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Registered in Malta: C42234

Company Announcement

**Crimsonwing plc**

Approval of Interim Consolidated Financial Statements

Date of Announcement	29/11/2010
Reference	32/2010
Listing Rule	LR8.7.21

This is a Company Announcement being made by the Company in compliance with Chapter 8 of the Listing Rules:

**Quote:**

“At a meeting of the directors the interim consolidated financial statements for the financial period ending 30 September 2010 were approved. The interim consolidated financial statements are available for viewing at the registered office of the company, and are attached.”

**Unquote**

Signed:

A handwritten signature in black ink, appearing to read 'Louis de Gabriele', is written over a horizontal line.

Louis de Gabriele  
Company Secretary





## **Crimsonwing plc**

**Interim financial report and  
directors' commentary**

30 September 2010



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## Directors' commentary

Interim condensed consolidated financial statements 30 September 2010

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### Performance review

#### Overview

The Directors are pleased to report a very satisfactory first half performance for Crimsonwing in 2010, with revenues back to a healthy growth of 17% over the first half 2009 at €7,068,451 (2009: €6,016,979). This is the highest first half revenue recorded in Crimsonwing. Additionally our revenue currency mix is showing healthy growth in Euro sales which now represent 47.3% of all sales (the balance being in UK Sterling).

Gross margins held up at 62%, and administration costs were well controlled, easing slightly to 54.6% of revenues (2009: 55.7%). The overall EBITDA increased 34.6% to €542,617 (2009: €402,942). Operating profits increased 64.6% to €342,353 (2009: €207,967), and profit before tax increased 91.1% to €293,272 (2009: €153,444).

To achieve a 17% organic revenue growth in the current markets is very encouraging. Trading conditions continue to be challenging and very competitive, but we have good propositions across E-commerce, Enterprise Resource Planning (ERP), Business Intelligence (BI) and Custom & Integration solutions. These solutions are delivered across our industry verticals, and our strengthening industry expertise is being well applied and received in our client base.

The overall performance, whilst good, does have a challenging area that the Directors are currently dealing with and are bringing under control. This is concerning the Crimsonwing NL (combined BV/VDA) business which has had to undergo management changes (see Sector Reporting).

There is considerable investment also underway in Crimsonwing currently: this is significantly in recruitment and training in the consultancy and delivery capability in E-commerce, ERP and BI. Demand in these areas is increasing, and there is a shortage of qualified personnel in the labour market. Therefore Crimsonwing has invested heavily in building capability. A good example of this is the open source E-commerce platform, *Magento*, where Crimsonwing is increasing its capability across its operations to over 45 consultants by January 2011, making us one of the largest providers of this solution in Europe. Other investments are also underway in our *Microsoft Dynamics* and *BI* platforms, in *Oracle BI*, in other E-commerce offers including *Hybris* and *Intershop*, and in the business development of our industry specific solutions.

The ambition is to continue to seek long term and successful relationships with our current and new clients, by providing a relevant and high quality solution portfolio to help support and grow their businesses.

### Sector Reporting

#### Crimsonwing UK

The markets improved significantly in the 6 months to September 2010 compared to the same period last year. Overall turnover increased by 17% to £3,723,000 (2009: £3,178,000). Although the turnover increased by 17%, there was an increase in the EBITDA of 31% to £248,000 (2009: £189,000). This was due to the continued efforts to control and reduce admin expenses which actually reduced by 7%.

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One of the significant factors contributing to the improved performance in the UK was the renewal of a contract with a major client for a 3 year period commencing in June 2010. In the E-commerce area, several new clients have been added utilising our new *Magento* based offer. Revenue and profits from the *Magento* based offer is expected to grow significantly in future periods.

With the property management sector and the printing sector, turnover continued at approximately the same level as the same period last year. These areas continue to be more affected by the economic climate but we are currently seeing an increase in interest from clients in this area and we anticipate additional demand for our services in the second half of the year.

#### **Crimsonwing NL (BV/VDA)**

Although the combined BV/VDA was restructured as previously reported, the performance continued to deteriorate. After a performance review in mid-June/early July, the Board removed the operational directors of these two companies. David Walsh, CEO assumed direct responsibility for their operations. The results for the 6 months to September 2010 continue to adversely impact on the overall group results. Direct costs and administration expenses increased by 41% and 6% respectively. The large increase in direct costs were directly attributable to remedial work necessary to rectify problems on a number of contracts, to improve client satisfaction and to ensure the future stability of the business. Whilst there are still challenges ahead the Board are convinced that the action taken was necessary, and has given the VDA business in particular a platform to go forward.

#### **Crimsonwing Promentum**

There has been a very strong return to profit over the 6 months to September 2010. First half turnover increased to €1,801,000 (2009: €1,024,000) and this has resulted in an increase in EBITDA to €131,000 (2009: €16,000). Excellent progress has been made in new business development, and in the sales & marketing of the Iquestrian solution. Demand across all areas has improved and Promentum has been increasing its consulting capability.

#### **Crimsonwing Malta**

A very strong first half from Crimsonwing Malta which delivered a substantial increase in EBITDA to €477,654 (2009: €255,600). Project and technical services to Crimsonwing clients in the UK and The Netherlands continued to grow, but very good progress was also made in building the client base in Malta with some substantial wins in the first half. The first half also included considerable investments in recruitment and training of new personnel.

#### **Crimsonwing Group (PLC)**

Included here are PLC overheads which include non-executive fees, loan interest, audit fees etc. These costs continue to be well managed, showing a very modest increase to €42,703 (2009: €41,169).

#### **Summary**

A hard working business, not without its challenges, that has delivered a good first half, and with clear actions underway to build on future growth.



**Statement pursuant to Listing Rule 9.44k.3 issued by the Listing Authority**

Interim financial statements 30 September 2010

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We confirm that to the best of our knowledge:

- The condensed interim financial information gives a true and fair view of the financial position of the company as at 30 September 2010, and of its financial performance and its cash flows for the period then ended and conform with the requirements of the accounting standards adopted for use in the EU for interim financial statements, including IAS 34: Interim Financial Reporting; and
- The interim Directors' Report includes a fair review of the information provided as required in terms of Listing Rule 9.44.2.

A handwritten signature in cursive script, appearing to read "James Bonello".

James Bonello  
**Director**

A handwritten signature in cursive script, appearing to read "David Walsh".

David Walsh  
**Director**



## Crimsonwing Plc

### Condensed consolidated statement of comprehensive income

Period ended 30 September 2010

	6 months to Sep-10 (unaudited) Eur	6 months to Sep-09 (unaudited) Eur
Revenue	7,068,451	6,016,979
Direct costs	(2,662,311)	(2,262,028)
<b>Gross profit</b>	<b>4,406,140</b>	<b>3,754,951</b>
Administrative expenses excluding depreciation and amortisation	(3,863,523)	(3,352,009)
<b>EBITDA</b>	<b>542,617</b>	<b>402,942</b>
Other administrative expenses		
Amortisation and depreciation	(200,264)	(194,975)
<b>Results from operating activities</b>	<b>342,353</b>	<b>207,967</b>
Finance income	13	7,763
Finance expenses	(49,094)	(62,286)
<b>Net finance expense</b>	<b>(49,081)</b>	<b>(54,523)</b>
Profit before income tax	293,272	153,444
Income tax expense	(145,238)	(1,934)
<b>Profit for the period</b>	<b>148,034</b>	<b>151,510</b>
<b>Other comprehensive income</b>		
Exchange differences arising on translation of foreign operations	(9,950)	(10,100)
<b>Total comprehensive income for the period</b>	<b>138,084</b>	<b>141,410</b>
<b>Profit for the period attributable to:</b>		
Minority interest	54,375	286
Equity holders of the parent	93,659	151,224
	<b>148,034</b>	<b>151,510</b>
<b>Total comprehensive income attributable to:</b>		
Minority interest	54,375	286
Equity holders of the parent	83,709	141,124
	<b>138,084</b>	<b>141,410</b>
<b>Earnings per share</b>	<b>0.0036</b>	<b>0.006</b>



## Crimsonwing Plc

### Consolidated statement of financial position

Period ended 30 September 2010

	Sep-10 (unaudited) Eur	Mar-10 (audited) Eur
<b>ASSETS</b>		
Intangibles	3,590,384	3,635,097
Plant and equipment	186,348	234,446
Deferred tax assets	462,947	485,638
<b>Total non-current assets</b>	<b>4,239,679</b>	<b>4,355,181</b>
Trade and other receivables	3,236,681	2,829,098
Cash and cash equivalents	598,645	733,356
<b>Total current assets</b>	<b>3,835,326</b>	<b>3,562,454</b>
<b>Total assets</b>	<b>8,075,005</b>	<b>7,917,635</b>
<b>EQUITY</b>		
<b>Equity attributable to equity holders of the parent</b>		
Share capital	2,600,000	2,600,000
Share premium	722,584	722,584
Other reserves	123,041	121,698
Accumulated losses	(251,351)	(345,010)
	3,194,274	3,099,272
Minority interest	236,623	182,248
<b>Total equity</b>	<b>3,430,897</b>	<b>3,281,520</b>
<b>LIABILITIES</b>		
<b>Current</b>		
Trade and other payables	2,653,328	2,724,188
Income tax payable	260,764	177,925
Other financial liabilities	104,657	207,912
Bank borrowings	1,116,099	867,667
Deferred tax liability	25,427	19,786
	4,160,275	3,997,478
<b>Non-current</b>		
Bank borrowings	483,833	638,637
<b>Total liabilities</b>	<b>4,644,108</b>	<b>4,636,115</b>
<b>Total equity and liabilities</b>	<b>8,075,005</b>	<b>7,917,635</b>

These accounts were approved by the Board on 26<sup>th</sup> November 2010.



**Crimsonwing Plc**

**Condensed consolidated statement of changes in equity**

Period ended 30 September 2010

	Attributable to the holders of the parent							Total equity Eur
	Share capital Eur	Share premium Eur	Retained earnings Eur	Reorganisation Reserve Eur	Translation reserve Eur	Total Eur	Minority interest Eur	
<b>Balance at 31 March 2009</b>	2,600,000	722,572	(325,793)	186,219	(17,328)	3,165,670	237,655	3,403,325
Translation adjustment	-	-	-	-	(10,100)	(10,100)	-	(10,100)
Net income/(expense) recognised directly in equity	-	-	-	-	(10,100)	(10,100)	-	(10,100)
Profit for the period	-	-	151,224	-	-	151,224	286	151,510
<b>Balance at 30 September 2009</b>	2,600,000	722,572	(174,569)	186,219	(27,428)	3,306,794	237,941	3,544,735
<b>Balance at 31 March 2010</b>	2,600,000	722,584	(345,010)	186,219	(64,521)	3,099,272	182,248	3,281,520
Translation adjustment	-	-	-	11,293	(9,950)	1,343	-	1,343
Net income/(expense) recognised directly in equity	-	-	-	11,293	(9,950)	1,343	-	1,343
Profit for the period	-	-	93,659	-	-	93,659	54,375	148,034
<b>Balance at 30 September 2010</b>	2,600,000	722,584	(251,351)	197,512	(74,471)	3,194,274	236,623	3,430,897



## Crimsonwing Plc

### Condensed consolidated statement of cash flows

Period ended 30 September 2009

	6 months to Sep-10 (unaudited) Eur	6 months to Sep-09 (unaudited) Eur
<b>Cash flows from operating activities</b>	<b>27,322</b>	28,961
Interest paid	(49,094)	(62,286)
Income tax paid	(166)	(36,270)
	<hr/>	<hr/>
Net cash generated from/ (used in) operating activities	<b>(21,938)</b>	(69,595)
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of property, plant and equipment	(32,506)	(15,900)
Purchase of intangibles	(74,947)	(79,999)
Interest received	13	7,763
	<hr/>	<hr/>
Net cash used in investing activities	<b>(107,440)</b>	(88,136)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Shareholders' loans	(103,255)	-
Advances to directors	2,951	-
Proceeds from bank borrowings	204,657	148,110
	<hr/>	<hr/>
Net cash generated from financing activities	<b>104,353</b>	148,110
	<hr/>	<hr/>
Effect of exchange rate fluctuations on translation of cash flows of foreign operations	1,343	1,922
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<b>Net decrease in cash and cash equivalents</b>	<b>(23,682)</b>	(7,699)
	<hr/>	<hr/>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>(134,311)</b>	266,530
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<b>Cash and cash equivalents at the end of the period</b>	<b>(157,993)</b>	258,831
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## **Crimsonwing Plc**

# **Notes to the interim condensed consolidated financial statements**

30 September 2010

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### **1. Reporting entity**

Crimsonwing plc is a company registered and domiciled in Malta. The condensed consolidated interim financial statements as at and for the six months ended 30 September 2010 comprise the company and all its subsidiaries including Crimsonwing Ltd, Crimsonwing BV, Crimsonwing Promentum Holdings BV, VDA Informatiebeheersing BV and Crimsonwing (Malta) Ltd.

### **2. Basis of preparation**

These interim condensed consolidated financial statements for the six months ended 30 September 2010 have been extracted from the unaudited management accounts of the Group and have been prepared in accordance with International Financial Reporting Standard 34 *Interim Financial Reporting* and in terms of the Malta Financial Services Authority Listing Rules Chapters 8 and 9.

The financial information has been extracted from the company's unaudited interim financial statements for six month period ended 30 September 2010. The comparative amounts reflect the position of the company as included in the audited financial statements as at 31 March 2010 and the unaudited results for the period ended 30 September 2010.

### **3. Significant accounting policies**

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2010.



## Crimsonwing Plc

### Notes to the interim condensed consolidated financial statements

30 September 2010

#### 4. Segment information

Apr 10 – Sep 10	Malta		UK Crimsonwing Limited Eur	Crimsonwing Promentum Eur	Netherlands Crimsonwing BV Eur		VDA BV Eur	Adjustments Eur	Total Eur
	Crimsonwing Plc Eur	Crimsonwing (Malta) Limited Eur			Crimsonwing BV Eur	Crimsonwing BV Eur			
Revenue	-	2,951,268	3,723,274	1,801,357	494,026	694,717	(2,596,191)	7,068,451	
Direct costs	-	(1,515,705)	(2,784,963)	(436,955)	(361,675)	(121,314)	2,558,301	(2,662,311)	
Gross Profit	-	1,435,563	938,311	1,364,402	132,351	573,403	(37,890)	4,405,591	
Administrative expenses	(42,703)	(957,909)	(690,215)	(1,233,083)	(175,238)	(802,265)	37,890	(3,863,523)	
<b>EBITDA</b>	<b>(42,703)</b>	<b>477,654</b>	<b>248,096</b>	<b>131,319</b>	<b>(42,887)</b>	<b>(228,862)</b>	<b>-</b>	<b>542,617</b>	
Amortisation and depreciation								(200,264)	
Results from operating activities								342,353	
Net finance expense								(49,081)	
<b>Profit before income tax</b>								<b>293,272</b>	
Income tax expense								(145,238)	
<b>Profit for the period</b>								<b>148,034</b>	



4. Segment information (continued)

	Malta		UK		Netherlands		VDA BV Eur	Adjustments Eur	Total Eur
	Crimsonwing Pic Eur	Crimsonwing (Malta) Limited Eur	Crimsonwing Limited Eur	Crimsonwing Promentum Eur	Crimsonwing BV Eur	Crimsonwing BV Eur			
Revenue	-	2,592,800	3,178,585	1,024,941	349,709	930,808	(2,059,864)	6,016,979	
Direct costs	-	(1,415,954)	(2,251,038)	(313,519)	(241,850)	(99,531)	2,059,864	(2,262,028)	
Gross Profit	-	1,176,846	927,547	711,422	107,859	831,277	-	3,754,951	
Administrative expenses	(41,169)	(951,246)	(738,506)	(695,218)	(139,774)	(786,096)	-	(3,352,009)	
<b>EBITDA</b>	<b>(41,169)</b>	<b>225,600</b>	<b>189,041</b>	<b>16,204</b>	<b>(31,915)</b>	<b>45,181</b>	<b>-</b>	<b>402,942</b>	
Amortisation and depreciation								(194,975)	
Results from operating activities								207,967	
Net finance expense								(54,523)	
<b>Profit before income tax</b>								<b>153,444</b>	
Income tax expense								<b>(1,934)</b>	
<b>Profit for the period</b>								<b>151,510</b>	