

CATENAE INNOVATION PLC
("Catenae" or the "Company")

Final Results

Catenae (AIM:CTEA), the AIM quoted provider of digital media and technology announces its final results for the year ended 30 September 2018.

Key points

- Creation of Blockchain Intellectual Property within Trust in Media for copyright protection
- Launch of Sequestrum – a digital repository system utilising blockchain
- Aston Villa successfully completed proof of concept exercise
- Southend United Football Club sign agreement post year-end
- Costs greatly reduced and five-fold revenue increase

The independent auditor's report for the year ended 30 September 2018 contains a material uncertainty paragraph in respect of going concern. An extract taken from the text of the auditor's opinion is set out below in part 1 of the notes to this announcement.

Anthony Sanders, Chief Executive and Chairman, commented:

“The past 12 months have seen a transformation within the business as the revised strategic plan, which commenced in September 2017, has been implemented. The new management structure is in place and the streamlining of the business units has been completed resulting in a drastic reduction in the cost base of the business. The management are also pleased to see a five-fold increase in revenue year on year, the vast majority of this as new products were rolled out in the second half of the year. The Company is now firmly focussed on translating this interest in the product set to sustainable revenues.”

This announcement contains inside information for the purposes of Article 7 of EU Regulation 596/2014. The person who arranged for release of this announcement on behalf of the Company was Anthony Sanders (Chief Executive Officer).

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CHAIRMAN'S STATEMENT

Business Progression

The past 12 months have seen a transformation within the business as the revised strategic plan, which commenced in September 2017, has been implemented. This was formalised in March 2018 with the change of name from Milestone Group Plc to Catenae Innovation Plc. The new management structure is in place and the streamlining of the business units has been completed with the inherent reduction in head count. This has resulted in a drastic reduction in the cost base of the business; where there were extra costs for these changes, these have been included within the 2018 accounts.

As the new product areas discussed below have come on stream, one of the key business metrics for the management team is the value of the associated invoices. The management are pleased to see a five-fold increase in revenue year on year (2018: £157,218, 2017: £24,040 on a like for like basis), the vast majority of this as new products were rolled out in the second half of the year.

In March 2018, the Company created a joint venture company, Trust in Media, through the disposal of some shares in Oil Productions Ltd T/A Relative and a rebranding of that entity. Catenae retain 50.5% of the ownership. Trust in Media has since focused on offering technical innovation within the media sector.

Since its formation, Trust in Media has created intellectual property in respect of blockchain technology for use by its own clients as well as licenced to Catenae, where it is embedded into Catenae's products. Trust in Media has carried out a trial of the Digital Asset Registration tracking technology that it developed. This has now been accepted to sit within the operations of a service provider in the image-licensing sector and is subject to commercial discussion post period. In addition, Catenae has launched two new products, Sequestrum, the Company's first blockchain application which is a universal digital asset repository and tracking system utilising the Trust in Media intellectual property and OnSite, a Management and Inspection application developed for the construction sector. The revised products also introduce a revised revenue model combining multi-year annuity contracts with per event transactional revenues. Both Sequestrum and OnSite have been trialled in successful pilot projects with potential clients; these are now subject to commercial negotiation.

Sequestrum forms the basis of the Company's technical strategy. It has been embedded within the legacy products, OnSide and OnGuard, and is integral to OnSite. This development augments their compliance capability of the products by offering the ability to store immutable reports and proof of work functions to their legacy GDPR credentials.

Post period end the Company signed the first commercial agreement for its blockchain technology in the form of its Sequestrum-enabled version of OnGuard. This achieves revenue through a combined annuity licence and transactional fee structure.

This period has seen the each of our existing clients renewing or extending their annuity contracts, new customers signing up for pilot projects and the development of products. The Board has now implemented the new strategy for the business, ensuring that costs are greatly reduced and that all product lines have a commercial focus.

In the meantime, with the advent of the new GDPR rules Catenae's Mobile Business Solutions products are going from strength to strength. The OnGuard product, targeted at companies with remote workforce, has seen its existing contracts both renew and expand into providing additional services. The OnSide product, which focuses on the sports coaching industry, has also seen its existing contract being renewed with Charlton Athletic, but has had increased interest from a number of football clubs and has recently signed Southend United. Aston Villa also completed a successful pilot within its community foundation. The Company are also in discussion with other football clubs and have recently commenced discussions within Premiership Rugby.

Working capital, fund raisings and other matters

During the year, the Company issued 299,833,335 new ordinary shares for a total consideration of £509,500, of which £356,500 was received in cash during the year and £153,000 was in exchange for goods and services. Since the year-end, the Company has issued 500,000,000 new ordinary shares for a total consideration of £600,000 of which £25,000 cash was received in the current year (held within shares to be issued reserve at the year-end), £167,245 was in exchange for goods and services (agreed during the year and also held within shares to be issued), £395,000 cash received post year-end and £12,755 was in exchange for goods and services post year-end.

The Company continues to carefully manage its working capital position and will need to raise further monies through subscriptions for new shares in the short term while the efforts from last year bring about the creation of new revenue lines. The Company remains firmly focused on generating revenue through developing its activities. Protecting the interest of the Company's shareholders is a priority and the Board's strategy is to seek to raise funds on a basis that is fair to all.

Results for the year

The Company had a net loss for the year of £1,106,788 (2017: £2,262,319), showing real improvement in the management of costs, and revenues of £157,218 (2017: £28,795), of which £nil (2017: £4,755) relates to discontinued operations. The Company has a statement of financial position at the year-end showing net liabilities of £891,929 (2017: £552,280).

These results are presented under European Union Adopted International Financial Reporting Standards (“EU Adopted IFRS”).

Conclusion

The Board saw the restructuring of the business as critical to delivering the new business strategy and became the primary focus for much of the year. The period saw the commencement of the recovery for the business with the introduction of the new product set and the Board are pleased to see that the revised products areas are attracting both interest and revenues. The Company is now firmly focussed on translating this interest in the product set to sustainable revenues.

Anthony Sanders

Chief Executive Officer and Chairman

28 December 2018

Statement of comprehensive income for the year ended 30 September 2018

	2018 £	2017 £
Revenue	157,218	24,040
Cost of sales	-	(1,964)
Gross profit	157,218	22,076
Realised gain on disposal	-	1
Administrative expenses	(1,282,027)	(2,266,777)
	(1,282,027)	(2,266,776)
Loss from operations	(1,124,809)	(2,244,700)
Net finance expense	(2,460)	(1,486)
Loss before taxation	(1,127,269)	(2,246,186)
Taxation credit	20,481	-
Loss from continuing operations	(1,106,788)	(2,246,186)
(Loss) from discontinued operations net of tax	-	(16,133)
Total comprehensive loss for the year	(1,106,788)	(2,262,319)

Basic and diluted loss per share (pence) (0.06) (0.20)

Statement of financial position at 30 September 2018

Company No: 04689130

	2018 £	2017 £
Non-current assets		
Intangible assets	1	1
Investments	10	-
	11	1
Current assets		
Trade and other receivables	48,864	77,137
Cash and other equivalents	49,105	749,818
	97,969	826,955
Current liabilities		
Trade and other payables	(674,247)	(1,086,209)
Interest bearing loans	(315,662)	(293,027)
	(989,909)	(1,379,236)
Net (liabilities)	(891,929)	(552,280)
Capital and reserves		
Share capital	2,078,601	1,778,768
Share premium account	16,999,644	17,954,376
Shares to be issued	187,245	-
Share reserve	(83,333)	(1,250,000)
Merger reserve	11,119,585	11,119,585
Capital redemption reserve	2,732,904	2,732,904
Retained losses	(33,926,575)	(32,887,913)
Shareholders' funds	(891,929)	(552,280)

Statement of cash flows for the year ended 30 September 2018

	2018 £	2017 £
Cash flow from operating activities		
Loss for the year	(1,106,788)	(2,262,319)
Adjustments for:		
Amortisation of intangible assets	-	-
Net bank and other interest charges	2,460	1,486
Services settled by the issue of shares	317,513	45,326
Issue of share options and warrants charge	68,126	68,581
Net cash outflow before changes in working capital	(718,689)	(2,146,926)

Decrease in trade and other receivables	28,272	74,362
(Decrease) / Increase in trade and other payables	(411,961)	25,810
Cash outflow from operations	(1,102,378)	(2,046,754)
Interest received	15	14
Interest paid	(2,475)	-
Net cash flows from operating activities	(1,104,838)	(2,046,740)
Investing activities		
Investment in joint venture	(10)	-
Net cash flows from investing activities	(10)	-
Financing activities		
Issue of ordinary share capital	381,500	2,516,220
Repayment of loan	(375,090)	(155,000)
New loans raised	397,725	312,500
Net cash flows from financing activities	404,135	2,673,720
Net (decrease) / increase in cash	(700,713)	626,980
Cash and cash equivalents at beginning of year	749,818	122,838
Cash and cash equivalents at end of year	49,105	749,818

Statement of changes in equity for the year ended 30 September 2018

	Share Capital	Share Premium	Shares to be issued	Other Reserves	Retained Earnings	Total Equity	
	£	£	£	£	£	£	£
Balance at 30 Sept 2018	783,998	15,073,350	63,081	13,852,489	(30,694,175)	(921,257)	
Loss for the year	-	-	-	-	(2,262,319)	(2,262,319)	
Share capital issued	994,770	2,881,026	(63,081)	(1,250,000)	-	2,562,715	
Share options charge	-	-	-	-	68,581	68,581	
Balance at 30 Sept 2017	1,778,768	17,954,376	-	12,602,489	(32,887,913)	(552,280)	
Loss for the year	-	-	-	-	(1,106,788)	(1,106,788)	
Conclusion of defaulting shares issue	-	(1,166,667)	-	1,166,667	-	-	

Share issue agreed in advance	-	-	187,245	-	-	187,245
Share capital issued	299,833	211,935	-	-	-	511,768
Share options charge	-	-	-	-	68,126	68,126
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Balance at 30 Sept 2018	2,078,601	16,999,644	187,245	13,769,156	(33,926,575)	(891,929)

Notes to the financial information

1. Basis of preparation

Catenae Innovation Plc is a company registered and resident in England and Wales.

The financial information set out in this announcement does not constitute the Company's statutory accounts, as defined in Section 435 of the Companies Act 2006, for the years ended 30 September 2018 or 30 September 2017, but is derived from the 2018 Annual Report. Statutory accounts for 2017 have been delivered to the Registrar of Companies and those of 2018 will be delivered in due course.

The statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity (above) and associated notes are extracts from the financial statements and do not constitute the Company's statutory accounts.

Statutory accounts for the year to 30 September 2017 and 30 September 2018 have been reported on by the Independent Auditors.

The financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards as adopted by the EU ("EU Adopted IFRSs").

The Independent Auditor's Report on the Annual Report and Financial Statements for 2017 and for 2018 was unqualified, but did draw attention to matters by way of emphasis relating to the basis of preparation, which is reproduced below and was substantively similar for both years.

In forming the Auditor's opinion on the financial statements, which is not modified, the Auditor's have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. "The going concern status of the company is dependent upon the management of the timing of settlement of its liabilities and the raising of further funds in the immediate to short term and thereafter on the forecast profitability of key projects which have recently commenced and for which the degree of success cannot yet be reliably demonstrated.

Forecasts prepared by management indicate that if they are unable to manage the company's liabilities as planned or the external fundraising does not occur in the immediate term and, subsequently, the future projects do not prove as profitable as forecast the company would have an immediate requirement to seek alternative sources of funding. As stated in note 1, these conditions indicate that a material uncertainty exists which casts significant doubt on the company's ability to continue as a going concern."

The basis of preparation is reproduced below.

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's statement and below. The financial position of the Company, its cash flows, liquidity position and borrowing facilities are described in the financial statements. In addition, note 16 to the financial statements includes the Company's objectives, policies and processes for

managing its capital; its financial risk management objectives; details of its financial instruments; and exposures to credit risk and liquidity risk.

The net liability position as at 30 September 2018, being the Company's financial year-end, was £891,929 (2017: £552,280). Subsequent to the reporting date, the Board has been able to agree funding in the form of further share issues raising £524,945 in cash and clearing £75,055 worth of creditors through share issue. The funding received to date will go part way to cover year-end liabilities, and the Company will be dependent upon future funding and revenues to meet the remaining obligations, as discussed below.

The Company continues to be reliant upon its continuing ability to manage the timing of settlement both of its current liabilities and future liabilities as they arise. There is also a need for successful on-going equity fundraises and / or loans in the immediate to short term thereafter, while sales plans and projections come into effect, especially in relation to revenues generated from existing and new products. The Board has prepared forecasts to reflect the revenues expected to be generated by the Company. The Company is fully focused on ensuring that sales plans are followed to ensure that the business becomes self-sustaining in the near future.

The Directors have concluded that the need to generate future funds from further fundraising and from trading activities to satisfy the settlement of its on-going and future liabilities represents a material uncertainty, which may cast significant doubt upon the Company's ability to continue as a going concern. Nevertheless, after making enquiries and considering this uncertainty and the measures that can be taken to mitigate the uncertainty, the Directors have a reasonable expectation that the Company will have adequate resources to continue in existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual report and accounts. The financial statements do not include any adjustments that would result if the Company was unable to continue as a going concern.

2. Loss per share

The calculation of the basic loss per share is based on the loss attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year. The calculation of diluted loss per share is based on the basic loss per share, adjusted to allow for the issue of shares and the post tax effect of dividends and interest, on the assumed conversion of all other dilutive options and other potential ordinary shares.

There were 162,191,116 share options and 432,764,797 share warrants outstanding at the year-end (2017: 163,213,116 and 248,431,460). However, the figures for 2018 and 2017 have not been adjusted to reflect conversion of these share options, as the effects would be anti-dilutive.

	2018			2017		
	Weighted	Per		Weighted	Per	
	average	share		average	share	
Loss	number of	amount	Loss	number of	amount	
£	shares	Pence	£	shares	Pence	
Basic and diluted loss per share attributable to shareholders	(1,106,788) 1,905,297,999	(0.06)	(2,262,319) 1,115,347,198		(0.20)	

3. Posting of Accounts

The Reports and Accounts of Catenae Innovation Plc, including the Notice of Annual General Meeting will be posted to shareholders shortly.

A further announcement will be made by the Company at such time.