comprehensive Income.

The adjustment did not impact Earnings per Share or Diluted Earnings per Share as reported in the prior year.

The following table summarises the impact of the prior period error on the financial statements of the Group.

Consolidated Income Statement

	Year ended December 2017 £000
Administration expenses	
Decrease in profit for the financial year	(6)

Consolidated Statement of Other Comprehensive Income

	Year ended December 2017 £000
Other comprehensive income/(loss) for the year:	
Increase in exchange differences on translating foreign	6

The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 December 2018 or 31 December 2017. Statutory accounts for 2017, which were prepared under IFRS, have been delivered to the Registrar of Companies. The auditors have reported on the 2017 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 2018 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 audited statutory accounts will be published on the Company's website www.crimsontide.co.uk in May 2019.