

CRIMSONWING PLC

Lignum House Aldo Moro Road Marsa MRS 9065 Malta

Tel + 356 2124 2121 Fax +356 2593 3997/8 Email info@crimsonwing.com Web www.crimsonwing.com

Registered in Malta: C42234

Company Announcement

Crimsonwing plc

Approval of Interim Consolidated Financial Statements

Date of Announcement	26/11/2008
Reference	13/2008
Listing Rule	LR8.7.21

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

Quote:

“At a meeting of the directors the interim consolidated financial statements for the financial period ending 30 September 2008 were approved. The interim consolidated financial statements are available for viewing at the registered office of the company, and are attached.”

Unquote

Signed:



Louis de Gabriele
Company Secretary



Crimsonwing plc

**Interim financial report and
directors' commentary**

30 September 2008



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Directors' commentary

Interim financial statements 30 September 2008

Performance review

Crimsonwing Plc registered a turnover of €6,282,171, a year-on-year increase of 45.5 percent on the same period last year (€4,316,467). Gross margins have improved well at around 60 percent of revenues (2007: 56 percent).

A loss before minority interests was reported of €58,677 (2007: a profit of €398,542). Administration costs were higher during the period at €3,813,660 (2007: €2,395,949) due to higher software licence sales year on year, and the additional costs brought in as a result of the acquisitions, and in particular the acquisition of VDA Informatiebeheersing BV. Also, a significant investment in training was made in the first half which was required for new projects contracted in the second half.

Crimsonwing Plc has five profit and loss operating units and the consolidated results represent a combination of these units:

1. In the mid-market ERP business (Dynamics NAV), the market has considerably softened in the current financial turmoil. This business made an overall loss in the first half, however, the Directors have undertaken some restructuring and this business unit is operating on a profitable basis since September 2008. This business unit will still grow significantly this financial year and has recently gained commitments of further phases of implementations at two large clients. It also has won new projects in two large UK businesses in October 2008.
 2. In Holland, Crimsonwing plc acquired VDA on 1 July 2008 for a total consideration of €1.9m. This business now operates under a single management team with Crimsonwing BV. The overall combined business also reported losses in the first half, mainly due to VDA losses. The Directors have undertaken re-structuring and the combined businesses will recover the losses in the second half. One of the largest VDA clients is committing to Crimsonwing a 5 year renewal for services in a contract worth over €1 million. Additionally, two international businesses, with operations in Holland, are committing to Crimsonwing provide world-wide systems support on a 7 by 24 basis – these services to be delivered from the Malta solution centre. A substantial part of the VDA revenues is based on high value annualised support services. The Directors are pleased to report that as of November 2008, 99 percent of the renewals have been already contracted for the year 2009.
 3. The Enterprise ERP business (Dynamics AX) has continued to grow very effectively and reported very good profits in the first half. Both Crimsonwing Promentum BV and incorporating Crimsonwing LLC (USA) are performing very well and have gained new direct clients. Crimsonwing LLC is now also registered in Canada: this step was taken to support a major client (in the Oil & Gas sector) in Calgary.
 4. Crimsonwing UK has also performed well – demand for e-business and custom solutions continued to be strong – and delivered very good profits.
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Our largest UK client has committed to a 20% increase in services starting in the second half (October 2008 onwards). There were two substantial e-business upgrade projects in the UK in the first half. In addition, Crimsonwing UK works with Italian branding partners on e-business opportunities, and recently delivered a new European wide e-shop for a luxury Italian brand. There are many more opportunities in this market.

5. Crimsonwing (Malta), which services the business units operated more or less on a break-even basis in the first half, and also made very considerable investments in training in this period. During the six months period from April to September Crimsonwing (Malta) committed over 120 attendees across 14 different training schemes. In all over 6,000 man hours (circa 4 man years) of training were received. This investment was predominantly targeted at Dynamics (Microsoft ERP) skills and Peoplesoft (Oracle ERP) skills supporting future projects at our major clients.

Overall, the Crimsonwing Dynamics NAV and combined Crimsonwing BV & VDA made losses of around €230,000 in the first half, but the Crimsonwing UK and Crimsonwing Promentum businesses compensated with around €200,000 of profits. The Directors are very confident that the action taken on the loss making elements will ensure a much improved second half for these businesses. The Directors were fully aware that VDA was a loss making business when it was acquired, and the action plan, involving re-structuring, will deliver results in the second half as these measures take effect.

The current financial 'credit crunch' has resulted in some of our mid market clients pausing in making their financial (project) investments. In some cases, credit facilities have been withdrawn for project investments. The UK Pound (Sterling) too has been losing further ground against the Euro. Therefore the Directors have taken a more cautious view of anticipated revenues in the second half, and have budgeted costs accordingly to ensure a profitable year-end position. Nevertheless Crimsonwing is a rapidly growing business, and now has almost 50 percent of its sales revenues in the Euro zone.

Crimsonwing clients are spread across North America, the UK, The Netherlands and Italy. Each economy has its different challenges. In any downturn, it is important for every business in these markets to demonstrate its value for money proposition. Crimsonwing has a very sound platform built around its Malta Solution Centre which places it at a very good cost advantage in the market. In addition, Crimsonwing solutions can both improve operational efficiency and provide new channels to market. For example, Crimsonwing is currently seeing very strong demand for its e-business offerings, as online sell-side solutions continue to be investment areas which survive company cost cutting. An online channel is becoming increasingly valuable for many businesses who are struggling with traditional methods.

In the second half of 2008/09 we expect our revenues to be slightly higher than the first half, and with overall growth for year-on-year to be at around 30 percent. We expect to see real progress with existing and new clients for Crimsonwing BV & VDA and the synergies of this business also combining with Crimsonwing



Promomentum are already manifesting themselves. We expect to see good growth in e-business across all markets, and with further new e-business clients in Italy.

There are challenging times ahead, and the Directors are confident that the correct action has been taken, and the correct focus is being maintained on each of the operating units, to deliver profitable growth.

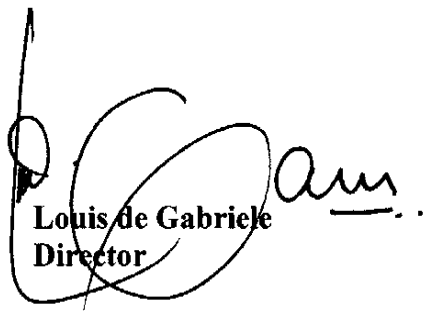


Statement pursuant to Listing Rule 9.44 k.3 issued by the Listing Authority

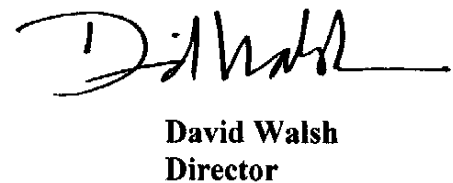
Interim financial statements 30 September 2008

We confirm that to the best of our knowledge:

- The condensed interim financial information gives a true and fair view of the financial position of the company as at 30 September 2008, and of its financial performance and its cash flows for the period then ended and conform with the requirements of the accounting standards adopted for use in the EU for interim financial statements, including IAS 34: Interim Financial Reporting.
- The interim Directors' Report includes a fair review of the information provided as required in terms of Listing Rule 9.44 k.3.

A handwritten signature in black ink, appearing to read 'Louis de Gabriele', with a large, stylized flourish that loops around the text.

Louis de Gabriele
Director

A handwritten signature in black ink, appearing to read 'David Walsh', with a large, stylized flourish that loops around the text.

David Walsh
Director



Condensed consolidated income statement (unaudited)

Period ended 30 September 2008

Crimsonwing Plc

	Apr-08 to Sep-08 Eur	Apr-07 to Sep-07 Eur
Revenue	6,282,171	4,316,467
Direct costs	(2,502,400)	(1,907,698)
Gross profit	3,779,771	2,408,769
Administrative expenses	(3,813,660)	(1,981,240)
Results from operating activities	(33,889)	427,529
Finance income	9,096	14,680
Finance expenses	(31,949)	(8)
Net finance (expense)/income	(22,853)	14,672
(Loss)/profit before income tax	(56,742)	442,201
Income tax expense	(1,935)	-
(Loss)/profit for the period	(58,677)	442,201
Attributable to:		
Equity holders of the Company	(102,365)	417,733
Minority Interest	43,688	24,468
	(58,677)	442,201
Earnings per share	(0.0039)	0.0211



Condensed consolidated balance sheet
30 September 2008

Crimsonwing Plc

	Apr-08 to Sep-08 (unaudited) Eur	Apr 07 to Mar-08 Eur
Assets		
Intangible assets	3,107,641	1,280,503
Plant and equipment	349,923	209,177
Deferred income tax assets	12,322	99,920
Total non-current assets	<u>3,469,886</u>	<u>1,589,600</u>
Inventories	160,377	
Trade and other receivables	3,883,750	3,609,867
Cash and cash equivalents	161,696	1,031,623
Total current assets	<u>4,205,823</u>	<u>4,641,490</u>
Total assets	<u>7,675,709</u>	<u>6,231,090</u>
Equity		
Equity attributable to equity holders of the parent		
Share capital	2,600,000	2,600,000
Share premium	722,572	722,572
Other reserves	186,219	186,219
Translation reserve	(40,480)	(68,812)
Retained earnings	169,665	532,030
	<u>3,637,976</u>	<u>3,972,009</u>
Minority interest	183,452	139,764
Total equity	<u>3,821,428</u>	<u>4,111,773</u>
Liabilities		
Income Tax payable	26,425	151,338
Trade and other payables	2,391,145	1,967,979
Financial liabilities		
Loan - VDA acquisition	1,436,711	
Total current liabilities	<u>3,854,281</u>	<u>2,119,317</u>
Total liabilities	<u>3,854,281</u>	<u>2,119,317</u>
Total equity and liabilities	<u>7,675,709</u>	<u>6,231,090</u>

These accounts were approved by the Board on 26 November 2008.



Condensed consolidated statement of changes in equity (unaudited)

Period ended 30 September 2008

Crimsonwing Plc

	Attributable to the equity holder of the parent						Total Eur
	Share capital Eur	Share premium Eur	Retained earnings Eur	Other reserves Eur	Translation reserve Eur	Minority interest Eur	
Balance at 1 April 2007	247,153		2,087,937	105,921	11,630		2,452,641
Issue of share capital	50,000						50,000
Minority's Share of equity						124,440	124,440
Reorganisation adjustment	(247,153)			80,298			(166,855)
Currency translation differences					217,429		217,429
Net income/(expense) recognised income and expense for 2007	50,000			80,298	217,429	124,440	391,870
Profit for the year			404,571				404,571
Minority interest share of profit			(6,030)			6,030	
Total recognised income and expense for 2007	50,000		404,571	80,298	217,429	130,470	796,441
Balance at 30 September 2007	50,000		2,486,479	186,219	229,059	130,470	3,082,227
Balance at 31 March 2008	2,600,000	722,572	532,030	186,219	(68,812)	139,764	4,111,773
Equity dividends			(260,000)				(260,000)
Bonus issue of shares							
Reverse acquisition							
Translation adjustment					28,332		28,332
Net income/(expense) recognised income and expense for 2008			(260,000)		28,332		(231,668)
Profit for the period			(58,677)				(58,677)
Minority interest share of profit			(43,688)			43,688	
Total recognised income and expense for 2008			(362,365)		28,332	43,688	(290,345)
Balance at 30 September 2008	2,600,000	722,572	169,665	186,219	(40,480)	183,452	3,821,428



Condensed consolidated cash flow statement (unaudited)

Period ended 30 September 2008

Crimsonwing Plc

	Apr-08 to Sep-08 Eur	Apr-07 to Sep-07 Eur
Cash flows from operating activities		
Cash generated from operations	1,566,835	582,725
Interest paid	(29,383)	(530)
Income tax paid	(39,249)	4,963
Net cash generated from operating activities	<u>1,498,204</u>	<u>587,158</u>
Cash flows from investing activities		
Acquisition of subsidiary	(1,894,150)	(458,452)
Purchases of property, plant and equipment	(176,823)	(60,313)
Purchases of intangible assets		(776,127)
Advances to directors		
Interest received	9,477	14,872
Net cash used in investing activities	<u>(2,061,496)</u>	<u>(1,280,020)</u>
Cash flows from financing activities		
Issuance of ordinary shares - non cash movement		50,000
Proceeds from issuance of ordinary shares		
Dividends paid to company shareholders	(260,000)	
Net cash used in financing activities	<u>(260,000)</u>	<u>50,000</u>
Net (decrease)/increase in cash, cash equivalents	(823,292)	(642,862)
Cash and cash equivalents at the beginning of the period	1,031,623	1,049,488
Exchange losses on cash	(46,635)	
Cash and cash equivalent at the end of the period	<u>161,696</u>	<u>406,626</u>



Notes to the interim consolidated financial statements

30 September 2008

1. Reporting entity

Crimsonwing plc is a company registered and domiciled in Malta. The condensed consolidated interim financial statements as at and for the six months ended 30 September 2008 comprise the company and all its subsidiaries including Crimsonwing Ltd, Crimsonwing BV, Crimsonwing Promentum Holdings BV, VDA Informatiebeheersing BV, and Crimsonwing (Malta) Ltd.

2. Basis of preparation

These condensed financial statements have been prepared in accordance with International Accounting Standard 34.

This half-yearly report is published pursuant to chapters 8 and 9 of the Malta Financial Services Authority Listing Rules and the Prevention of Financial Markets Abuse Act, 2005.

The financial information has been extracted from the company's unaudited interim financial statements for six month period ended 30 September 2008. The comparative amounts reflect the position of the company as included in the audited financial statements for the year ended 31 March 2008 and the unaudited results for the period ended 30 September 2007. The preparation of these financial statements is consistent with the accounting policies used in the preparation of the March 2008 audited financial statements.