



## BETTER PEOPLE: BETTER BUSINESS

Our core brand values are expressed through our strapline “Better People: Better Business” In this our first Annual Report & Accounts, 2008, we provide an insight into the lives of some of our staff. They have not been selected because they are singularly outstanding; all our staff are outstanding. Rather, we have sought to find interests and skills in our staff that help to express the unique character of Crimsonwing plc.

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## Chairman's Statement

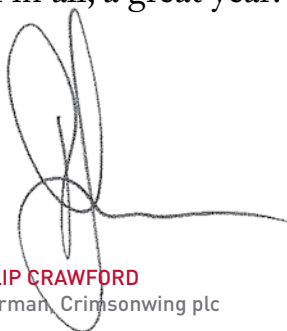
I am delighted to announce the end of a record breaking year for Crimsonwing plc. It is fair to say that the last year has had its share of challenges, with financial markets in turmoil, business outlook far from positive and exchange rates of the dollar and the pound in freefall.

Against this backdrop Crimsonwing has achieved a successful IPO, and has grown top-line revenue by 35%. It is a considerable achievement that, in these times, demand for Crimsonwing products and services have remained strong – a testament to the fact that they deliver improved operational performance and new channels to market. This could not be more important in such difficult times.

Growth of Euro-zone sales has been particularly strong which positions the company well moving forward, with more revenue and cost in the same currency, thus offsetting the effect of currency fluctuations. The year has also seen excellent growth of new clients, the effects of which will continue to be seen in revenues going forward. It is clear however that all of the above could not have been achieved without the investment of our stakeholders:

- our employees, who have delivered magnificently, and whether they be part of recent acquisitions or have been on the 'whole journey', we could not have done it without them;
- the shareholders, who joined the 'family' at the IPO and who are supporting us strongly going forward;
- and last but not least, our clients, both new and long term, who continue to trust us to deliver the business benefits so essential in today's markets.

All in all, a great year!



**PHILIP CRAWFORD**  
Chairman, Crimsonwing plc

## Chief Executive's Report

### Introduction

Crimsonwing started the financial year in April 2007 as a private company and ended it as a thriving, publicly-quoted business. Following its successful IPO in January 2008, Crimsonwing plc achieved record revenue levels by year-end March 2008.

During the year in review, and before our IPO, Crimsonwing made two strategic and highly successful acquisitions: one, a Sterling-based business; the other, a larger Euro-zone entity. Both acquisitions significantly enhanced Crimsonwing's presence in Microsoft's flagship Enterprise Resource Planning (ERP) platform, Dynamics.

Demand for Crimsonwing's services increased across all our solution offerings in our traditional markets, through the cross-selling of services to existing clients and with the gaining of new ones. In addition, we made a successful entry into new geographic markets, notably North America, and into new industry verticals in the UK and The Netherlands.

In reviewing the year, all indications are that Crimsonwing is moving rapidly and robustly as it implements its stated growth strategy, the tenets of which are diversification into complementary national markets and sector verticals, and the growth of our portfolio of custom and Enterprise Resource Planning (ERP) tools and e-Business solutions.

### Crimsonwing Strategy

Throughout this review, we refer constantly to the key components of our business strategy, set out below. We conduct every aspect of our business in line with our declared strategy, ensuring our achievements can be measured against goals and that shareholders can monitor our interests and activities objectively. Our strategy can be summarised as follows:

- Crimsonwing recognises it has a key strategic advantage based on a business model of operating its 'solutions centre' in Malta. Our continued investment in our Malta operations gives us a powerful advantage in terms of cost, quality and innovation in Western European

markets. Crimsonwing is leveraging further on this business model, using it to expand through organic growth, new business lines and acquisitions.

- Crimsonwing will enhance its solutions portfolio and intellectual property to derive more profit from licences and support revenues, and thereby grow the overall revenue per employee.
- Crimsonwing will increase its sales in the Euro zone to reduce the impact of exchange rate fluctuations.
- Crimsonwing will continue to grow and invest in its staff, and provide opportunities for its people to develop new skills, exploit opportunities arising in our industry and gain higher educational and professional qualifications.
- Crimsonwing will continue to focus on, and invest in, key vendor relations with best-of-breed product offerings including those of Microsoft, Oracle and Intershop.
- Crimsonwing will look to invest further in its Quality Management System and bring about its application across all business areas and to ever-higher levels of external accreditation.

In addition, Crimsonwing has always had a strong social conscience and has supported many charity initiatives both within and beyond our countries of operation. These activities will remain an integral part of our corporate values and our plans.

## FINANCIAL HIGHLIGHTS

Revenues over 12 months	€9,552,567
Net Profit before tax	€909,324
Balance Sheet Assets	€6,231,090
Cash Balance	€1,031,623

## Finances & Performance

Crimsonwing had a robust performance during the year under review, registering a 35 per cent increase in revenues over the 12 months to close the year with revenues of €9,552,567. Net profit before tax for the year stands at €909,324. Administrative expenses were tightly monitored and remained at around 43 per cent of revenue. Direct costs increased, by some 54 per cent, due to a rise in the sales of product licences and consultancy support from vendors.

These figures are particularly healthy when set against the impact on our revenues of Sterling's decline against the Euro of around 14 per cent during the final third of our financial year. Thanks to our decision over three years ago to develop business outside the UK market - the traditional source of our largest client accounts - we were able to diversify in, and increase revenues from, Euro zone countries. Over the year, we successfully widened our customer base and spread our revenues so that our top ten largest client accounts, primarily in the UK, now represent 78 per cent, down from 93 per cent, of our revenues.

Our acquisitions during 2007, in The Netherlands in particular, have enabled us to put this strategy into action and proved timely given the foreign exchange fluctuations. During the year in review, sales revenues in Euro constituted 25 per cent of revenues, boosted by organic growth at Crimsonwing BV, which registered a 46 per cent increase in revenues during the year.

Our acquisition of Promentum Holdings in the 3rd quarter of 2007, and then of VDA in July 2008, has already more than doubled our Euro revenues for the next financial year. We are predicting significant growth in continental Europe using our Netherlands operations as a base to expand our sales and consultancy efforts in the Dutch market and in the neighbouring Germany-speaking, 'DACH' zone.

The acquisitions, which also included the purchase of the media & entertainment vertical from Peracto Solutions in the UK, also helped improve our balance sheet assets, which increased 96 per cent to €6,231,090, while our shareholders' funds grew by 62 per cent. We ended the year with strong liquidity - a cash balance of €1,031,623 - having self funded two acquisitions. Importantly, the acquisitions in the UK and The Netherlands allowed us

to streamline our operations into single office locations in each market, thereby reducing overheads significantly.

We entered the USA market during the year where we have already acquired some leading name clients. Crimsonwing LLC is running cash neutral within a short timeframe, which is a good indicator of our competitive edge in a developed market.

## Our Acquisitions: New Markets, New Sectors

We completed two strategic acquisitions during the year in review and were finalising a third as we entered the current financial year. All three acquisitions are in line with our strategy of strengthening our Euro zone business, diversifying our interests into new industry verticals and enhancing our expertise in best-of-breed Enterprise Resource Planning (ERP) solutions.

Our approach to acquisitions is to identify companies operating largely within the Microsoft technology market and which are successful, but are struggling to take the next steps in their growth as a result of resource constraints, skills availability and management time and focus. Our aim is to support any acquired companies with additional resources and skills in order to unlock their potential to grow profitably. The Crimsonwing business model has shown that such companies can quickly provide added value within the Group by exploiting the advantages of our Malta solutions centre, with its competitive advantages of time-zone compatibility, a highly-skilled workforce and cost efficiencies.

Integration of the companies was smooth and the synergies tangible. With the acquisitions, we gained very high quality management teams and consultants and are pleased that staff from the acquired entities remained with us. This ensures continuity in relations with established clients and enables us to quickly build Crimsonwing's presence in new markets.

These acquisitions assist us in diversifying our interests away from a core of retail, distribution and logistics clients to new verticals. Also, the broader Crimsonwing expertise in e-commerce solutions and bespoke system development is allowing both new entities to provide far broader and

efficient solutions to their existing clients. Our experience of our acquisitions in 2007-8 has shown that such companies are available in the market and are willing to be taken over to operate as part of the Crimsonwing Group.

Our acquisitions over the year are a clear strategic fit as we have been able to strengthen our expertise and widen our markets in Microsoft Business Solutions in Europe. Both entities are experienced specialists in Microsoft's Dynamics ERP solutions in their respective markets. We have already seen an eight per cent rise in deployment of our resources to Microsoft Dynamics and related consultancy projects this financial year over 2006-7.

### *Our UK Acquisition*

We acquired the media and entertainment business vertical of Peracto Solutions Ltd, an independent, London-based, IT solutions provider. A Microsoft Gold Certified Partner, Peracto's strength lies in its Microsoft Dynamics team which, coupled with the existing capabilities of our Crimsonwing Dynamics services, has allowed us to create a formidable presence as a leading Microsoft Partner and preferred supplier to the media and entertainment industry.

### *Netherlands' Acquisitions*

Our second acquisition was the Dutch-based Microsoft Dynamics company Promentum Holdings in which we took a controlling interest (51 per cent). Now known as Crimsonwing Promentum and Crimsonwing Promentum Academy, this acquisition supports our Microsoft Business Solution Dynamics development in pre-sales, training, implementation, development, project management and sales. The Crimsonwing Promentum Academy is our Microsoft Academy for Dynamics end users and partners across Europe.

As we entered the second quarter of the current financial year, we completed a third acquisition; our purchase of VDA, an IT services provider that has been operating in Holland for 16 years, gives us further foothold in the media and publishing sector. VDA has long-standing, household name clients in the Dutch market, including 20 clients in radio and television. It also has a 28 per cent share of the media agency sector.

### *Entry into the US*

We also established a presence in the US market which has already won a major client - a leading software and data company serving the oil and gas industry. The US market is competitive, but has space for those with the acumen to grasp its opportunities. We are confident that Crimsonwing LLC- USA will be one to watch over the coming year.

### **Where our acquisitions take us**

All acquired companies will be contributing substantially to Crimsonwing's growth. Crimsonwing is now operating with over 230 staff, across five European countries. These acquisitions mean we can now deliver far greater capabilities and reach new clients and markets, extending our presence in the Dutch, German, Austrian and Swiss markets, and by spreading our exposure to certain key clients in the UK.

The Crimsonwing business model is therefore working well; for us, as we expand and diversify, and for those we acquire, helping them to further succeed as part of the Crimsonwing group.

## PETER SAMMUT BRIFFA: CHESS MAESTRO

Peter has been Malta's chess champion three times. He has represented Malta six times in the International Chess Olympiads and still holds an international rating. Now in his 9th year as Project Manager, Peter sees the skills learnt on the chessboard crossing over into his work life.



## Crimsonwing Public Listing

With nearly 12 successful years to its name, Crimsonwing decided to list on the Malta Stock Exchange at the close of 2007 to accelerate the roll-out of its successful business model. With excellent staff and a solid business model at the heart of the company, it was time for us to take Crimsonwing's approach to new markets, to achieve further growth in the Microsoft technology market, particular in ERP, and to ensure its diversification in new industry sectors.

The IPO was aimed at assisting Crimsonwing to acquire compatible, existing software companies in its target markets. The listing came at a time of rapid growth; we had just completed the acquisitions of Peracto Solutions Ltd and Promentum Holdings. Both these acquisitions were financed from the company's retained profits. However, we required a broader source of finance to enable us, and our investors, to take advantage of other relevant, possibly larger, acquisitions aimed at financially beneficial growth.

After months of preparatory work, January 2008 saw the listing of Crimsonwing plc on the Malta Stock Exchange. The combined offer of 6,747,134 shares, marked the sale of a 25.95 per cent stake in Crimsonwing plc., and was fully subscribed within an hour of opening to the public. Our employees also gave us a resounding vote of confidence; they took up nearly two million shares, almost 30 per cent of the entire offering, during the preferred, pre-allocation stage.

Although Crimsonwing has been firmly established in Malta for almost ten years now, listing the parent company on the Malta Stock Exchange further proves our commitment towards the country. This new share offering has given investors an opportunity to gain exposure with one of the leading IT services companies based in Malta. The offer was incredibly well received and lends weight to the Maltese Government's intention to make Malta a centre of excellence in ICT by 2015.

## Branding Crimsonwing plc

Our growth strategy and the impending IPO brought about the need to review our brand. Our preparatory work on this included an evaluation of our clients' perceptions of

us as well as an assessment of how best to include the new companies within our corporate family. The rebranding was also a vital step to providing the same look and feel across the group without forsaking the individual identities of the newly-acquired companies.

We commissioned a UK-based agency to evaluate our corporate image. It was clear that our people were the key factor in establishing positive relations with our partners and clients. Friendly, professional staff at the heart of a uniquely personalised service was the single most important part of our offer. Our new strap-line, 'Better People: Better Business', embeds this firmly. The proposition was translated into a distinct visual representation, with our subsidiaries retaining their identities by adopting individual, colour-coded logos within the brand framework.

Executing the re-branding exercise was challenging, but the outcome has been received well. We needed to relay the message of Crimsonwing as an experienced, knowledgeable and trustworthy IT partner across a range of sectors, solutions and regions. Above all, the brand proposition gives credit where it is due; to the people who drive our business and contribute to its profitable growth.

## Our People - the 'Crimsonwing Family'

As our re-branding exercise made clear, the basis of our business is the quality of our people. At Crimsonwing, we are fortunate to have a loyal staff complement of exceptional calibre, from entry-level graduates to senior management, in both our original and newly-acquired entities.

We are also fortunate to enjoy a pre-eminent position in the job market and are able to attract, unsolicited, the best graduates in computer sciences and ICT and also people with vendor- and industry-specific qualifications. Graduates comprise the majority of our staff; around 60 per cent of our personnel have tertiary-level qualifications with 20 per cent having post graduate qualifications ranging from MBAs to PhDs. We encourage further professional and academic training and have several staff on masters and doctorate programmes. We also attract seasoned professionals from industry which allows us to create the right blend of skills and experience in our teams.





### SANDRA BONNICI: VOLLEYBALL PRO

Sandra has been playing volleyball for as long as she can remember and has won a bronze medal in the European Championships (Small Nations Division) 2000. As a Senior Analyst Programmer, she brings to her work excellent team spirit, a sense of self confidence and focus.



Our workforce has exposure to major household names and blue-chip clients in all our markets and therefore brings a wealth of expertise to our clients' business.

This depth and breadth of expertise is particularly important as we extend more services to existing clients and add new clients and markets. Some 80 per cent or higher of project work can be done at our Malta centre. In the year in review, group headcount grew from 130 to 200, which represents over 50% growth over last year and is attributable mainly to recruitment in Malta.

We relish diversity, and are proud to have a multinational and multilingual team. We count among our staff speakers of numerous languages, both mainstream European and world languages including Chinese and Spanish.

We began our investment in Malta ten years ago in 1998, and a substantial number of our initial staff intake has grown with us. In the coming year, some 50 staff will be entering their tenth year with us. This continuity is extremely valuable, not just for us, but for our clients.

We invest in our staff by offering ongoing career development both in technical and support skills. Our training spend was over 500 days which works out at an average of five days per developer. The majority of training is highly cost-effective as 40 per cent is provided in-house at Crimsonwing in Malta and at our Crimsonwing Promentum BV Academy in The Netherlands. Programming and services' training is predominantly in e-Business and e-Commerce solutions, on Microsoft, particularly Dynamics, and on Oracle and Novavision products. We also offered support training in soft skills, quality management, project management and other business areas. To support our staff, our own research and development spend has doubled over the past year.

## Crimsonwing Solutions

In all three of our dedicated solution areas – e-Business, ERP and custom development – revenues grew during the financial year. We saw significant growth of our client base as a result of our acquisitions, but, importantly, we also increased the scope for cross-selling e-Business (front-office) solutions to our acquired customers who currently have mainly ERP (back-office) solutions.

Our strategic decision to focus on leading edge technologies has been successful; we saw the percentage of Crimsonwing's

revenues deriving from older, legacy technologies decline to less than 5% from over 25% in the previous year. The year saw our investment in Microsoft-based technologies and Open Source (Java) technology lead to a strong rise in projects using these technologies.

In custom development and integration, we made investments in additional Microsoft integration technologies and web-based collaboration tools. We also completed projects based on new, mobile technologies and saw increased demand for solutions using Oracle database. Vendor technology from Microsoft, Oracle and Intershop is utilised to develop cost-effective and relevant solutions for the company's clients and we are experiencing increased repeat business as a result of our expertise in these products.

## Drivers of Growth

For evidence of our success in driving growth by varying our business mix, we need only to analyse the rate of return in our three core service offers. For the year ending March 2008, custom development and integration remained the largest single contributor to our revenues (44 per cent of the total), but the real spur to our revenue growth comes from e-business, which registered a phenomenal rise of 120 per cent over the year, and from Microsoft Dynamics projects, where revenues grew by 41 per cent during the period in review.

The exceptionally strong revenue growth in e-Business was a result of three factors:

- i: Strong market demand for e-Business solutions,
- ii: Crimsonwing acquiring new clients in the Netherlands
- iii: establishing itself as the premier Intershop partner in that country.

## Large client projects in the UK

The Microsoft Dynamics solution revenue grew as a result of the enlarged Crimsonwing offerings in this area resulting from the acquisition and integration of the Peracto and Promentum businesses. In particular, Crimsonwing was able to offer ERP solutions to the printing and publishing industry sectors and Custom Development work at Crimsonwing's largest client was sustained with some slight growth during the year. Other custom development activity, largely utilising the Microsoft .Net development platform, grew by over 85%.

## Our Model, our Markets

The unique selling point of the Crimsonwing Group business model has always been our Malta solution centre and development continues in our Malta hub. Our strategy of sustained investment in Malta has created a near-shoring business model that continues to reap dividends, especially as we add a swathe of new clients from our growth markets.

Across all our markets – in Western Europe, and now North America - we are experiencing strong demand for our solution offerings. Our clients are choosing us for the depth and breadth of our offers – solutions containing our

Dynamics (ERP), e-Business and custom elements often come into play. Our edge is that we can deliver this under a single project management structure.

## New Solutions

As well as a major implementor of Intershop projects in the UK, Crimsonwing also established itself as the leading Intershop solutions' provider in The Netherlands with several major projects during the year. We see this trend continuing strongly in the current year. The e-Business unit is also investing in broadening its portfolio of products.

## Our UK Accounts

In the UK, e-Business and custom development continues to strengthen its existing relationships with key customers.

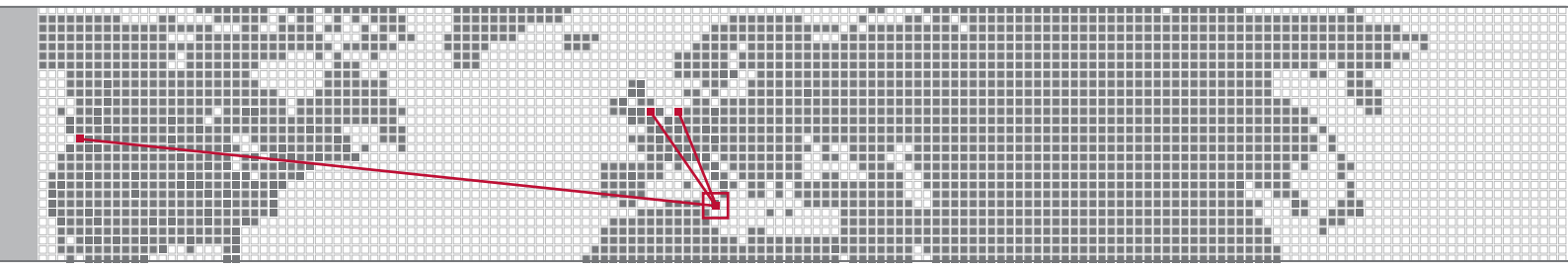
In our larger UK clients, Crimsonwing has been able to offer services in new platforms, and this significantly reduced our activities on legacy technologies. Software upgrades during the year also helped drive revenues in the e-Business offers.

With the acquisition of the enterprise division of Peracto, we strengthened our client base of Microsoft Dynamics customers and also acquired a UK-based team of product consultants who can drive additional development projects to the Malta solutions' centre. To cater for this rise in demand, we have created an additional team in Malta to support solutions for our new vertical, the printing and publishing sector.

## Euro-zone Accounts

The acquisition of a controlling interest in Promentum in the Netherlands brought Crimsonwing an additional team of highly-experienced Microsoft Dynamics' consultants and an additional revenue stream from training programmes for our end users and business partners, primarily in Microsoft Dynamics technologies.

With Promentum, we acquired software assets that both directly generate licence revenue and also provide Crimsonwing with a competitive differentiation in the Microsoft Dynamics ERP solution area.



## Investment in our Infrastructure

As we grow internationally, we need to invest in our own infrastructure to ensure our service provision is robust and efficient. In the past year, we set up a fibre optic internet connection which supplements our current CATV and ADSL links. This connection drastically improves our bandwidth and helps keep any downtime to minimum. We depend heavily on these connections as they are our “lifeline” to our customers.

Within Crimsonwing too, we are also making better use of internet technologies to improve communications and reduce costs. In addition, we replaced our PABX and invested in other hardware to facilitate inter-company communication and to cater for our growing client base. New servers and desktop PCs were installed as part of our routine, biannual upgrade.

## Quality Management brings Quality Solutions

Three years after obtaining the ISO 9001 certification and passing all subsequent surveillance audits, we underwent a re-assessment in January 2008 and came through with excellent results. The re-assessment audit showed that our Quality Management System (QMS) has matured further across the organisation as we grow and implement it across new areas and with an increased team. Importantly, our customers recognised our quality and efficiency too; responses received to our annual customer survey indicate a good level of satisfaction and show that we are well within our Quality Objectives’ targets.

As a result of a Capability Maturity Model Integration (CMMI) level 4 gap analysis, which assessed our definition and understanding of our processes, we have enhanced our QMS testing and estimation procedures and piloted them with positive results in the area of e-Business. The plan is to roll these improvements out across all strategic areas in the organisation. It is also our intention to continue revising and implementing the road map derived from the CMMI gap analysis exercise in order to align our main processes up to maturity level 4.

SCRUM, which is a widely used agile methodology, has been incorporated in the set of software development methodologies adopted by our QMS. We have four certified SCRUM masters who are piloting this methodology. This approach will enable our customers to get continuous releases of working software and allow the project scope to be changed according to needs in a disciplined manner.

We have implemented further elements of the best practice initiative for IT service management that were identified and assessed by the three managers who participated in the ITIL V3.0 Foundation training course last October.

Some 27 internal quality audits were performed as part of the first audit cycle of 2008. Only minor deviations from QMS standards were identified and corrective and preventive actions have been implemented by respective area managers.

Internally, we have introduced new systems and tools to aid our quality, project management. These include our deployment of a Dynamics CRM to manage and track pre-sales activities; Dynamics AX, our latest addition is the Fixed Assets register which complements the financial module already implemented in place; Sharepoint as a collaborative tool to enhance communication channels and data sharing among employees and with our clients.

In addition, we have enhanced our Quality Measurement & Time Management Systems to further increase control and to cater for the changes brought about by the company’s growth.

## CLAYTON J. ZAMMIT: RADIO BROADCASTER

After years of being a voice over the airwaves, Clayton has now launched his own TV show which he self-produces and presents. Self confident and with good presentation skills he enjoys interacting with the many people he comes into contact. As a Business Analyst he brings commitment and dedication to a challenging work role.



## Crimsonwing Clients

Resounding proof that we are following the right strategy comes from the significant client and business gains we made over the year. We saw all three business areas - custom, e-Business and ERP – grow both organically and by gaining new clients through our acquisitions, and also through concerted sales and marketing drives in our core and new markets. Overall we added over 30 net new clients during the financial year.

The key area of growth was e-Business where we added new clients in Holland as well as new projects. Our growth in the Dynamics area has come about through acquisition - Promentum and Peracto have been the drivers in this sector and brought considerable Dynamics' expertise to the Crimsonwing team.

At the turn of the financial year, our latest acquisition, that of VDA, brought gains in the custom development arm of our business, which augurs well for future gains in this area too.

The pattern emerging from last year's new business and client wins is that we are moving away from dependency on any one area of our business and any single market. Crimsonwing therefore enters the current financial year on an even surer footing, with a healthy mix of clients and markets and a depth of expertise, particularly in areas in demand – e-Business and ERP.

## Help Where it's Needed - our Social Responsibility

Back in 1999, management set up Opportunities for Personal Development (OPDs) which our employees were encouraged to join and run. Among these was the 'People Who Care Fund' (PWCF) which collects and saves in a special bank account, small monthly donations drawn from the salaries of employees participating in the scheme. These funds are then donated by the team who runs the PWCF, with the input of all contributing employees. In the year in review, the Fund collected some €6,800 which were disbursed to the local charitable associations below:

Park of Friendship which provides free physical and occupational therapy to disabled persons

The Police Children's Christmas Party for police officers' children and other children from orphanages

The Malta Hospice Movement

The Borg Family for treatment at Great Ormond Street of their son

St Theresa Children's Home

YMCA Malta which provide accommodation for the homeless

The Angel Tree Club which organises activities and school supplies for children of prisoners

Donations to two families who found themselves homeless, one of them motherless, following a horrific explosion in their street.

## The Cystic Fibrosis Trust

The PWCF committee is also in contact with Arka Foundation, a non-profit, voluntary organisation which creates awareness and promotes the needs and rights of people with disabilities, and helps provide them with the necessary education, therapeutic services and training support. The Arka Foundation drew our attention to a boy with cerebral palsy who is proficient in IT. Our People Who Care fund provided him with specialised IT equipment.

As routine, Crimsonwing upgrades its PCs every couple of years. We donate old PCs to charities, schools and those in need, and we also raise funds for the People Who Care Fund from the sale of old equipment to our staff.







#### **MARK HERRERA: ATHLETE**

Mark is at his happiest on the track. He has been Malta's National Champion in the 800m and 1500m for the past seven years and has competed in the Small Nations games four times. Running has taught him to manage his time giving him the ability to better handle the pressures of work.

## **Career Events & Sponsorships**

As the Maltese Islands' largest private sector IT services supplier, we are instrumental in creating awareness of opportunities in ICT among both new graduates and people seeking a mid-career change. We often find ourselves working with the public sector to promote ICT careers in Malta, as the country positions itself as a 'Smartisland' or knowledge economy base in the Mediterranean. We participated in several career- and awareness-building events over the year, including:

### **AIESEC**

Careers on Campus at the University of Malta (UOM)

### **ITEX (MFCC)**

Promoting both careers and IPO awareness

### **IEEE**

Careers' event at the Engineering Faculty, UOM

### **Crimsonwing Awards**

Our own award, recognising the efforts of the top three BSc students reading ICT at the UOM. This was the first year of the award, which not only recognises personal efforts, but also helps us maintain strong links with the University and create awareness among students of careers at Crimsonwing. We participate also in UOM fairs and open days.

Engineering Final Year Projects Exhibition, UOM

National ICT Careers' Awareness Campaign Sponsors

## **Helping Overseas**

At Crimsonwing, we see our role as helping both locally and globally, where we can and in a way that brings lasting change to those we assist as well as making a positive difference to our lives too.

For two years now, we have been involved in aid work in Ethiopia, assisting children in need. Our first project was the set up of a feeding programme and school at Sakko, a remote location in south-west Ethiopia run by four sisters of the Daughters of Charity at a small Catholic activity centre. With our assistance, they were able to

install a simple kitchen, provide furniture and recreational apparatus for the children to enjoy a quality play in a safe environment. Last year, we disbursed aid money to a similar project in Kenkelcha, where once again there was need of a kindergarten with classrooms, a refectory and storage facilities.

This year, Crimsonwing has pledged support to Kidane Mehret Children's Home in Addis Ababa, where around 150 children of all ages have found refuge. Founded in 1933 by a French community, the Orphanage cares for abandoned, orphaned and street children up to sixteen years old. Two tireless and dedicated Maltese nuns together with a handful of volunteers care for, attend to and educate all the children who are drawn from different tribes and religions.

We are investigating the possibility of regular sponsorship, not just in terms of a financial contribution but also in terms of a commitment in time. Situated in the capital, the Kidane Mehret Children's home is less remote than Sakko, and will therefore allow us to visit and carry out voluntary work at regular intervals as part of a company-wide initiative.



## ALASTAIR FARRUGIA: MATHS GURU

Alastair has a PhD in Combinatorics from Waterloo University, Ontario which makes him quite an amazing guy. He tutors at the University of Malta and reviews papers submitted to specialist journals. He is a Senior Programmer within the MS Dynamics team using his analytical mind to find solutions for our clients.

## Business Highlights

### *United Kingdom*

Our profile with Microsoft significantly improved as we increased our licence sales ten-fold over last financial year.

Crimsonwing became the first Microsoft partner in the UK to achieve accreditation for the Dynamics Mobile solution, and won its first client.

Four case studies are in progress with Microsoft with key clients.

Development of Microsoft Dynamics AX vertical underway in distribution.

Crimsonwing UK is a Microsoft Gold Partner

Optimistic outlook for continued growth in the UK from e-Business and custom development, both through increased spend from existing customers and with the addition of new customers.

### *The Netherlands*

Acquisition of Promentum BV, now Crimsonwing Promentum BV. We have a 51 per cent controlling stake in Promentum Holding with an option on the remaining 49 per cent of shares.

During 2007, Crimsonwing Promentum increased its focus on services to the end-market in order to establish a direct client relationship and to influence service and licence sales. By having both project and account responsibility, Crimsonwing Promentum can charge competitive, but higher value hourly rates and has greater opportunity to cross-sell our Malta services. We are therefore less dependent on Dynamics AX resellers.

More focus on Promentum Solutions. Horizontal Solutions based on Dynamics AX. The solutions Interface Portal and Crystal Reports Integration are now sold and used in Asia, Europe and North America.

“Malta Model” taking effect, profitably. All the services for the Dutch clients are delivered from Malta and by professionals of Crimsonwing Malta.

Operational efficiencies result from the consolidation into one Netherland’s office (for Crimsonwing BV, Crimsonwing Promentum and subsequently VDA).

Growth in e-Business with major blue-chip companies.

New Support contracts in e- business.

Growth in Microsoft Dynamics AX work and .NET services for clients

Long-term relationships continue with Crimsonwing clients.

During 2007, Crimsonwing Promentum Academy delivered the Microsoft Boot Camp for Microsoft Dynamics AX on a worldwide basis.

### *USA*

In January 2008, Crimsonwing LLC was founded near the Microsoft headquarters in Redmond.

US Dynamics AX Boot camps were expanded.

Already one large, Microsoft Dynamics AX implementation up and running.

Within 8 months after the start, Crimsonwing LLC is already profitable and the forecast is that for the first fiscal year, LLC will show a positive net result.

Crimsonwing USA gained 3rd key client within the year by gaining a major client in Calgary, Canada. The project provides work for Crimsonwing US, UK and Malta.

The Crimsonwing group business model proving its worth in winning US business: for example, Crimsonwing UK combined resources with Crimsonwing USA on the project for a large client in media based in New York.



## Board of Directors & Board of Governance

### BOARD OF DIRECTORS

James Bonello, Philip Crawford, Louis de Gabriele, Albert Muscat and David Walsh.

### BOARD OF GOVERNANCE

David Walsh, Claire Nicholson, James Bonello, Pierre Zammit, Derek Linney, Rob Philippart, Kees Brussen, Jaap Schram De Jong and Tom Meehan (appointed April 2008).



**DAVID WALSH**  
Chief Executive Officer

David is the CEO and founder of Crimsonwing. After a spell of teaching in East Africa, David embarked on his IT career in IBM in 1986 and managed some of IBM's largest UK clients. In 1992 David left IBM to develop a Systems House for a UK consultancy company, and subsequently he left to found Crimsonwing in 1996. David is a graduate from King's College, London and holds a Masters from The Cranfield Institute.



**PHILIP CRAWFORD**  
Chairman

Philip is a high profile industry commentator on trends and directions in the IT and business world. Philip was formerly Senior Vice President of Oracle Corporation sitting on the Executive board and having specific responsibility for its UK operation. Subsequent to this Philip became President of EDS International again sitting on the Executive board. He is now Chairman of several public and private companies and is a business 'angel'.



**JAMES BONELLO**  
Managing Director  
Crimsonwing Malta

James Bonello joined Crimsonwing in 1999 and is responsible for the Group's overall project service delivery. He brings with him over fifteen years experience in the various fields of Information Technology both locally and overseas. Prior to Crimsonwing, James' previous positions included IT Manager for Schlumberger Oilfield Services in Tripoli, Libya. He was also involved with the Document Image Processing Division (DIP) within Management Systems Unit and occupied various roles during a six year stint with the local IBM distributor. James holds an MBA in e-Business.



**PIERRE ZAMMIT**  
Operations Director  
Crimsonwing Malta

Pierre Zammit joined Crimsonwing in 1998. He is responsible for the business operations of the Solutions Centre in Malta, including recruitment and staff development, technical infrastructure and quality assurance. Pierre brings with him over twenty years of experience in the IT industry having started his IT career developing software related to the hospitality industry. He later occupied the post of Software Development Manager in Hospitality Systems for BDS Limited, Malta.



**DEREK LINNEY**  
Solutions Director

Derek is Solutions Director at Crimsonwing and joined the company at the start of 2001 to head up its solutions division. He is responsible for the strategy and development of Crimsonwing's portfolio of solutions including relationships with business partners. Derek also provides high level strategic consultancy to key Crimsonwing clients. Prior to joining Crimsonwing Derek had a 30 year career in IBM in a variety of technical, sales, management and consulting roles.



**CLAIRE NICHOLSON**  
Finance Director

Claire has responsibility for group finance, covering the UK, Maltese and Dutch companies. She trained with a medium sized accountancy firm and qualified as a chartered accountant in 1997. In 2001 Claire joined Crimsonwing as the UK accountant, which offered her the opportunity to gain experience and responsibility in a rapidly expanding company in an exciting e-commerce environment. In 2003 she was promoted to Head of Finance and in 2007 to Finance Director during which time she also successfully completed her MBA at Henley.



**KEES BRUSSEN**  
Managing Director  
Crimsonwing  
Promentum BV

Kees Brussen was one of the founders of Promentum. After an initial career at Stork Engineers as an internal IT consultant he had consultancy, project management and sales support roles. Now Managing Director of Crimsonwing Promentum responsible for the provision of services surrounding ERP systems throughout Europe. Focuses on the support of Microsoft Business Solution Centers in pre-sales, training, implementation, development, project management, and sales.



**ROB PHILIPPART**  
Managing Director  
Crimsonwing BV

Rob Philippart is a co-founder and director of Crimsonwing BV, established in the Netherlands in October 2004. He holds an MSc from the University of Utrecht. Rob's background is in ICT where he has worked in various ICT consulting companies in a variety of roles - programmer, analyst and project manager. After 15 years of professional experience in ICT, Rob joined the management team of IMN Group in the Netherlands and subsequently was appointed to the IMN Board.



**ALBERT MUSCAT**  
Non-Executive Director

Albert's relationship with Crimsonwing goes back a number of years, to before the establishment of Crimsonwing in Malta. For many years he was Crimsonwing's accountant. Albert is a Fellow of the Chartered Association of Certified Accountants and of the Malta Institute of Accountants. He runs his own fiduciary accounting practice.



**LOUIS DE GABRIELE**  
Company Secretary &  
Non-Executive Director

Louis is a corporate lawyer by profession and a partner in the Law firm Camilleri Preziosi. He has extensive experience in capital markets work and has been a leader in advising Companies approaching the market for a listing on the Malta Stock Exchange. He also advised the Company on its corporate re-organization leading to its IPO last year. He also acts as company secretary and legal advisor to the group.



**JAAP SCHRAM DE JONG**  
Director Dynamics  
Solutions For  
Crimsonwing Ltd

Jaap Schram De Jong was a founder and director of Peracto. He joined the Crimsonwing Group on its acquisition of the Printing and Publishing division of Peracto and now heads up the Dynamics division within Crimsonwing UK. Prior to Peracto, he worked in sales and sales management roles for Navision, which was acquired by Microsoft as the core of their Dynamics ERP suite, and subsequently set up the United Kingdom offices of Navicom, a Navision business partner.



**TOM MEEHAN**  
Director E-Business &  
Custom Solutions For  
Crimsonwing Ltd

Tom started his working life as a systems analyst at Natwest Bank in 1987 and continued to specialise in Financial Services. In 1995 he joined the burgeoning Oracle Financial Services business and was instrumental in the development of the Oracle Financial Services Solution Centre. In 2002 he joined Intershop UK becoming one of their most successful sales managers. A year later, he joined Crimsonwing where he has focused on the growth of Crimsonwing's e-Business and Custom solutions.

## Directors' Report

The directors have pleasure in submitting their inaugural Crimsonwing plc report, together with the audited financial statements and auditor's report of Crimsonwing plc for the year ended 31 March 2008.

A full review of the Crimsonwing plc Group of Companies, and an indication of future developments has been given in the Chief Executive Officer's Review in the Annual Report.

### Incorporation and group reorganisation

The company was formed on 29 August 2007. Following a group reorganisation which took place in October 2007, Crimsonwing plc became the holding company for the Group. The subsidiaries incorporated in these Group financial statements are listed in note 23 to the financial statements.

### Principal activities

Crimsonwing plc is the Holding Company of Crimsonwing Limited, Crimsonwing (Malta) Limited and Crimsonwing BV and is a majority shareholder (51%) in Crimsonwing Promentum Holdings BV. It is incorporated in Malta under company registration number C42234.

The principal Company activities are the provision of computer professional services in Western Europe and North America.

Crimsonwing delivers solutions for clients with an intrinsic high return on their investment by combining:

- Well trained and experienced consultants, project and technical staff, many of whom have professional industry accreditations and higher educational qualifications.
- Quality assured business and development processes which are externally audited and which drive continual improvement.
- A well invested Solutions Centre, based in Malta, which incorporates the latest in software, hardware and communications infrastructure.
- Knowledge and experience of best of breed vendor software technologies, which are then efficiently and effectively deployed to deliver client solutions. These include Microsoft, Oracle, IBM and Intershop.
- Senior consultants, in the markets, who have strong local market knowledge, and who can deploy the Crimsonwing value proposition effectively to the end clients.

Based on the above solid foundations, Crimsonwing offers the following portfolio of solutions across three key areas:

- Custom built (bespoke) operational applications.
- ERP (Enterprise Resource Planning) – based around the Microsoft Dynamics platform.
- E-business (Business to Business and Business to Consumer) – based on the Intershop Enfinity platform.

In all these areas Crimsonwing is able to offer the full range of professional services support including solution selection, design, development, testing and support services.

Crimsonwing concentrates in the mid market, but is able to take on some solutions with very large enterprises depending on the business solution type.

Crimsonwing plc was successfully listed on the Malta Stock Exchange in January 2008.

### Performance review

These consolidated financial statements cover all Crimsonwing subsidiaries including Crimsonwing (Malta) Limited, Crimsonwing Limited, and Crimsonwing BV. On 1 July 2007 Crimsonwing purchased the media and entertainment vertical of Peracto Solutions Limited, and on 3 September 2007 Crimsonwing purchased a majority (51%) interest in Promentum Holdings BV.

Revenue growth this year was dramatic with Crimsonwing registering a 35% increase in revenues over last year to €9,552,567 to March 2008. This also included substantial organic growth in Crimsonwing BV which registered a 46% increase in revenues during the year. Crimsonwing is a Euro currency operation, and the consolidations of revenue and associated net profit were negatively impacted by the slide of UK Sterling against the Euro in the last four months of the financial year when the Euro to Sterling exchange rate fell from 1.45 to 1.25. This decline of around 14% in the value of UK sterling against the Euro reduced the consolidated revenues by €502,674. Despite this, overall the revenue achieved was very much in line with that forecasted in the Crimsonwing Prospectus (dated 30 November 2007).

Net profit before tax for the year was €909,324 which represents a very robust performance when set against the impact of €375,513 due to the decline of UK Sterling against the Euro during the last quarter. If forecast figures in the Crimsonwing Prospectus (which was based on the 1.45 Euro to Sterling rate) were based on the actual Euro to Sterling rate during the year, net profit before tax would have been 32% lower than originally anticipated, however the actual impact was limited to 23%.

Additionally, Crimsonwing continued to invest in new markets in the year, notably in the North American and

## Directors' Report (continued)

in the DACH (Germany, Austria, Switzerland) regions. As investment was required the North American business operated on a break-even basis during the period, and the DACH region made modest losses.

Since Malta is now in the Euro zone, the Boards' decision taken over three years ago to enter the Euro market in The Netherlands has positioned Crimsonwing very well for the future. Furthermore, Crimsonwing took positive steps to significantly reduce the impact of the UK Sterling and Euro in future years. This included the acquisition of 100% of the share capital of VDA BV, a post balance sheet event which completed on 1 July 2008, and which brings €3,000,000 annualised revenues into Crimsonwing plc, and increases our overall Euro business from just under 25% to over 50% of revenues.

Revenue increased by 35% in the year and direct costs increased ahead by 54%, this due to the increased sales of product licences and associated consultancy support from vendors. But overall gross profit margins remained very healthy at 52% of revenue.

Administration expenses were also tightly controlled and remained at 43% of revenue.

Total assets increased a very healthy 96% to €6,231,090 by March 2008 including a strong cash balance at year end of €1,031,623.

Shareholders' funds increased 62% to €3,972,009, with the year performance showing an overall return on shareholders' funds of 20.4%.

Earnings per share were €4 cents (2007 - €6 cents).

### Crimsonwing clients

Crimsonwing made excellent progress in the year to broaden the spread of business across its clients and to increase its client numbers. In the year to March 2008, and although overall revenues increased by 35% from €7,093,145 to €9,552,567:

- The percentage of revenues attributable from Crimsonwing's largest account declined from 39% to 30%.
- The percentage of revenues attributable from Crimsonwing's largest 5 accounts declined from 80% to 62%.
- The percentage of revenues attributable to Crimsonwing's largest 10 accounts declined from 93% to 78%.

New clients continued to be added across all solution areas, and for example included 11 new Microsoft Dynamic client adds in the UK alone during the year.

### Key risks and risk mitigation

In accordance with best practice Crimsonwing sets out below the key risks in its business planning and their mitigation:

**Competition** – The Western European and North American markets are highly competitive and relatively mature. But demand remains strong and in particular with companies looking to invest in IT solutions to help improve operational efficiencies and in finding new sales channels to market. Crimsonwing is seeing very strong demand in operational systems (Dynamics) and in sales channels (E-business). Currently it is generally felt in the market and by the vendors themselves that growth is limited by the availability of skilled consultants. Crimsonwing is well placed to continue to build and deploy its delivery capability across these areas.

**Cost base inflation** – Whilst inflation is a concern and especially as Malta is now in the Euro Zone, the early signs are that inflation is being controlled and is currently under 4 percent. Also Crimsonwing has a very cost effective delivery model based around its Solution Centre operated by Crimsonwing (Malta) Limited. The costs of delivery are two thirds less than a similar operation based in the UK or The Netherlands, but Crimsonwing can operate at local market rates. This is a very significant competitive advantage and means that Crimsonwing is well protected from inflationary pressures on its cost base.

**Delivery Model Capability** – Malta is proving to be a very attractive 'nearshore' destination for Western Europe, as new Crimsonwing clients keep discovering, and as demonstrated by the SmartCity initiative. But Crimsonwing does not just focus on price – it also focuses on business acumen and best vendor technology, so Crimsonwing's ERP (Microsoft Dynamics) and E-business (Intershop) practices are comparable to Western European software and services businesses. Crimsonwing has proven that this delivery model works for the UK and also, within the Group, for The Netherlands and North America. Additionally this year Crimsonwing extended this model of working into its two acquisitions.

**Skills** – Availability of high quality consultancy and pre-sales skills in the sales markets and availability of technical skills in Malta is a risk. However, Crimsonwing requires only modest numbers of staff in its target markets and has been able to add net new consultants through acquisition. The Crimsonwing model also means that 80% or higher of project work can be undertaken in the Malta solution centre.

This is cost effective for both Crimsonwing and the client. Crimsonwing (Malta) enjoys a pre-eminent position in the

## Directors' Report (continued)

local (Malta) job market and is able to recruit and retain high quality employees.

**Exchange Rate** – Just over three years ago all Crimsonwing clients were UK based, which meant a 100% sales in UK sterling against a cost base that was 75% in Maltese Lira and then expressed in Euro. However, in order to mitigate the exchange rate exposure Crimsonwing initiated sales in the Euro zone initially through Crimsonwing BV from 2005 and later to accelerate Euro sales growth through acquisitions in 2007 and 2008. Last year the sales revenues in Euro had grown to 25% of revenues are set to increase to 50% (see also 'Outlook').

### Outlook

The directors believe the following are key initiatives in the year to 31 March 2009 which will help Crimsonwing plc to continue to achieve financial success and grow shareholder value in the future:

**The Acquisition of businesses in the UK and The Netherlands** – Crimsonwing has a proven acquisition research and execution model that allows it to embark on defining and executing an acquisition strategy. Two acquisitions were successfully completed in the financial year ending March 2008, and acquisitions will be sought in the new financial year. As a post balance sheet event, Crimsonwing acquired 100% share capital of VDA Informatiebeheersing BV on 1 July 2008 which brings €3,000,000 annual revenues into Crimsonwing plc, and increases its overall Euro business from 25% to over 50% of revenues.

**Increased verticalisation of solutions** – This is particularly the case for the Dynamics practice. Crimsonwing acquisitions have provided impetus in these areas – Crimsonwing has a very strong Dynamics vertical now in media and entertainment vertical, assisted with the acquisition of Peracto business unit and VDA. Crimsonwing will also invest in developing new vertical offerings.

**Increased end market focus** – Crimsonwing has helped other software and services business with its end clients and this was particularly so for Crimsonwing Promentum. The strategy will be to increase emphasis on the end market which gives greater client protection and opportunities to sell the entire Crimsonwing portfolio of services.

**Greater inter-company synergies and cost savings** – Crimsonwing has been able to make overall operational cost savings by consolidating operations particularly in

The Netherlands. Additionally there is huge potential for the Crimsonwing operations to cross-sell and assist in complementary services.

### Result and dividends

The Group profit for the year after tax and minority interest amounted to €808,428 (2007 - €1,051,095).

On 29 July 2008, the Board of Directors declared a net interim dividend of 1 cent (€0.01) per nominal 10 cent share (€0.10).

The dividend will be paid to all shareholders who are registered members on 8 August 2008.

### Directors

The directors who served during the period were:

James Bonello

Philip Crawford

Louis de Gabriele

Albert Muscat

David Walsh

In accordance with the company's articles of association all the directors cease to hold office at the next Annual General meeting but are eligible for re-appointment.

### Auditors

A resolution to reappoint Deloitte & Touche as auditor of the company will be proposed at the forthcoming annual general meeting.

**Approved by the board of directors and signed on its behalf on 29 July 2008 by:**



**David Walsh**  
Director



**James Bonello**  
Director

## Directors' responsibility for the financial statements

The directors of Crimsonwing plc are required by the Companies Act (Chap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Company and its Group at the end of each financial year and of the profit or loss of the Company and its Group for the year then ended. In preparing the financial statements, the directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company and the Group will continue in business.

The directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and the Group and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Company and the Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Statement of the Directors pursuant to Listing Rule 9.40.5

We confirm that to the best of our knowledge:

1. the consolidated financial statements give a true and fair view of the financial position of the Company, and its subsidiaries included in the consolidation taken as a whole, as at 31 March 2008, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.
2. the Annual Report and the Consolidated Financial Statements includes a fair review of the information required in terms of Listing Rule 9.40.5 together with a description of the principal risks and uncertainties that they face.

Approved by the Board of Directors on 29 July 2008 and signed on its behalf by:



**David Walsh**  
Director



**James Bonello**  
Director

## Corporate Governance – statement of compliance

### 1. Introduction

Pursuant to Listing Rule 8.36 of the Listing Rules issued by the Listing Authority, Crimsonwing plc (“the Company”) as a company whose equity securities are listed on a regulated market should endeavour to adopt the principles of good corporate governance contained in Appendix 8.1 of the Listing Rules. In terms of Listing Rule 8.37 and 8.38 the Company is bound to include a report providing an explanation of the extent to which it has adopted the principles. For the purposes of listing rules 8.37 and 8.38 the Company is hereby reporting on the extent of its adoption of the principles contained in Appendix 8.1 of the Listing Rules (hereinafter “the Code”).

The Company acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. However, the directors strongly believe that such practices are generally in the best interests of the Company and its shareholders and that compliance with the principles of good corporate governance is not only expected by investors but also evidences the directors’ and the Company’s commitment to a high standard of governance.

The Company’s equity securities were admitted to trading on the Malta Stock Exchange on the 4 January 2008. Accordingly, the Board of Directors of the Company (“the Board”) has carried out a review of the Company’s compliance with the Code from the 4 January 2008 up to the end of the financial period being reported upon. The period under review is therefore that of three months.

### 2. General

The Company is a holding company and does not itself carry on any trading activities. It owns a number of subsidiaries which together form the Crimsonwing Group (hereinafter the “Group”) and it is those subsidiaries that carry on trading activities.

The Company’s governance principally lies in its Board of Directors, responsible for the overall setting of the Group’s policies and business strategies. On the other hand, the Subsidiaries’ governance structures are composed of two principal organs: the body composed of the persons responsible for each division of the Group as well as the Chief Executive Officer of the Group, the “Executive Board”. Furthermore each Subsidiary is run by its board of directors. The Chief Executive Officer is the person accountable to the board of directors of the Company for the business operations of the Subsidiaries. He has the power and authority to appoint the persons to fill in the post of each member of the Executive Board. He also has

the discretion to ask any one or more of such members to, from time to time, address the board of directors of the Company on matters relating to the operations of the Subsidiaries. The board of directors of the Company is entitled to call in at its discretion any one or more of the members of the Executive Board.

The Company has adopted a corporate decision-making and supervisory structure that is tailored to suit the Group’s requirements and designed to ensure the existence of adequate checks and balances within the Group, whilst retaining an element of flexibility. The Directors believe that there is no blue print for corporate governance and that accordingly the structures that may be required within the context of large multi-nationals are not necessarily and objectively the best structures. It is in this context that the directors have adopted corporate governance structures within the Company that are designed to suit the Company, its business and its size whilst still ensuring proper checks and balances.

In general the Directors believe that the Company has adopted appropriate structures to achieve an adequate level of good corporate governance, together with an adequate system of checks and balances in line with the Company’s requirements.

This report will now set out the structures and processes in place within the Group and how these effectively achieve the goals set out by the Code. For this purpose this report will make reference to the pertinent principles and then set out the manners in which the directors believe that these have been adhered to.

#### Principles One to Five

These principles deal fundamentally with the role of the board and of the directors.

The Directors believe that for the period under review the Company has generally complied with the requirements of each of these principles.

The Board of directors has throughout the period under review provided the necessary leadership in the overall direction of the Company and has adopted systems whereby it obtains timely information from the CEO as the head of the Executive team to ensure an open dialogue between the CEO and directors at regular intervals and not only at meetings of the board.

In line with the requirements of Principle Two, the Company has segregated the functions of the CEO and the chairman, with the CEO heading the Executive team and the chairman’s main function is that of leading the board.

## Corporate Governance – statement of compliance (continued)

The board's composition, in line with Principle Three is of three independent non-executive directors and two executive directors. Pursuant to generally accepted practices, as well as the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders, except in so far as an appointment is made to fill a vacancy on the Board. The articles of association also contemplate the role of a nominations committee that has the power to nominate fit and proper persons for appointment by the shareholders as directors of the Company.

As stated above, the Board of Directors currently comprises three Non-Executive Directors. The Board normally meets every quarter. During the financial year under review the Board established a guideline whereby at its first meeting, it scheduled meetings for the full year. Board meetings concentrate mainly on strategy, operational performance and financial performance. The Board also delegates specific responsibilities to the CEO and the Committees, notably the Executive and the Audit Committees which operate under their respective formal terms of reference. Directors have access to the advice and services of the Company Secretary who is also the legal counsel to the Board and the Company. Directors may, in the furtherance of their duties, take independent professional advice on any matter at the Company's expense.

In terms of Principle Four it is the board's responsibility to ensure a system of accountability, monitoring, strategy formulation and policy development. Whilst these are matters which are reserved for the board to determine within the Group, the board believes that this responsibility includes the appropriate delegation of powers to management and the organization of the executive team in a manner that is designed to provide high levels of comfort to the directors that there is proper monitoring and accountability apart from appropriate implementation of policy. The Board's link to the executive team is principally the CEO, together with the other executive director on the board, both of whom are members of the Executive Board.

The Executive Board comprises apart from the executive directors the heads of each business unit of the group and its role is that of policy execution, business development, finance, security, administrative and personnel matters, and makes recommendations to the Board on matters which are beyond its remit. Mr David Walsh, CEO, chairs the Executive Committee.

For the period under review the Committee was composed of:

David Walsh, Chief Executive Officer

Claire Nicholson, Finance Director

James Bonello, Managing Director for Crimsonwing (Malta) Ltd.

Pierre Zammit, Operations Director for Crimsonwing (Malta) Ltd.

Derek Linney, Solutions Director

Rob Philippart, Managing Director for Crimsonwing B.V.

Kees Brussen, Managing Director for Crimsonwing Promentum B.V.

Jaap Schram De Jong, Director, Dynamics Solutions for Crimsonwing Ltd.

Company Executives participate in periodic strategic reviews, which include consideration of long-term projections and the evaluation of business alternatives. Regular budgets and strategic plans are prepared, which are incorporated into a Company Strategic Plan. Performance against these plans is actively monitored and reported to the Board.

### Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss.

Through the Audit Committee, the Board reviews the effectiveness of the Company's system of internal controls, which are monitored by the Internal Auditors on a regular basis.

The key features of the Company's system of internal control are as follows:

#### Organisation

The Company operates through the CEO and Executive Committee with clear reporting lines and delegation of powers.

#### Control Environment

The Company is committed to the highest standards of business conduct and seeks to maintain these standards across all of its operations. Company policies and employee procedures are in place for the reporting and resolution of improper activities.

The Company has an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve Company objectives.

## Corporate Governance – statement of compliance (continued)

### Risk Identification

Company management is responsible for the identification and evaluation of key risks applicable to their respective areas of business.

### Principle Six

The Board believes that this principle has been duly complied with for the period under review. The CEO is appointed by the directors and enjoys the full confidence of the board. The CEO, although responsible for the selection of the executive team and the recruitment of senior executives, consults with the directors on the appointment of senior executives. During the three months under review the board has already been discussing the establishment of schemes that are designed to render the group an attractive proposition for the retention of top executives within the Company and to motivate the executive team further.

The board has already organised, for itself and executive team members one induction session that was aimed at providing directors and executives with a better understanding of the added responsibilities of being a publicly listed company and of the processes in place within the Group to ensure compliance with regulations. The board intends to organise further sessions for directors and executives designed specifically to enable them to discharge their functions more efficiently and in line with the high standards expected of them.

### Principle Seven

Principle 7 deals with an evaluation of the board's performance. Over the period under review it is the board's view that all members of the board, individually and collectively have contributed in line with the required levels of diligence and skill. In addition the board believes that its current composition endows the board with a cross-section of skills and experience, not only with respect to the specific business of the company, but also in having a director who has the necessary competence in accounting and another non-executive director who is a corporate lawyer. The combined skills of the directors provide a balance of skills and competences that add value to the functioning of the board and its direction of the Company.

### Principle Eight

This principle deals with the establishment of a remuneration committee for the Company aimed at developing policies on executive remuneration.

There is no requirement in the code as it currently applies

for a nominations committee, such a committee however is contemplated in the Company's articles of association. In this context the directors have opted for a mixed approach of having both these committees merged into one. The Directors believe that certain committees or boards that are suggested in the Code are either not required at this stage by the Company or the functions of a number of committees may efficiently be merged. For example the directors believe that the merger of a nominations committee and the remuneration committee, in one committee, the Remnomcom should achieve the same results – particularly since the two committees are composed of the same non-executive directors. In addition, the board believes that its size and composition is sufficient for the proper direction and management of the Company and its business and that there would be no value added to the Company and its shareholders to increase the number of board members simply to be able to have separate committees of the board – when the same functions can properly be undertaken by a merged committee consisting of the same non-executive directors.

The aggregate amount of remuneration paid to all executive and non-executive Directors of the Company together with directors of the subsidiary entities, was €1,155,130 (€471,305 of which was payable to directors of the Company). This amount falls within the maximum approved by the shareholders of €2 million.

### Principles Nine and Ten

These principles encourage the directors of issuers to foster good relations with their shareholders and that the Company communicates with the market in a timely manner. The board is of the view that over the short period under review the Company has communicated effectively with the market through a number of company announcements that it published informing the market of significant events happening within the company. The board notes that the period under review in this report is the three month period following the initial public offering by virtue of a prospectus which itself impounded significant information to the market generally.

The Company will soon be holding its first annual general meeting where the board intends to communicate directly with shareholders on the performance of the Group over the last financial year and to inform shareholders of the challenges that lie ahead.

Business at the Company's Annual General Meeting (AGM) will cover the approval of the Annual Report and Audited Financial Statements, the declaration of a dividend, if any, the election of Directors, the determination of the maximum aggregate emoluments

## Corporate Governance – statement of compliance (continued)

that may be paid to Directors, the appointment of auditors and the authorisation of the Directors to set the auditors' remuneration.

Apart from the AGM, the Company shall continue to communicate with its shareholders and the market by way of the Annual Report and Financial Statements, by publishing its results on a six-monthly basis during the year and through the directors' statements published on a six-monthly basis, and by company announcements to the market in general. The Company recognises the importance of maintaining a dialogue with the market to ensure that its strategies and performance are well understood. The Company's website ([www.crimsonwing.com](http://www.crimsonwing.com)) also contains information about the Company and its business which is a source of further information to the market.

### Principle Eleven

This principle deals with conflicts of interests and the principle that directors should always act in the best interests of the Company.

The board has established procedures on how conflicts are to be handled, if and when they arise. A director having a personal conflict on any matter is bound to inform the other members of the board of such a conflict whether it is an actual, potential or a perceived conflict. It is then the other members that would decide on whether there exists such a conflict. In the event that, in the opinion of the board such a conflict exists then the conflicted director is invited to leave the meeting and both the discussion on the matter and the vote, if any, on the matter concerned are conducted in the absence of the conflicted director. The board feels that this is a procedure that achieves compliance with both the letter and the rationale of principle eleven.

The following directors have declared the following interests in the share capital of the company:

	Total Shares
David Walsh	13,009,187
Philip Crawford	6,243,679
Albert Muscat	100,000
James Bonello	90,000
Pierre Zammit	106,600
Claire Nicholson	85,000
Jaap Schram de Jong	21,000
Kees Brussen	100,000
Rob Philippart	20,000

### Principle Twelve

Principle twelve encourages directors of listed companies to adhere to accepted principles of corporate social responsibility.

The directors are committed to high standards of ethical conduct and to contribute to the development of the well-being of employees and their families as well as the local community and society at large.

### Audit Committee

As part of its corporate governance structures the company has also established the Audit Committee in line with the requirements of the Listing Rules. Unlike the provisions of the Code which are not mandatory in nature, the directors acknowledge that the requirement of having an Audit Committee in place is an obligation under the Listing Rules. The principal role of the Audit Committee is the monitoring of internal systems and controls. During the course of the period under review the Board established the audit committee under formal terms of reference designed both to strengthen this function within the Company and to establish the scope of the duties and responsibilities of this Committee. The committee consists of the three non-executive directors, namely Philip Crawford as its chairman, Louis de Gabriele and Albert Muscat. The committee has the power and authority under its terms of reference to summon any person to assist it in the performance of its duties.

In the period under review the Audit Committee has held one meeting.

The Statement of Directors' Responsibilities for preparing the financial statements is set out on page 23.

## Auditor's report on corporate governance

Pursuant to Listing Rules 8.37 and 8.38 issued by the Malta Financial Services Authority, the directors are required to include in their Annual Report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility is laid down in Listing Rule 8.39, which requires us to include a report on the Statement of Compliance.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information included in the annual report.

We are not required to perform additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal control or its corporate governance procedures.

In our opinion, the Statement of Compliance, set out on pages 24 to 27 has been properly prepared in accordance with the requirements of Listing Rules 8.37 and 8.38.



Sarah Curmi

### **Deloitte & Touche**

Certified Public Accountants,

1, Col. Savona Street,

Sliema SLM 1231,

Malta.

29 July 2008

## Consolidated income statement

	Notes	2008 Eur	2007 Eur
Revenue	5	9,552,567	7,093,145
Direct costs		(4,563,680)	(2,959,139)
<b>Gross profit</b>		<b>4,988,887</b>	<b>4,134,006</b>
Administrative expenses		(4,109,257)	(3,056,342)
<b>Results from operating activities</b>		<b>879,630</b>	<b>1,077,664</b>
Finance income	6	35,294	22,512
Finance expenses	7	(5,600)	(3,344)
<b>Net finance income</b>		<b>29,694</b>	<b>19,168</b>
Profit before income tax	8	909,324	1,096,832
Income tax expense	11	(85,572)	(45,737)
<b>Profit for the year</b>		<b>823,752</b>	<b>1,051,095</b>
<b>Attributable to:</b>			
Minority interest		15,324	-
Equity holders of the parent		808,428	1,051,095
		<b>823,752</b>	<b>1,051,095</b>
Earnings per share		<b>0.04</b>	0.06

## Consolidated balance sheet

	Notes	2008 Eur	2007 Eur
<b>ASSETS</b>			
Intangibles	14	1,280,503	34,512
Plant and equipment	15	209,177	107,689
Deferred tax assets	16	99,920	13,986
<b>Total non-current assets</b>		<b>1,589,600</b>	156,187
Trade and other receivables	17	3,609,867	1,977,750
Cash and cash equivalents		1,031,623	1,049,488
<b>Total current assets</b>		<b>4,641,490</b>	3,027,238
<b>Total assets</b>		<b>6,231,090</b>	3,183,425
<b>EQUITY</b>			
<b>Equity attributable to equity holders of the parent</b>			
Share capital	19	2,600,000	247,153
Share premium	19	722,572	-
Other reserves	19	117,407	117,551
Retained earnings	19	532,030	2,087,937
		<b>3,972,009</b>	2,452,641
<b>Minority interest</b>		<b>139,764</b>	-
<b>Total equity</b>		<b>4,111,773</b>	2,452,641
<b>LIABILITIES</b>			
Income tax payable		151,338	45,151
Trade and other payables	18	1,967,979	685,633
<b>Total current liabilities</b>		<b>2,119,317</b>	730,784
<b>Total liabilities</b>		<b>2,119,317</b>	730,784
<b>Total equity and liabilities</b>		<b>6,231,090</b>	3,183,425

These financial statements were approved by the Board of Directors, authorised for issue on 29 July 2008 and signed on its behalf by:



David Walsh  
Director



James Bonello  
Director

## Consolidated statement of changes in equity

### Attributable to equity holders of the parent

	Share capital Eur	Share premium Eur	Retained earnings Eur	Capital redemption reserve Eur	Translation reserve Eur	Total Eur	Minority interest Eur	Total equity Eur
<b>Balance at 1 April 2006</b>	247,153	-	1,269,218	105,921	13,113	1,635,405	-	1,635,405
Currency translation differences	-	-	-	-	(1,483)	(1,483)	-	(1,483)
Net income/(expense) recognised directly in equity	-	-	-	-	(1,483)	(1,483)	-	(1,483)
Profit for the year	-	-	1,051,095	-	-	1,051,095	-	1,051,095
<b>Total recognised income and expense for the year</b>	-	-	1,051,095	-	-	1,051,095	-	1,051,095
Dividend to equity holders	-	-	(232,376)	-	-	(232,376)	-	(232,376)
<b>Balance at 31 March 2007</b>	247,153	-	2,087,937	105,921	11,630	2,452,641	-	2,452,641

### Attributable to equity holders of the parent

	Share capital Eur	Share premium Eur	Retained earnings Eur	Capital redemption reserve Eur	Reorganisation reserve Eur	Translation reserve Eur	Total Eur	Minority interest Eur	Total equity Eur
<b>Balance at 31 March 2007</b>	247,153	-	2,087,937	105,921	-	11,630	2,452,641	-	2,452,641
Minority's share of net assets on acquisition of subsidiary	-	-	-	-	-	-	-	124,440	124,440
Translation adjustment	-	-	-	-	-	(80,442)	(80,442)	-	(80,442)
Net income/(expense) recognised directly in equity	-	-	-	-	-	(80,442)	(80,442)	124,440	43,998
Profit for the year	-	-	808,428	-	-	-	808,428	15,324	823,752
<b>Total recognised income and expense for the year</b>	-	-	808,428	-	-	(80,442)	727,986	139,764	867,750
Issue of share capital	465,665	722,572	-	-	-	-	1,188,237	-	1,188,237
Dividends to equity holders	-	-	(230,000)	-	-	-	(230,000)	-	(230,000)
Bonus issue of shares	2,134,335	-	(2,134,335)	-	-	-	-	-	-
Reorganisation adjustment	(247,153)	-	-	(105,921)	186,219	-	(166,855)	-	(166,855)
<b>Balance at 31 March 2008</b>	2,600,000	722,572	532,030	-	186,219	(68,812)	3,972,009	139,764	4,111,773

## Consolidated cash flow statement

	2008 Eur	2007 Eur
<b>Cash flows from operating activities</b>		
<b>Profit before tax</b>	<b>909,324</b>	1,096,832
<i>Adjustments for:</i>		
Depreciation and amortisation	115,199	82,966
Loss on sale of plant and equipment	-	238
Net finance income	(29,694)	(19,168)
Amount paid on acquisition of minority interest written-off	-	9,076
	<hr/>	<hr/>
Operating profit before working capital movements	994,829	1,169,944
Movement in trade and other receivables	(1,675,003)	(246,003)
Movement in trade and other payables	1,229,034	(184,273)
	<hr/>	<hr/>
Cash flows from operations	548,860	739,668
Interest paid	(5,600)	(3,344)
Income taxes paid	(1,947)	(76,035)
	<hr/>	<hr/>
<i>Net cash flows from operating activities</i>	541,313	660,289
	<hr/>	<hr/>
<b>Cash flows from investing activities</b>		
Purchase of plant and equipment	(277,712)	(75,176)
Advances to directors	42,886	(42,886)
Interest received	35,294	22,512
	<hr/>	<hr/>
<i>Net cash flows from investing activities</i>	(199,532)	(95,550)
	<hr/>	<hr/>
<b>Cash flows from financing activities</b>		
Acquisition of subsidiaries	(1,014,185)	-
Proceeds from issue of share capital	988,538	-
Dividends paid	(230,000)	(232,376)
Cash paid by minority shareholders in a subsidiary undertaking	-	(9,076)
	<hr/>	<hr/>
<i>Net cash flows from financing activities</i>	(255,647)	(241,452)
	<hr/>	<hr/>
Effect of exchange rate fluctuations on translation of cash flows of foreign operations	(15,940)	589
	<hr/>	<hr/>
<b>Net movement in cash and cash equivalents</b>	<b>70,194</b>	323,876
	<hr/>	<hr/>
<b>Cash and cash equivalents at the beginning of the year</b>	<b>1,049,488</b>	728,404
Effect of foreign exchange rate fluctuations on cash held	(88,059)	(2,792)
	<hr/>	<hr/>
<b>Cash and cash equivalents at the end of the year</b>	<b>1,031,623</b>	1,049,488

## Notes to the consolidated financial statements

### 1 Basis of preparation

These consolidated financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and with the Companies Act (Chap. 386).

Article 4 of Regulation 1606/2002/EC requires that, for each financial year starting on or after 1 January 2005, companies governed by the law of an EU Member State shall prepare their consolidated financial statements in conformity with International Financial Reporting Standards as adopted by the EU if, at their balance sheet date, their securities are admitted to trading on a regulated market of any EU Member State. This Regulation prevails over the provisions of the Companies Act (Chap. 386) to the extent that the said provisions of the Companies Act are incompatible with the provisions of the Regulation.

The consolidated financial statements are prepared in conformity with International Financial Reporting Standards as adopted by the EU. They also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board and therefore there were no incompatibilities between the provisions of the Companies Act (Chap. 386) and the requirements of Regulation 1606/2002/EC in relation to the preparation of these consolidated financial statements.

The preparation of consolidated financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 3.

#### *Initial application of International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective*

In the current year the Group has applied the following:

- International Financial Reporting Standard 7, Financial Instruments: Disclosures (IFRS 7). IFRS 7 supersedes IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and the disclosure requirements of IAS 32 Financial Instruments: Disclosure and Presentation. This Standard is applicable for annual periods beginning on or after 1 January 2007. The impact of IFRS 7 has been to expand the disclosures provided in these financial statements regarding the company's financial instruments.
- International Accounting Standard 1 Amendment, Capital Disclosures (IAS 1 Amendment). This Amendment is applicable for annual periods beginning on or after 1 January 2007. These financial statements present information regarding the company's objectives, policies and processes for managing capital as required by this Amendment.

#### *International Financial Reporting Standards in issue but not yet effective*

The following standards/amendments are not yet mandatory, however it is anticipated that they will not have a material impact on the Group's financial statements in the period of initial application:

- It is anticipated that the revisions to IAS 1, Presentation of Financial Statements will not have a material impact on these financial statements in the period of initial application. These revisions are applicable for financial periods beginning on or after 1 January 2009, with earlier application permitted.
- It is anticipated that certain new disclosures about the company's reportable segments may be required upon the adoption of IFRS 8 Operating Segments. This Standard is applicable for annual periods beginning on or after 1 January 2009, with earlier application permitted. IFRS 8 replaces IAS 14 Segment Reporting. IFRS 8 requires an entity to report financial and descriptive information about its reportable segments.

On 22 May 2008, the International Accounting Standards Board amended a number of International Financial Reporting Standards. The amendments are presented in two parts – those that involve accounting changes for presentation, recognition or measurement purposes and those involving terminology or editorial changes with minimal effect on accounting. The majority of these amendments are applicable for annual periods beginning on or after 1 January 2009, with earlier application permitted. At the date of issue of these financial statements, these amendments had not yet been endorsed by the EU.

## Notes to the consolidated financial statements

### 1 Basis of preparation (continued)

#### *Initial application of International Financial Reporting Standards and International Financial Reporting Standards in issue but not yet effective (continued)*

On 10 January 2008, the International Accounting Standards Board completed the second phase of its business combinations project by issuing a revised version of IFRS3 Business Combinations and an amended version of IAS27 Consolidated and Separate Financial Statements. The new requirements take effect on 1 July 2009, with earlier application permitted. At the date of issue of these financial statements, these revisions had not yet been endorsed by the EU.

The above list excludes International Financial Reporting Standards that are already in issue and that are expected not to be applicable.

### 2 Significant accounting policies

The significant accounting policies set out below have been applied consistently by Group entities to all periods presented in these consolidated financial statements.

#### **Basis of consolidation**

The consolidated financial statements incorporate the financial statements of Crimsonwing plc (the Company) and entities controlled by the Company (its subsidiaries) made up to 31 March each year. Control exists when there is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Intra-group balances and transactions are eliminated in preparing the consolidated financial statements.

#### **Goodwill**

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. Goodwill is carried at cost less any accumulated impairment losses.

#### **Group reorganisation – predecessor accounting**

On 25 October 2007, the Company became the new parent of the Group following the purchase of all of the equity capital in the original parent (Crimsonwing Group Limited – a UK registered company) through the issue of shares to the original shareholders of the original parent. As there was no change to the ultimate controlling party of the Group, before and after the reorganisation, IFRS3 Business Combinations, does not apply to this reorganisation and there is therefore no requirement to apply acquisition accounting. IAS8 Accounting Policies, Changes in Accounting Estimates and Errors, requires that, where there is no applicable IFRS that specifically applies to a transaction, other event or condition, management should use its judgement in developing and applying an accounting policy that is relevant to the decision-making needs of users and is reliable. Predecessor accounting is an accepted approach to consolidation following a group reorganisation of entities under common control. Following the principles of predecessor accounting the consolidated financial statements present the results of the Group as if the original group and the new parent had always been combined.

#### **Plant and equipment**

##### **Recognition and measurement**

The company's plant and equipment are classified into the following classes – computer equipment and furniture, fittings and other equipment. Items of plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items (major components) of plant and equipment.

## Notes to the consolidated financial statements

### 2 Significant accounting policies (continued)

#### Plant and equipment (continued)

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within “administrative expenses” in profit or loss.

#### *Subsequent costs*

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

#### *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment. The estimated useful life of plant and equipment for the current and comparative period is 3 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date.

#### Financial instruments

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to set off the recognised amounts and the amounts are intended to be settled on a net basis or to be realised simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### *Trade receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment that is required when there is objective evidence that the Group will not be able to collect all amounts due according to the original term of the receivables. When the effect of discounting is immaterial, trade receivables are stated at their nominal value.

#### *Trade payables*

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. When the effect of discounting is immaterial, payables are stated at their nominal value.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash in hand, deposits held on call with banks and other short term highly liquid investments with original maturities of three months or less.

#### *Ordinary share capital*

Ordinary shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

## Notes to the consolidated financial statements

### 2 Significant accounting policies (continued)

#### Impairment

##### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. Financial assets are also assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

##### *Non-financial assets*

Goodwill on the acquisition of subsidiaries is tested for impairment annually and whenever there is an indication of impairment.

The carrying amounts of the Group's other non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. An impairment loss recognised on goodwill is not reversed in a subsequent period.

##### *Provisions*

A provision is recognised if, as a result of a past event, the entity has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

##### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of value added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the entity and these can be measured reliably.

##### *Finance income*

Finance income comprises interest income on funds invested and is recognised as it accrues in profit or loss, using the effective interest method.

## Notes to the consolidated financial statements

### 2 Significant accounting policies (continued)

#### Revenue recognition (continued)

##### *Provision of services*

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to the billed man-days of work performed to balance sheet date.

##### **Lease payments**

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

##### **Employee benefits**

The company contributes towards the state pension in accordance with local legislation. The only obligation of the company is to make the required contributions. Costs are expensed in the period in which they are incurred.

##### **Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. In addition, deferred tax is not recognised for taxable temporary differences arising on the initial recognition of goodwill. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

##### **Currency translation**

The Group operates in Malta and in a number of international territories. The presentation currency of the financial statements is Euro since that is the currency in which the shares of the Company are denominated. Euro is also considered to the functional currency, of the parent as this is the currency of the primary economic environment in which the Group operates. Transactions in currencies other than the functional currency are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss. Foreign exchange gains and losses are included within the results from operating activities.

##### *Foreign operations*

The assets and liabilities of foreign operations are translated to Euro at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Euro at the average exchange rate for the financial period.

## Notes to the consolidated financial statements

### 2 Significant accounting policies (continued)

#### Currency translations (continued)

##### *Foreign operations (continued)*

Foreign currency differences are recognised directly in equity through the foreign currency translation reserve. When a foreign operation is disposed of, in part or in full, the relevant amount in this reserve is transferred to profit or loss.

#### Dividends

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared.

#### Earnings per share

Earnings per share is calculated by dividing the profit or loss attributable to the shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

#### Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing services (business segment), or in providing services rendered within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

The Group is engaged in one specific line of business - the provision of computer professional services and IT solutions. It operates through a company situated in Malta, through which it undertakes software development work, and sales offices in the United Kingdom and The Netherlands, from where it delivers such solutions to its customer base. Segment information is therefore presented in respect of the Group's geographical segments.

In presenting information on the basis of geographical segments, segment revenue and segment assets are based on the geographical location of the subsidiary companies. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Inter-segment pricing is determined on an arm's length basis. Segment capital expenditure is the total cost incurred during the year to acquire plant and equipment.

### 3 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### *Impairment of goodwill*

The Group tests goodwill for any impairment on an annual basis, or where there is an indication of impairment, in accordance with the accounting policy stated above. The recoverable amount of cash-generating units has been determined based on value in use calculations which require use of estimates, as detailed in note 14.

#### *Deferred tax assets*

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that profit will be available against which the losses can be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits.

## Notes to the consolidated financial statements

### 4 Financial risk management

#### *Overview*

The Group is exposed to a range of financial risks through its financial assets and financial liabilities. The most significant components of these financial risks for the Group are:

- credit risk
- currency risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, policies and processes for measuring and managing risk and the Group objectives in relation to capital management. Further quantitative disclosures are included throughout these consolidated financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

Where possible, the company aims to reduce and control risk concentrations. Concentrations of financial risk arise when financial instruments with similar characteristics are influenced in the same way by changes in economic or other factors. The amount of the risk exposure associated with financial instruments sharing similar characteristics is disclosed in more detail in the notes to the financial statements.

#### *Credit risk*

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash held with financial institutions.

The carrying amount of financial assets represents the maximum credit exposure.

#### *Trade receivables*

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, have less of an influence on credit risk.

Approximately 40% of the Group's revenue is attributable to sales transactions with two customers. The Group's revenue is mainly generated through sales transactions concluded with customers situated in the United Kingdom.

The amounts due by the Group's significant customers, included in trade receivables are analysed as follows:

	<b>2008</b>	2007
	<b>Eur</b>	Eur
Largest debtor	<b>573,701</b>	355,056
Largest two debtors	<b>840,198</b>	559,939
Largest three debtors	<b>1,048,939</b>	716,909

The Group has established a credit policy under which each new customer is analysed individually for creditworthiness before the Group's standard payment and delivery terms and conditions are offered.

The majority of the Group's customers have been transacting with the Group for the past three years. In monitoring customer credit risk, customers are grouped according to their credit characteristics, including whether they are an individual or legal entity, whether they are a wholesale, retail or end-user customer, geographic location, industry, aging profile, maturity and existence of previous financial difficulties. Trade and other receivables relate mainly to the Group's customers to whom services are rendered.

## Notes to the consolidated financial statements

### 4 Financial risk management (continued)

#### *Credit risk (continued)*

The maximum exposure to credit risk for trade receivables at the respective reporting dates by geographic region was as follows:

	<b>Carrying amount</b>	
	<b>2008</b>	2007
	<b>Eur</b>	Eur
Malta	7,037	-
United Kingdom	2,259,143	1,424,670
The Netherlands	777,608	161,712
Other	13,750	-
	<b>3,057,538</b>	<b>1,586,382</b>

The Group does not require collateral in respect of trade and other receivables.

Included in the Group's trade receivables balance are the following debtors which are past due at the reporting date for which the Group has not provided as the amounts are still considered recoverable:

	<b>2008</b>	2007
	<b>Eur</b>	Eur
1 month or less	1,119,702	633,859
Between 1 and 2 months	128,068	83,460
Over two months	242,202	-
	<b>1,489,972</b>	<b>717,319</b>

Based on historic default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables.

#### *Cash at bank*

The Group's cash is placed with quality financial institutions, such that management does not expect any institution to fail to meet repayments of amounts held in the name of the Group entities.

#### *Currency risk*

The Group is exposed to currency risk on financial instruments that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Euro (Eur) and Sterling (GBP). The exposure arises on balances with foreign operations within the Group where the denomination of the balance is in a currency other than the currency of the lender or borrower. The Group is therefore exposed to currency risk, as the value of assets and liabilities denominated in other currencies will fluctuate due to changes in exchange rates. The Group's net exposure to foreign currencies is not considered to be material and accordingly a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates is not deemed necessary. This assessment has been made by taking into consideration the Euro to Sterling 12 month forward rate at 31 March 2008.

#### *Capital risk management*

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Group defines as the profit for the year divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The capital structure of the group consists of items presented within equity in the balance sheet.

None of the companies within the group are subject to externally imposed capital requirements.

## Notes to the consolidated financial statements

### 5 Segment reporting

	Malta		United Kingdom		The Netherlands		Adjustments		The Group	
	2008 Eur	2007 Eur	2008 Eur	2007 Eur	2008 Eur	2007 Eur	2008 Eur	2007 Eur	2008 Eur	2007 Eur
External revenues	24,779	-	7,309,247	6,465,570	2,218,542	627,575	-	-	9,552,567	7,093,145
Inter-segment revenue	5,253,197	4,977,067	-	-	-	-	(5,253,197)	(4,977,067)	-	-
Total segment revenue	5,277,976	4,977,067	7,309,247	6,465,570	2,218,542	627,575	(5,253,197)	(4,977,067)	9,552,567	7,093,145
Segment result - Results from operating activities	512,613	1,000,848	300,270	150,400	66,747	(73,584)	-	-	879,630	1,077,664
Net finance income (expense)	7,676	946	23,591	27,001	(1,573)	(8,637)	-	(142)	29,694	19,168
Income tax expense									(85,572)	(45,737)
<b>Profit for the year</b>									<b>823,752</b>	<b>1,051,095</b>

	Malta		United Kingdom		The Netherlands		Adjustments		The Group	
	2008 Eur	2007 Eur	2008 Eur	2007 Eur	2008 Eur	2007 Eur	2008 Eur	2007 Eur	2008 Eur	2007 Eur
Segment assets	9,101,184	3,123,401	4,224,054	3,066,350	1,359,335	358,051	(8,553,403)	(3,378,363)	6,131,170	3,169,439
Deferred tax assets	-	-	12,374	13,986	87,546	-	-	-	99,920	13,986
<b>Total assets</b>									<b>6,231,090</b>	<b>3,183,425</b>
Segment liabilities	4,700,309	163,525	4,225,522	2,989,433	1,404,251	723,674	(8,210,765)	(3,145,848)	2,119,317	730,784
<b>Total liabilities</b>									<b>2,119,317</b>	<b>730,784</b>
Capital expenditure	123,044	57,894	347,810	17,282	994,338	-	-	-	1,465,192	75,176
Depreciation	75,965	73,929	8,090	7,616	11,933	1,421	-	-	95,988	82,966

## Notes to the consolidated financial statements

### 6 Finance income

	2008 Eur	2007 Eur
Interest income on bank deposits	35,294	22,512

### 7 Finance expenses

	2008 Eur	2007 Eur
Borrowing costs	5,600	3,344

### 8 Profit before tax

This is stated after charging:

	2008 Eur	2007 Eur
Auditors' remuneration	40,500	48,367
Depreciation of plant & equipment	95,988	65,332
Amortisation of intangibles	19,211	17,634
Operating lease payments	259,244	143,446
Net exchange differences	127,162	6,271

### 9 Key management personnel compensation

Directors' compensation:

	2008 Eur	2007 Eur
<i>Short-term benefits:</i>		
Directors' emoluments	471,305	320,208

### 10 Staff costs and employee information

	2008 Eur	2007 Eur
<i>Staff costs:</i>		
Wages and salaries	5,605,070	3,891,469
Social security costs	390,510	294,974
	5,995,580	4,186,443

The average number of persons employed during the year, including executive directors, was made up as follows:

	2008 No.	2007 No.
Operational	135	95
Accounts and administration	31	25
	166	120

## Notes to the consolidated financial statements

### 11 Income tax expense

	2008 Eur	2007 Eur
Current tax	173,118	45,295
Deferred tax (see note 16)	(87,546)	442
	85,572	45,737

Income tax in Malta is calculated at a basic rate of 35% (2007 – UK corporation tax rate applicable of 30%) of the estimated assessable profit for the year. Taxation in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. The Group tax expense for the year can be reconciled as follows:

	2008 Eur	2007 Eur
Profit before income tax	909,324	1,096,832
Income tax at the domestic tax rate of 35% (2007 - 30%)	318,263	329,050
Tax effect of:		
Non-deductible expenses	17,981	11,937
Exempt income in terms of regulation 38(4) of the Business Promotion Regulations	(132,667)	(300,539)
Relief granted under UK tax laws	-	(15,121)
Income taxed at lower rates in subsidiary entities	(26,362)	-
Deferred tax not recognised in current year	-	20,410
Deferred tax not recognised in prior years	(91,231)	-
Investment income taxed at lower rates	(412)	-
	85,572	45,737

### 12 Dividends

A net dividend of €230,000 (€8.33 per ordinary share) was paid to ordinary shareholders on 26 November 2007, in respect of the current year.

### 13 Earnings per share

The calculations of the earnings per ordinary share at the respective reporting dates are based on the profit attributable to the ordinary shareholders and a weighted average number of ordinary shares outstanding, calculated as follows:

	2008 Eur	2007 Eur
Profit attributable to ordinary shareholders	808,428	1,051,095
	2008 No.	2007 No.
Weighted average number of shares	21,189,368	18,884,183

## Notes to the consolidated financial statements

### 14 Intangible assets

	Goodwill Eur	Computer Software Eur	Total Eur
<b>Cost</b>			
At 01.04.2006	-	393,345	393,345
Additions	-	13,811	13,811
At 01.04.2007	-	407,156	407,156
Additions	1,258,456	6,746	1,265,202
At 31.03.2008	1,258,456	413,902	1,672,358
<b>Amortisation</b>			
At 01.04.2006	-	355,010	355,010
Provision for the year	-	17,634	17,634
At 01.04.2007	-	372,644	372,644
Provision for the year	-	19,211	19,211
At 31.03.2008	-	391,855	391,855
<b>Carrying amount</b>			
At 31.03.2007	-	34,512	34,512
<b>At 31.03.2008</b>	<b>1,258,456</b>	<b>22,047</b>	<b>1,280,503</b>

The goodwill recognised in the financial statements arose primarily on the purchase of a controlling interest in Promentum Holdings BV together with the purchase of the Media and Entertainment business division of Peracto Solutions Limited by one of the Group's subsidiaries (note 24).

Goodwill has therefore been recognised in relation to two separately identifiable cash-generating units. At the year end, the goodwill was tested for impairment on a value in use basis for each cash-generating unit, based on revenue and profit forecasts.

## Notes to the consolidated financial statements

### 15 Plant and equipment

	Computer equipment Eur	Furniture, fittings and other equipment Eur	Total Eur
<b>Cost</b>			
Balance at 1 April 2006	712,394	368,078	1,080,472
Acquisitions	46,681	14,684	61,365
Disposals	(114,517)	(5,013)	(119,530)
Effect of movements in exchange rates	2,873	122	2,995
Balance at 1 April 2007	647,431	377,871	1,025,302
Acquisitions	49,792	150,198	199,990
Disposals	-	(96,284)	(96,284)
Effect of movements in exchange rates	-	(16,004)	(16,004)
Balance at 31 March 2008	697,223	415,781	1,113,004
<b>Accumulated depreciation</b>			
Balance at 1 April 2006	606,316	362,591	968,907
Charge for the year	61,623	3,709	65,332
Release on disposals	(114,517)	(4,774)	(119,291)
Effect of movements in exchange rates	2,584	81	2,665
Balance at 1 April 2007	556,006	361,607	917,613
Charge for the year	14,446	81,542	95,988
Release on disposals	-	(96,284)	(96,284)
Effect of movements in exchange rates	-	(13,490)	(13,490)
Balance at 31 March 2008	570,452	333,375	903,827
<b>Carrying amounts</b>			
At 31 March 2007	91,425	16,264	107,689
<b>At 31 March 2008</b>	<b>126,771</b>	<b>82,406</b>	<b>209,177</b>

## Notes to the consolidated financial statements

### 16 Deferred tax assets

Movement in temporary differences during the year

	2007 Eur	Movement for the year Eur	2008 Eur
Arising on:			
Accelerated tax depreciation	10,413	-	<b>10,413</b>
Tax losses carried forward	-	87,546	<b>87,546</b>
Other deductible temporary differences	3,573	-	<b>3,573</b>
	<u>13,986</u>	<u>87,546</u>	<u><b>101,532</b></u>
Deferred tax assets of foreign entities translated at foreign exchange rates at year end			<u><b>(1,612)</b></u>
			<u><b>99,920</b></u>

### 17 Trade and other receivables

	2008 Eur	2007 Eur
Trade receivables	<b>3,057,538</b>	1,586,382
Amounts due by directors	-	42,886
Other debtors	<b>255,378</b>	39,017
Prepayments and accrued income	<b>296,951</b>	309,465
	<u><b>3,609,867</b></u>	<u>1,977,750</u>

The amounts due from directors have no fixed date of repayment and are interest free. The amount, which was unsecured, was repaid in cash during the year under review.

### 18 Trade and other payables

	2008 Eur	2007 Eur
Trade payables	<b>661,589</b>	93,630
Amounts due to director	<b>62,140</b>	-
Other creditors	<b>653,559</b>	396,033
Accruals and deferred income	<b>590,691</b>	195,970
	<u><b>1,967,979</b></u>	<u>685,633</u>

## Notes to the consolidated financial statements

### 19 Capital and reserves

As disclosed in note 2, these Group financial statements have been prepared using the predecessor method of accounting. Accordingly the share capital as at 31 March 2007 reflects the share capital of Crimsonwing Group Limited, whereas that at 31 March 2008 reflects the share capital of Crimsonwing plc. Share capital details are disclosed below for each company.

#### *Crimsonwing Group Limited*

The Company's share capital at 31 March 2007 is denominated in Sterling (GBP).

	Authorised 2007 No.	Issued and fully paid 2007 No.
"A" Ordinary shares of 1p	18,250,000	15,750,000
"B" Ordinary shares of 5p	1,350,000	-
	<u>19,600,000</u>	<u>15,750,000</u>

	Issued and fully paid 2007 Eur
"A" Ordinary shares of 1p	<u>247,153</u>

#### *Crimsonwing plc*

The Company's share capital at 31 March 2008 is denominated in Euro (€).

	Authorised 2008 No.	Issued and fully paid 2008 No.
Ordinary shares of €0.10 each	<u>500,000,000</u>	<u>26,000,000</u>
		Issued and fully paid 2008 Eur
Ordinary shares of €0.10 each		<u>2,600,000</u>

## Notes to the consolidated financial statements

### 19 Capital and reserves (continued)

Movements in the Company's share capital during the year are detailed below:

29 August 2007	Company was registered with 500,000 shares of Eur0.10 each
25 October 2007	Company issued 2,260,424 shares of Eur0.10 each to David Walsh and Philip Crawford in exchange for 100% of the equity capital in Crimsonwing Group Limited – a UK registered company and the former parent of the Group
28 November 2007	Company issued 271,223 shares of Eur0.10 each to employees in exercise of their share options
29 November 2007	Company capitalised retained earnings through the issue of 20,968,353 shares of Eur0.10 each
17 December 2007	Sale of 6,747,134 shares of Eur0.10 each to the public, of which 2,000,000 represent a fresh issue of shares. The latter shares were issued at a premium of Eur0.40 per share, thereby giving rise to the share premium reserve.

#### *Share rights*

All ordinary shares have the right to receive dividends, return of capital on liquidation and have the right to receive notice of and attend and/or speak and/or vote at any general meeting.

#### *Reorganisation reserve*

This reserve arises in the consolidated financial statements, as a result of the application of the principles of predecessor accounting as described in note 2. This reserve mainly represents the difference between the share capital issued on reorganisation and the amount recorded for the share capital acquired. This reserve does not arise in the separate financial statements of the parent company and therefore has no impact on distributable reserves.

#### *Translation reserve*

The translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign entities.

### 20 Fair values of financial assets and financial liabilities

The reported carrying amounts at the respective balance sheet dates of the Group's financial instruments are a reasonable approximation of their fair values in view of their short-term maturities.

### 21 Operating leases

Non-cancellable operating lease rentals are payable by the Group as follows:

	<b>2008</b>	2007
	<b>Eur</b>	Eur
Less than one year	<b>259,244</b>	103,842

The Group leases a number of office facilities. The leases typically run for a fixed duration, with an option to renew the lease upon expiry.

## Notes to the consolidated financial statements

### 22 Related parties

Crimsonwing plc is the parent company of the entities listed in note 23. Crimsonwing plc is controlled by David Walsh who holds 50.04% of the issued share capital of the Company.

Details on the group reorganisation made during the year are disclosed in the remaining notes to the financial statements.

Key management personnel compensation is disclosed in note 9.

Amounts due by and to directors are disclosed in notes 17 and 18. These amounts have no fixed date of repayment and are interest free. The amount, which was unsecured, was repaid in cash during the year under review.

### 23 Group entities

	Nature of business	Country of incorporation	Ownership interest	
			2008 %	2007 %
Crimsonwing (Malta) Limited	Provision of support services related to IT	Malta	100	100
Crimsonwing Limited	Provision of computer services	United Kingdom	100	100
Crimsonwing BV	Provision of computer services	The Netherlands	100	100
Crimsonwing Promentum Holdings BV	Provision of computer services	The Netherlands	51	-
Crimsonwing Group Limited	Holding company (refer to accounting policy on predecessor accounting)	United Kingdom	100	

The registered addresses are as follows:

Crimsonwing (Malta) Limited - Lignum House, Aldo Moro Road, Marsa LQA 06, Malta.

Crimsonwing Limited and Crimsonwing Group Limited - Stonebridge House, 28-32 Bridge Street, Leatherhead, Surrey KT22 8BZ, United Kingdom.

Crimsonwing BV - Kleine Beer 64, 3893 DH Zeewolde, The Netherlands.

Crimsonwing Promentum Holdings BV - Niasstraat 1, 3531WR Utrecht, The Netherlands.

## Notes to the consolidated financial statements

### 24 Acquisitions

#### Acquisition of Promentum Holdings BV

On 3 September 2007, Crimsonwing plc acquired 51% of the shareholding in Promentum Holdings BV, a company registered in The Netherlands, for a consideration of up to a maximum of Eur1,224,000. An amount of Eur360,000 was paid on 3 September 2007 being the date of acquisition, a further Eur360,000 was paid on 1 December 2007 and the remaining balance (a maximum of Eur504,000) is payable on 1 April 2009. This remaining amount is based on agreed performance targets for 2008 with respect to the acquired business.

#### Acquisition of the business carried on by Peracto Solutions Limited

On 1 July 2007, Crimsonwing Limited entered into a Business Purchase Agreement with Peracto Solutions Limited for the purchase of 100% of their "Media and Entertainment Vertical", which accounted for 50% of Peracto's business. The consideration for the acquisition of this business was agreed at a maximum of Eur408,636. Eur111,446 was paid on 1 July 2007 and a further Eur111,446 was paid on 1 August 2007. The remaining, (up to a maximum of Eur185,744), is based on an agreed percentage of invoices issued with respect to the acquired business during the twelve month period following acquisition and for which payments have been received.

	Carrying values at acquisition date Eur	Fair value at acquisition date Eur
Intangible fixed assets	39,500	39,500
Property, plant and equipment	59,912	59,912
Receivables	433,796	433,796
Payables	(270,846)	(270,846)
Taxation	(13,154)	(13,154)
Cash and cash equivalents	4,751	4,751
Net assets acquired		<u>253,959</u>
Share of net assets acquired		<u>129,519</u>
Goodwill		<u>1,258,456</u>
<b>Consideration</b>		<u><b>1,387,975</b></u>
<b>Consideration satisfied by cash:</b>		
Cash payments		1,014,185
Accrued probable projected payment based on contingent events		<u>373,790</u>
		<u><b>1,387,975</b></u>

Goodwill represents the value of synergistic effects of the combined business together with the instant access to significant new markets.

### 25 Post balance sheet events

On 1 July 2008, the company acquired 100% of the share capital of VDA Informatiebeheersing BV (VDA), a company based in Hilversum, The Netherlands, for a total consideration of €1.9 million. Crimsonwing plc has deemed it beneficial to the company to fund this acquisition through a combination of cash and debt financing of €1.5 million. This allows Crimsonwing the capacity to continue to pursue its strategy with further future acquisitions.

With historic annual revenues of €3.4 million, VDA has found it difficult to grow due to resource constraints, skills availability and management time and focus. As part of the Group, VDA will be able to exploit the synergistic benefits of working with Crimsonwing's Malta Solution Centre. Additionally there will be immediate operational cost savings.

## Income statement

	Notes	2008 Eur
Dividend income		2,421,458
Administrative expenses		(48,416)
Investment income	5	5,612
		<hr/>
Profit before tax	6	2,378,654
Income tax expense	7	(1,947)
		<hr/>
<b>Profit for the period</b>		<b>2,376,707</b>
		<hr/>

## Balance sheet

	Notes	2008 Eur
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>		
Investments in subsidiaries	9	1,399,527
<b>Current assets</b>		
Loans and receivables	10	3,071,551
Cash and cash equivalents		102,818
		3,174,369
<b>Total assets</b>		4,573,896
<b>Current liabilities</b>		
Financial liabilities	11	866,442
Other payables	12	274,391
Taxation		1,935
<b>Total liabilities</b>		1,142,768
<b>Net assets</b>		3,431,128
<b>Equity</b>		
Share capital	13	2,600,000
Share premium	13	722,572
Other reserves	13	96,184
Retained earnings	13	12,372
<b>Total equity</b>		3,431,128

These financial statements were approved by the Board of Directors, authorised for issue on 29 July 2008 and signed on its behalf by:



**David Walsh**  
Director



**James Bonello**  
Director

## Statement of changes in equity

	Share capital Eur	Share premium Eur	Other reserve Eur	Retained earnings Eur	Total Eur
Profit for the period	-	-	-	2,376,707	2,376,707
<b>Total recognised income and expense for the year</b>	-	-	-	2,376,707	2,376,707
Initial issue of shares in Crimsonwing plc	238,542	-	-	-	238,542
Adjustment on group reorganisation (note 1)	-	-	96,184	-	96,184
Exercise of share option at a premium	27,123	37,537	-	-	64,660
Transfer from retained earnings representing unpaid amount of original share capital	37,500	-	-	(37,500)	-
Bonus shares issued	2,096,835	-	-	(2,096,835)	-
Issue of shares to the public	200,000	800,000	-	-	1,000,000
Expenses related to IPO	-	(114,965)	-	-	(114,965)
Dividends to equity holders	-	-	-	(230,000)	(230,000)
<b>Balance at 31 March 2008</b>	<b>2,600,000</b>	<b>722,572</b>	<b>96,184</b>	<b>12,372</b>	<b>3,431,128</b>

## Cash flow statement

	2008 Eur
<b>Cash flows from operating activities</b>	
Profit before tax	2,378,654
<i>Adjustments for:</i>	
Dividend income	(2,421,458)
Administrative expenses	48,416
Interest income	(5,612)
	<hr/>
Operating profit before working capital movements	-
Movement in payables	1,098
	<hr/>
Cash flows from operations	1,098
Income taxes paid	(1,947)
	<hr/>
<i>Net cash flows from operating activities</i>	(849)
	<hr/>
<b>Cash flows from investing activities</b>	
Loan to subsidiary undertaking	(890,482)
Interest received	5,612
	<hr/>
<i>Net cash flows from investing activities</i>	(884,870)
	<hr/>
<b>Cash flows from financing activities</b>	
Proceeds from issue of share capital	988,537
Proceeds from subsidiary undertaking	64,660
Repayment of borrowings from subsidiary undertaking	(64,660)
	<hr/>
<i>Net cash flows from financing activities</i>	988,537
	<hr/>
<b>Net movement in cash and cash equivalents</b>	102,818
	<hr/>
<b>Cash and cash equivalents at the end of the period</b>	102,818
	<hr/>

## Notes to the financial statements

### 1 Basis of preparation

These separate financial statements have been prepared under the historical cost convention and in accordance with International Financial Reporting Standards (IFRSs) and with the Companies Act (Chap. 386).

The preparation of financial statements in conformity with IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the company financial statements are disclosed in note 3.

#### *Early adoption of International Financial Reporting Standards*

During the period under review, the company early adopted in its separate financial statements the May 2008 amendments to IAS 27 Consolidated and Separate Financial Statements, which amendments are entitled Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate, together with the related amendments to IAS 18 Revenue, IAS 21 The Effects of Changes in Foreign Exchange Rates and IAS 36 Impairment of Assets to the extent applicable.

In October 2007, the company became the new parent of the Group following the purchase of all of the equity capital in the original parent (Crimsonwing Group Limited – a UK registered company) through the issue of ordinary shares to the original shareholders of the original parent such that the assets and liabilities of the new group and the original group were the same immediately before and after the said reorganisation. Furthermore the owners of the original parent before the reorganisation had the same interests in the net assets of the original group and the new group immediately before and after the said reorganisation.

As detailed in its accounting policies, the company carries its investments in subsidiaries at cost less impairment in its separate financial statements. In accordance with the abovementioned amendments, the company accounted for its investment in the original parent in its separate financial statements at the carrying amount of the equity items shown in the separate financial statements of the original parent at the date of the reorganisation. The difference between the nominal value of the shares issued by the company and the carrying amount of the equity items shown in the separate financial statements of the original parent is being recognised as a capital contribution in the statement of changes in equity.

As part of the group reorganisation, the original parent transferred to the company its entire shareholding in its subsidiary undertakings by way of an intercompany balance.

By early adopting the abovementioned amendments, the company is required to recognise dividends from its subsidiaries in the income statement when its right to receive the dividend is established.

In accordance with the related amendments to IAS 36, in assessing whether there is any indication that its investments in subsidiaries are impaired in accordance with its accounting policy on impairment as disclosed in note 2, the entity considers, as a minimum, the following indicators when it recognizes a dividend from such investments:

- evidence that the carrying amount of the investment exceeds the carrying amount in the consolidated financial statements of the investee's net assets; or
- evidence that the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared.

#### *International Financial Reporting Standards in issue but not yet effective*

The directors anticipate that the adoption of International Financial Reporting Standards, that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the company in the period of initial application.

### 2 Significant accounting policies

The significant accounting policies are set out below.

#### **Investments in subsidiaries**

Investments in subsidiaries are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Income from the investment is recognised in the income statement only to the extent of distributions received by the company.

#### **Other financial instruments**

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

## Notes to the financial statements

### 2 Significant accounting policies (continued)

#### Other financial instruments (continued)

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when the company has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the company may not recover substantially all of its initial investment other than because of credit deterioration.

After initial recognition, held-to-maturity investments and loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process.

#### *Trade payables*

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. When the effect of discounting is immaterial, payables are stated at their nominal value.

#### *Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held on call with banks and other short term highly liquid investments with original maturities of three months or less.

#### *Ordinary share capital*

Ordinary shares issued by the Company are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

### Impairment

#### *Financial assets*

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. Financial assets are also assessed collectively in groups that share similar credit risk characteristics.

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

All impairment losses are recognised in profit or loss. For loans and receivables an impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. In the case of other assets tested for impairment, an impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is recognised in profit or loss.

## Notes to the financial statements

### 2 Significant accounting policies (continued)

#### *Provisions*

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

#### **Revenue recognition**

Revenue is measured at the fair value of the consideration received or receivable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably.

#### *Dividend income*

Dividend income is recognised when the shareholder's right to receive payment is established.

#### **Income tax expense**

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. In addition deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

#### **Currency translation**

The presentation currency of the financial statements is Euro since that is the currency in which the shares of the Company are denominated. Euro is also considered to be the functional currency, being the currency of the primary economic environment in which the Company operates. Transactions in currencies other than the functional currency are translated at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured at fair value are re-translated using the exchange rate ruling on the date the fair value was determined. Non-monetary assets and liabilities denominated in currencies other than the functional currency that are measured in terms of historical cost are not re-translated. Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period, except for differences arising on the re-translation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity.

#### **Dividends**

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared.

Dividends to holders of equity instruments, or of the equity component of a financial instrument issued by the company, are debited directly to equity.

## Notes to the financial statements

### 3 Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results.

In the process of applying the Company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements and, at the balance sheet date, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

### 4 Financial risk management

The Company's exposure to financial risks through its financial assets and financial liabilities is not deemed to be significant, as the Company's receivables and payables comprise mainly balances with subsidiary undertakings which are denominated in Euro. Furthermore the Company's cash is placed with quality financial institutions, such that management does not expect any institution to fail to meet repayments of amounts held in the name of the Company.

#### *Capital risk management*

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board of Directors monitors the return on capital, which the Company defines as the profit for the year divided by total shareholders' equity. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The capital structure of the company consists of items presented within equity in the balance sheet.

### 5 Investment income

	2008 Eur
Interest income on bank deposits	5,612

### 6 Profit before tax

	2008 Eur
<i>This is stated after charging:</i>	
Auditors' remuneration	7,000
Net exchange differences	201

## Notes to the financial statements

### 7 Income tax expense

	2008 Eur
Current tax	1,947

Tax applying the statutory domestic income tax rate and the income tax expense for the period are reconciled as follows:

	2008 Eur
Profit before tax	2,378,654
Tax at the applicable rate of 35%	832,529
<i>Tax effect of:</i>	
Disallowable expenses	16,946
Exempt dividend income	(847,510)
Income taxed at 15%	(18)
Income tax expense	1,947

### 8 Dividends

A net dividend of Eur230,000 (Eur8.33 per ordinary share) was paid to ordinary shareholders on 26 November 2007, in respect of the current period.

## Notes to the financial statements

### 9 Financial assets

*These are stated at cost and comprise:*

*Investments in subsidiaries*

	<b>2008 Eur</b>
<b>Cost</b>	
At 01.04.2007	-
Additions	<b>1,399,527</b>
<b>At 31.03.2008</b>	<b>1,399,527</b>

The Company did not recognise any impairment losses in relation to its investments in subsidiaries during the period.

	Nature of business	Country of incorporation	Ownership interest %
Crimsonwing (Malta) Limited	Provision of support services related to IT	Malta	100
Crimsonwing Limited	Provision of computer services	United Kingdom	100
Crimsonwing BV	Provision of computer services	The Netherlands	100
Crimsonwing Promentum Holdings BV	Provision of computer services	The Netherlands	51
Crimsonwing Group Limited	Holding company (refer to accounting policy on predecessor accounting)	United Kingdom	100

The registered addresses are as follows:

Crimsonwing (Malta) Limited - Lignum House, Aldo Moro Road, Marsa LQA 06, Malta.

Crimsonwing Limited & Crimsonwing Group Limited - Stonebridge House, 28-32 Bridge Street, Leatherhead, Surrey KT22 8BZ, United Kingdom.

Crimsonwing BV - Kleine Beer 64, 3893 DH Zeewolde, The Netherlands.

Crimsonwing Promentum Holdings - Niasstraat 1, 3531WR Utrecht, The Netherlands.

## Notes to the financial statements

### 10 Loans and receivables

	2008 Eur
Amounts due from subsidiary undertaking	3,065,702
Amounts due from related parties	5,849
	<u>3,071,551</u>

The amounts due from the subsidiary undertaking, as well as the amounts due from related parties are unsecured, interest free and repayable on demand.

### 11 Financial liabilities

	2008 Eur
Amounts due to subsidiary undertakings	804,302
Amounts due to director	62,140
	<u>866,442</u>

The amounts due to subsidiary undertakings and the amounts due to the director, have no fixed date for repayment and the company has no unconditional right to defer settlement of these loans for at least twelve months after the balance sheet date. These amounts are interest free and unsecured.

### 12 Other payables

	2008 Eur
Accruals	<u>274,391</u>

### 13 Capital and reserves

	Authorised 2008 No.	Issued and fully paid 2008 No.
Ordinary shares of €0.10 each	<u>500,000,000</u>	<u>26,000,000</u>
		<b>Issued and fully paid 2008 Eur</b>
Ordinary shares of €0.10 each		<u>2,600,000</u>

## Notes to the financial statements

### 13 Capital and reserves (continued)

Movements in the Company's share capital during the year are detailed below:

29 August 2007	Company was registered with 500,000 shares of Eur0.10 each
25 October 2007	Company issued 2,260,424 shares of Eur0.10 each to David Walsh and Philip Crawford in exchange for 100% of the equity capital in Crimsonwing Group Limited – a UK registered company and the former parent of the Group
28 November 2007	Company issued 271,223 shares of Eur0.10 each to employees in exercise of their share options
29 November 2007	Company capitalised retained earnings through the issue of 20,968,353 shares of Eur0.10 each
17 December 2007	Sale of 6,747,134 shares of Eur0.10 each to the public, of which 2,000,000 represent a fresh issue of shares. The latter shares were issued at a premium of Eur0.40 per share, thereby giving rise to the share premium reserve.

#### *Share rights*

All ordinary shares have the right to receive dividends, return of capital on liquidation and have the right to receive notice of and attend and/or speak and/or vote at any general meeting.

#### *Other reserve*

As detailed in note 1, this reserve represents a contribution from shareholders and arises from the difference between the nominal value of the shares issued by the company on the acquisition of Crimsonwing Group Limited and the carrying amount of the equity being shown in the separate financial statements of the latter.

### 14 Fair values of financial assets and financial liabilities

The reported carrying amounts at the respective balance sheet dates of the company's financial instruments classified with current assets and liabilities are a reasonable approximation of their fair values in view of their short-term maturities.

### 15 Related parties

Crimsonwing plc is the parent company of the entities listed in note 9. Crimsonwing plc is controlled by David Walsh who holds 50.04% of the issued share capital of the Company.

Details on the group reorganisation made during the year are disclosed in the remaining notes to the financial statements.

During the course of the year, the company entered into transactions with related parties as set out below.

	<b>2008</b>
	<b>Eur</b>
Dividend income	
<i>Related party transactions with:</i>	
Subsidiary	<u>2,421,458</u>

No expense has been recognised in the period for bad or doubtful debts in respect of amounts due by related parties.

The amounts due to and from related parties at period-end are disclosed in notes 10 and 11. The terms and conditions in respect of the related party balances do not specify the nature of the consideration to be provided in settlement. No guarantees have been given or received. These amounts were unsecured and interest-free.

### 16 Post balance sheet events

On 1 July 2008, the company acquired 100% of the share capital of VDA Informatiebeheersing BV (VDA), a company based in Hilversum, The Netherlands, for a total consideration of €1.9 million. Crimsonwing plc has deemed it beneficial to the company to fund this acquisition through a combination of cash and debt financing of €1.5 million. This allows Crimsonwing the capacity to continue to pursue its strategy with further future acquisitions.

With historic annual revenues of €3.4 million, VDA has found it difficult to grow due to resource constraints, skills availability and management time and focus. As part of the Group, VDA will be able to exploit the synergistic benefits of working with Crimsonwing's Malta Solution Centre. Additionally there will be immediate operational cost savings.

## Crimsonwing plc

### Share register information

Pursuant to the Malta Financial Services Authority Listing Rules

#### Directors' interests in the share capital of the company as at 31 March 2008

	<b>Number of Shares</b>
David Walsh	13,009,187
Philip Crawford	6,243,679
Albert Muscat	100,000
James Bonello	90,000
Pierre Zammit	106,600
Claire Nicholson	85,000
Jaap Schram de Jong	21,000
Kees Brussen	100,000
Rob Philippart	20,000

#### Shareholders holding more than 5% of the equity share capital as at 31 March and 30 June 2008

David Walsh	50.04%
Philip Crawford	24.01%

#### Shareholding details

At 31 March 2008 and 30 June 2008, Crimsonwing plc's share capital was held by 335 and 337 shareholders, respectively. The issued share capital consists of one class of ordinary shares with equal voting rights.

#### Distribution of shares analysed by range

Range of shareholding	As at 31 March 2008	As at 30 June 2008
	No. of shareholders	No. of shareholders
1 – 500	1	1
501 – 1,000	5	4
1,001 – 5,000	143	143
5,001 & over	186	189

## Independent auditor's report to the members of Crimsonwing plc

### Report on the financial statements

We have audited the accompanying financial statements of Crimsonwing plc and its group set out on pages 29 to 62, which comprise the balance sheets of the company and the group as at 31 March 2008, and the income statements, statements of changes in equity and cash flow statements of the company and the group for the year/period then ended, and a summary of significant accounting policies and other explanatory notes.

### *Directors' responsibility for the financial statements*

As also described in the statement of directors' responsibilities on page 23, the directors of the company are responsible for the preparation and fair presentation of the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union, and of the parent company financial statements in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the company and the group. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion:

- (a) the group financial statements give a true and fair view of the financial position of the group as of 31 March 2008 and of the group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- (b) the parent company financial statements give a true and fair view of the financial position of the company as of 31 March 2008 and of the company's financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards.

### Report on other legal and regulatory requirements

In our opinion, the financial statements have been properly prepared in accordance with the Companies Act (Chap. 386).



Sarah Curmi

DELOITTE & TOUCHE

Certified Public Accountants

29 July 2008