Annual Report and Accounts 2006

crimson tide

# crimson tide

## ABOUT US

**crimson tide is a fast-growing provider of mobile data solutions for business**

**crimson tide provides customised business software on hand-held computers or smartphones which allows people to get their job done whenever, wherever**

**crimson tide provides it's range of end-to-end solutions on a subscription basis**

Where we've come from
and where we're going

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# HIGHLIGHTS

- Turnover increased 61% to £1.10m in the 14 months to 31 December 2006 (12 months to 30 November 2005: £0.69m)
- Loss before interest, tax, depreciation and amortisation of £0.24m for the 14 months to 31 December, slightly better than expectations
- Acquisition of Intelligent Data Limited, based in Ireland
- Substantial growth in customer base and contracted revenues
- Confident of growth prospects

**Turnover**

Up 61%

to £1.10m

**Acquisition**

of IDL based in Dublin

**Substantial Growth**

in customer base and contracted revenues

# OFFICERS AND PROFESSIONAL ADVISERS

14 months ended 31 December 2006

| | |
|---|---|
| **The Board of Directors** | B. R. J. Whipp (Executive Chairman)<br>R. S. Ager<br>G. B. Ashley<br>S. K. Goodwin<br>J. W. F. Roth |
| **Secretary** | S. K. Goodwin |
| **Registered office** | 10 Orange Street<br>Haymarket<br>London<br>WC2H 7DQ |
| **Registered Number** | 0113845 |
| **Bankers** | HSBC Bank plc<br>9 Wellesley Road<br>Croydon<br>Surrey<br>CR9 2AA |
| **Auditors** | Shipleys LLP<br>10 Orange Street<br>Haymarket<br>London<br>WC2H 7DQ |
| **Nominated Adviser and Broker** | W. H. Ireland Limited<br>24 Bennetts Hill<br>Birmingham<br>B2 5QP |
| **Solicitors** | Gordons Partnership LLP<br>22 Great James Street<br>London<br>WC1N 3ES |
| **Website** | www.crimsontide.co.uk |

# CHAIRMAN'S STATEMENT

14 months ended 31 December 2006

. . . a significant period in the Group's history. The Directors have confidence in the growth prospects and are committed to driving the business forward.

I am extremely pleased to report the results for Crimson Tide plc for the fourteen months ended 31 December 2006, a significant period in the Group's history. Turnover has grown strongly to £1.1m and the loss before tax of £0.3m was in line with our investment and growth strategy and slightly better than our expectations.

The Company was renamed Crimson Tide plc on 21 August 2006 when A. Cohen & Co. plc acquired the entire issued share capital of Crimson Tide Limited by way of a reverse takeover and at the same time raised £0.5m, net of expenses. Graham Ashley remained on the Board of Directors and was joined by the Executive Directors of Crimson Tide Limited and Rowley Ager. Since our re-admission to AIM, we have continued to develop a wide customer base and our mobile data solutions are being used by a diverse range of organisations. The Group is now well established as a supplier of mobile data and software solutions.

On 7 December 2006 we acquired the entire share capital of Intelligent Data Limited ('IDL'), a company based in Dublin, Ireland. This company has been renamed Crimson Tide (IE) Limited and we have integrated the team and products sold in Ireland into our enlarged group. This acquisition gives us an exciting opportunity to leverage our mobile data solutions into the Irish market as well as adding a number of new mobile data solutions to sell in the UK. In addition, we have welcomed some skilled individuals to our team and are delighted that Laurence D'Arcy, the Managing Director of IDL, has remained with the Company.

At the Annual General Meeting to be held on 5 June 2007 all of the Directors are required to retire; specifically, Stephen Goodwin, Jeremy Roth, Rowley Ager and I under Article 88 (having been co-opted since the shareholders last met) and Graham Ashley, by rotation under Article 82. In addition, two procedural revisions to the Articles are proposed. The Board will be voting in favour of all resolutions proposed in respect of their shareholdings.

The Directors have confidence in the growth prospects for Crimson Tide and in our dedicated team's ability to manage this growth. We are committed to driving the business forward during what we believe will be another exciting year in a rapidly growing market.

Barrie Whipp
Chairman
17 April 2007

Where we've come from
and where we're going

# OPERATING AND FINANCIAL REVIEW

14 months ended 31 December 2006

I am very pleased to report on the Group's development in this highly siginificant period. Much progress has been made since the reverse takeover of A. Cohen & Co. plc by Crimson Tide Limited in August 2006; we have increased our customer base, grown the number of users of our mobile data solutions and widened our geographic footprint.

## Operating Review

The Group remains focused on expanding its range of mobile data solutions. We have had particular success with mobile email and forms solutions and continue to refine these offerings both in terms of the back-end technology and the front-end "look and feel" for our expanding customer base. Furthermore, our mobile data solutions are now being used in a wide range of vertical markets.

We have improved our web interface for customers, giving them (and their customers) excellent real-time results for many of our data capture solutions. We are also now able to provide customers with remote access to their intranet, for example, we have enabled a key customer to allow their users secure remote access to their HR system using mobile devices. We aim to expand our intranet solutions and have a range of opportunities under discussion.

Our pipeline of business is strong and one of our challenges is to ensure that we remain able to deliver solutions rapidly to our customers. Our employees have made a considerable contribution during the period and their continuing commitment has been one of the keys to our success to date.

We are certain that the market for mobile applications is growing dramatically. We are similarly convinced that the market lacks companies such as ours that can deliver the full end-to-end solution rapidly and, very importantly, on a subscription basis.

Another key to our success has been that we have established business partnerships with respected organisations in every area of our business, including hardware suppliers, software providers and the mobile networks. The latter enable us to deliver the right tariff and data solution for optimum pricing and connectivity.

One of our strategic objectives is growth by acquisition and in December 2006, we acquired Intelligent Data Limited, based in Dublin, for an initial consideration of £220,000 satisfied by cash of £120,000 and the balance satisfied by the issue of 4 million ordinary shares. Laurence D'Arcy, the Managing Director, and his team offered us a number of opportunities. Firstly, the team had a sales and technical background in developing hand-held applications, with particular abilities in barcode scanning and RFID. Secondly, we believe that Ireland offers a fertile market for our own hand-held applications. Finally, there are a number of applications developed by the business that will suit our sales efforts in the UK.

## Financial Performance

The financial results cover the 14 month period to 31 December 2006 and have been prepared under International Financial Reporting Standards (IFRS). All companies admitted to trading on AIM will be required to report under IFRS for accounting periods commencing on or after 1 January 2007; however the Board made a strategic decision in 2006 to voluntarily adopt IFRS ahead of this requirement. The Board believes this will facilitate consistent presentation of the results in the future.

The financial information that follows has been prepared under the reverse acquisition accounting provisions of IFRS 3 as a continuation of the legal subsidiary, Crimson Tide mPro Limited (formerly Crimson Tide Limited).

In the 14 months to 31 December 2006 turnover increased 61% to £1.10m (12 months to 31 October 2005: £0.69m). The loss before interest, tax, depreciation and amortisation for the 14 months to 31 December 2006 was slightly better than expectations at £0.24m (12 months to 31 October 2005: £0.11m).

Performance since the reverse takeover has been slightly ahead of expectations with turnover increasing as a result of the Group's ongoing investment in marketing and human resources, utilising the proceeds from the fundraising.
Our range of mobile data services has continued to grow in both the private and public sectors, totalling over 70 customers and 1,000 users by the year end.

## Future Prospects

I am very pleased with the progress we are making. The market is strong and the Group is well positioned to exploit this and carry on with its expansion plans, both organically and by acquisition. We aim to continue to grow our subscriber base with an exciting range of offerings for our customers. I look forward with optimism to the year ahead.

**Stephen Goodwin**
Chief Executive
17 April 2007

# DIRECTORS

as at 31 December 2006

## Barrie Reginald John Whipp

**(aged 46, Executive Chairman)**

Barrie founded Crimson Tide in 1996 and he formulated the ideas behind the Group's mobile data solutions in 2003. He is responsible for setting the Group's vision and strategy as well as setting goals and targets for the Board.

After an early career in finance and business administration with Dowell Schlumbeger S.A. and UDS Group plc, Barrie joined Tiphook plc where he founded the financial services arm in 1986. He became Group Managing Director of IAF Group plc, which was admitted to the Official List in April 1994. In 1996 Barrie set up Crimson Tide, where he was responsible for the day-to-day management until 2004, when he recruited the current management team. He has served as a non-executive Director of Wills Group plc as well as a number of private companies.

## Stephen Keith Goodwin

**(aged 48, Chief Executive Officer)**

Steve was appointed as Crimson Tide's Chief Executive in April 2004 and has responsibility for delivering the strategy, day-to-day management of the Group and financial management and control.

Steve is a Certified Accountant with 18 years' experience at Board level and with 14 years' experience as a CEO. After training as an accountant working for Shell International, he joined Tiphook plc in 1988 where he became Group Financial Controller and later Finance Director of the trailer division. In 1994 Steve was appointed Managing Director of the rail division and in 1996 led the management team in a £30m management buyout working with Prudential's venture capital arm and HSBC. The business was sold two years later to GE Capital where he stayed on as Managing Director of GE's European rail business and gained further experience in negotiating and integrating acquisitions.

## Jeremy Walter Frederick Roth

**(aged 45, Sales Director)**

Jeremy has over 15 years' experience in mobile telecommunications. His early career was with Connexions, a mobile telecoms dealer based in the South East in the early days of the introduction of personal mobile phones. He joined Astec Communications in 1989 which was subsequently taken over by Vodafone. Jeremy worked within Vodafone Corporate, dealing with mobile communications for some of its largest corporate accounts, and later, as a senior sales executive, was given responsibility for dealing with the NHS. During this time he built relationships with a number of NHS trusts, including ambulance services and the Department of Health. He developed these accounts from being purely users of voice communications to mobile data, introducing a number of Blackberry-based and other mobile data solutions. He joined Crimson Tide in 2004 to head the Company's sales effort.

## Rowley Stuart Ager

**(aged 61, Non-Executive Director)**

Rowley is a qualified accountant who has spent all of his working life in industry and commerce. In 1972 he joined BAT Industries Group where he held a number of finance roles. In 1986, Rowley joined Tesco PLC becoming Company Secretary from 1990 to 2004 and was a member of the Tesco PLC board from 1992 to 2004. Rowley was Chairman of Tesco Personal Finance, a joint venture with RBS Group plc, from its formation in 1995 until he retired in 2004. He is currently chairman of Tesco Pension Trustees Ltd.

Rowley is chairman of the Audit Committee.

## Graham Basil Ashley

**(aged 59, Non-Executive Director)**

Graham has over 40 years' experience in stockbroking and corporate finance and was a founding director and shareholder of stockbrokers Greig Middleton Holdings Limited. After the merger of Greig Middleton with Gerrard Limited, he became a director of Gerrard Limited and following its acquisition by Old Mutual Securities Limited ("OMS"), a Corporate Finance director of OMS (which subsequently became Arbuthnot Securities Limited). Graham has advised on acquisitions and disposals and fund-raisings across a wide range of sectors and industries.

Graham is currently Chief Executive Officer of IAF Securities Limited, a stockbroking firm which is a division of IAF Group plc, quoted on AIM, and became a Non-Executive Director of Crimson Tide Limited in April 2004. Graham was appointed as a Director of A. Cohen & Co. Plc on 20 October 2004 and was Chairman from February 2005 until the reverse acquisition of Crimson Tide Limited in August 2006.

Graham is chairman of the Remuneration Committee.

# DIRECTORS' REPORT

14 months ended 31 December 2006

The Directors present their report and the audited financial statements of the Group for the fourteen months ended 31 December 2006.

## Principal Activities and Review of the Business

The principal activity of the Group during the period was the provision of mobile data solutions and related activities.

The principal activity of the Company is to provide management and support to other Group companies.

A review of the year and future developments are given in the Operating And Financial Review.

## Results and Dividends

The trading results for the fourteen months and the Group's financial position at the end of the financial period are shown in the attached financial statements.

The statements have been prepared under International Financial Reporting Standards ("IFRS").

Turnover for the 14 months to 31 December 2006 was £1,105,729 (year for 31 October 2005: £686,911) and the total loss for the period before taxation was £296,863 (year to 31 October 2005: £161,793).

The Directors do not recommend payment of a final dividend.

## Directors

The following Directors have held office during the year:

| Name | Position | Appointed / Resigned |
|---|---|---|
| B. R. J. Whipp | Executive Chairman | Appointed 21 August 2006 |
| S. K. Goodwin | Chief Executive | Appointed 21 August 2006 |
| J. W. F. Roth | Sales Director | Appointed 21 August 2006 |
| G. B. Ashley | Non-Executive Director | |
| R. S. Ager | Non-Executive Director | Appointed 21 August 2006 |
| J. S. Ferguson | Non-Executive Director | Resigned 21 August 2006 |
| R. J. Sincock | Non-Executive Director | Resigned 21 August 2006 |

## Directors' Interests in Shares

Directors' interests in the share capital of the Company, including family and pension scheme interests, were as follows:

| | Ordinary shares | |
|---|---|---|
| | **£0.01 each** | £0.01 each |
| | **31 December 2006** | 31 December 2005 |
| B. R. J. Whipp | **115,610,132** | — |
| S. K. Goodwin* | **25,611,484** | — |
| J. W. F. Roth | **30,131,159** | — |
| G. B. Ashley | **16,000,000** | — |
| R. S. Ager | **5,000,000** | — |
| J. S. Ferguson | **—** | 48,162 |
| R. J. Sincock | **—** | 50,000 |

* Mr Goodwin also had an interest as a trustee in 1,650,000 Ordinary Shares of £0.01 each as at 31 December 2006.

## Directors' Interests in Warrants

The interests of Directors in Warrants as at 31 December 2006 were as follows:

| | Warrants | |
|---|---|---|
| | **31 December 2006** | 31 December 2005 |
| G. B. Ashley | **1,309,718** | — |
| R. S. Ager | **1,043,750** | — |

## Significant shareholdings

As at 30 March 2007 the shareholders' register showed that the following shareholders had interests in 3% or more of the share capital of the Company:

| **Shareholder** | **Ordinary shares currently held as at 30 March 2007** | **Percentage of issued share capital** |
|---|---|---|
| B. R. J. Whipp | 115,610,132 | 41.30% |
| J. W. F. Roth | 30,131,159 | 10.76% |
| S. K. Goodwin | 25,611,484 | 9.15% |
| W. H. Ireland Limited | 19,533,183 | 6.98% |
| G. B. Ashley | 16,000,000 | 5.72% |

## Financial Risk Management

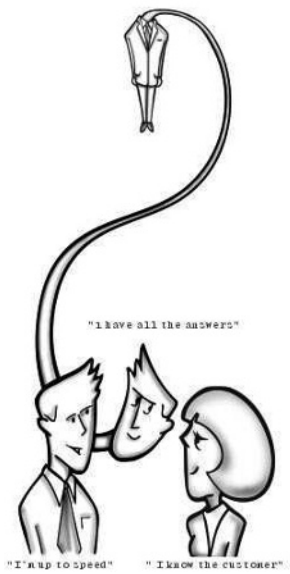
The Company's exposure to financial risk is set out in note 18 to the accounts.

## Policy on Payments to Suppliers

It is the policy of the Company in respect of all its suppliers, where reasonably practicable, to settle the terms of payment with those suppliers when agreeing the terms of each transaction, to ensure that those suppliers are made aware of the terms of payment, and to abide by those terms.

## Health, Safety and the Environment

Crimson Tide operates responsibly with regard to its shareholders, employees, other stakeholders, the environment and the wider community. The Group and Company are committed to the well-being of all employees and ensure that their health, safety and general welfare is paramount at all times. We also maintain open and fair relationships with all clients and suppliers while ensuring that all transactions are operated on an arm's length, commercial basis.



## Political and Charitable Contributions

No political or charitable donations were made during the period.

## Statement of Directors' Responsibilities

Company law requires the Directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the Directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985 and Article 4 of the IAS regulation. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

## Disclosure of information to the auditors

In the case of each of the persons who were Directors of the Company at the date when this report was approved:

- so far as each of the Directors is aware, there is no relevant audit information (as defined in the Companies Act 1985) of which the Company's auditors are unaware; and
- each of the directors has taken all the steps that he/she ought to have taken as a director to make himself/herself aware of any relevant audit information (as defined) and to establish that the Company's auditors are aware of that information.

## Independent Auditors

On 1 May 2006, the practice of AGN Shipleys tranferred its business to Shipleys LLP, a limited liability partnership incorporated under the Limited Liability Partnership Act 2000. The Company's consent has been given to treating the appointment of AGN Shipleys as extending to Shipleys LLP with effect from 1 May 2006 under the provisions of Section 26(5) Companies Act 1989. Shipleys LLP has indicated its willingness to remain in office and a resolution to reappoint them as auditors will be proposed at the Annual General Meeting.

Signed by order of the Board

**Stephen Goodwin**
Company Secretary
17 April 2007

# CORPORATE GOVERNANCE REPORT

14 months ended 31 December 2006

The requirements of the combined code of principles of corporate governance set out in the listing rules of the Financial Services Authority are not mandatory for companies traded on AIM. However, the Directors are committed to complying with best practice in this area, and have adopted its principles where they have been considered appropriate.

## Shareholder communication

The Group seeks to ensure that all shareholders are kept informed about the Group and its activities. A comprehensive annual report and accounts is sent to shareholders and an interim report is published.

The Annual General Meeting is a forum for shareholders' participation with the opportunity to meet and question Board members including the non-executive members and the Chairmen of the Board committees.

Additionally, the Group operates an investors section on its website to provide further details of the Group's activities.

## Board of Directors and Board Committees

The Board of Directors, which consists of three Executive and two Non-Executive Directors, is responsible for the Group's system of corporate governance. The role of the Non-Executive Directors is to bring independent judgement to Board discussions and decisions.

The Board meets regularly throughout the year. It has a schedule of matters referred to it for decision, which includes Group strategy and future developments, allocation of financial resources, investments, annual and interim results, and risk management.

The Group has two Board committees, which operate within defined terms of reference.

## Audit Committee

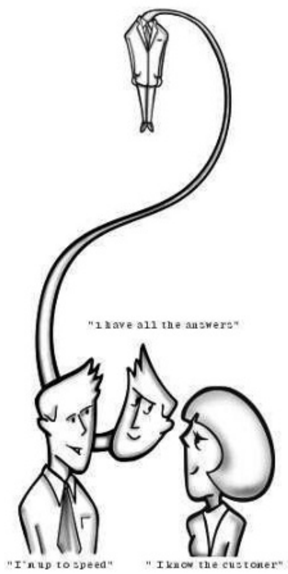
The Audit Committee, comprising Mr Ager (Chairman), Mr. Whipp and Mr Goodwin, is responsible for reviewing the full and half year results. In addition, the Audit Committee monitors the framework of internal control.

## Remuneration Committee

The Remuneration Committee, comprising Mr Ashley (Chairman), Mr Whipp and Mr Goodwin, reviews the remuneration of the Executive Directors and any senior executive of the Group and considers the grant of options and payment of performance related bonuses.

## Internal Control

The Directors are responsible for ensuring that the Group maintains a system of internal control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control. On the basis that such a system can only provide reasonable but not absolute assurance against material misstatement or loss and that it relates only to the needs of the business at the time, the system as a whole was found by the Directors at the time of approving the accounts to be generally appropriate to the size of the business.



## Going Concern

After reviewing budgets and forecasts, the Directors have a reasonable expectation that the Group and Company have adequate resources to continue as an operational business for the foreseeable future. The financial statements have therefore been prepared on a going concern basis.

## Employment Policy

The Board places considerable value on the involvement of its employees and has effective arrangements for communicating the Group's results and significant business issues to them.

The Directors recognise that continued and sustained improvement of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. Furthermore, the Directors believe that the Group's ability to sustain the competitive advantage in the long term depends on ensuring that all employees contribute to the maximum of their potential. The Group is committed to improving the performance of all its employees through appropriate development and training.

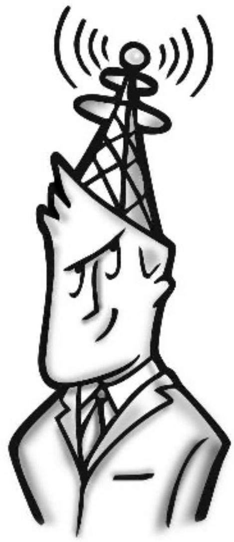
Share ownership is at the heart of the Group's remuneration philosophy and the Directors believe that the key to the Group's future success lies in a motivated workforce holding a stake in the Group. For this reason the Board implemented an Enterprise Management Incentive share option scheme in February 2007 which is available to all Group employees subject to meeting certain qualifying rules.

The Group is an equal opportunity employer. Entry into and progression within the Group is solely determined on the basis of work criteria and individual merit.

The Group gives full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate.

## Corporate Responsibility

Crimson Tide plc operates responsibly with regard to its shareholders, employees, other stakeholders, the environment and the wider community. The Group is committed to the well-being of all employees and ensures that their health, safety and general welfare is paramount at all times. We also maintain open and fair relationships with all clients and suppliers while ensuring that all transactions are operated on an arm's length, commercial basis. As part of this culture, the Group ensures that all suppliers are paid in a timely fashion, unless there are sound commercial reasons why payment should not be made.



# REPORT OF THE REMUNERATION COMMITTEE

14 months ended 31 December 2006

The Remuneration Committee was established in August 2006 following the reverse acquisition of Crimson Tide Limited to determine the Group's future policy on executive remuneration and to consider and approve the remuneration packages for the Directors, subject to ratification by the Board. The Committee did not meet in the period to December 2006.

The Group's current and ongoing remuneration policy aims to ensure executive directors and senior executives are fairly rewarded for their individual contributions to the Group's overall performance and is designed to retain and motivate executives of the right calibre and experience. The Committee is responsible for recommendations on all elements of directors' remuneration including basic salary, annual bonus, share options and any other incentive awards.

The Committee determines the Group's policy on executive directors' remuneration with reference to comparable companies and the achievement of the Group's strategic objectives. In designing and reviewing schemes for performance related remuneration, the Committee gives full consideration to the provisions of Schedule A to the Combined Code.

The Board determines the Company's policy on Non-Executive Directors' fees and will set fees with reference to the individual director's role, and the Company's market capitalisation and business sector.

On behalf of the Board

Graham Ashley
Chairman — Remuneration Committee
17 April 2007

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF CRIMSON TIDE plc

We have audited the Group and Parent Company (the "Company") financial statements (the "financial statements") of Crimson Tide plc for the period ended 31 December 2006 which comprise the Group Income Statement, the Group and Parent Company Balance Sheets, the Group and Parent Company Statements of Cash Flows, the Group and Parent Company Statements of Changes in Equity and the related notes.
These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and International Financial Reporting Standards ("IFRS") as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985 and whether, in addition, the Group financial statements have been properly prepared in accordance with Article 4 of the IAS regulation.

We also report to you whether, in our opinion, the information given in the Directors' Report is not consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Operating and Financial Review that is cross-referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. The other information comprises only the Chairman's Statement, the Operating and Financial Review, the Directors' Report, the Corporate Governance Report and the Report of the Remuneration Committee. We 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.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the Group financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of the Group's loss for the period then ended;
- the Parent Company financial statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2006;
- the financial statements have been properly prepared in accordance with the Companies Act 1985 and, as regards the Group financial statements, Article 4 of the IAS Regulation; and
- the information contained in the Directors' Report is consistent with the financial statements.

**Shipleys LLP**
Chartered Accountants
Registered Auditors
27 April 2007

10 Orange Street
London
WC2H 7DQ

# CONSOLIDATED INCOME STATEMENT

for the 14 months ended 31 December 2006

| | Notes | 14 months ended 31 December 2006 £ | Year ended 31 October 2005 £ |
|---|---|---|---|
| **Revenue** | | **1,105,729** | 686,911 |
| Cost of sales | | **(524,341)** | (257,232) |
| **Gross profit** | | **581,388** | 429,679 |
| Total operating expenses | | **(876,322)** | (585,247) |
| **Loss from operations** | 2 | **(294,934)** | (155,568) |
| Interest income | 3 | **6,340** | 2,183 |
| Interest payable and similar charges | 3 | **(8,269)** | (8,408) |
| **Loss before taxation** | | **(296,863)** | (161,793) |
| Tax on loss on ordinary activities | 5 | **—** | — |
| **Loss for the period attributable to equity holders of parent** | | **(296,863)** | (161,793) |
| **Loss per share** | | | |
| Basic and diluted loss per ordinary share | 6 | **(0.13p)** | (0.08p) |

# CONSOLIDATED BALANCE SHEET

as at 31 December 2006

| | Notes | **As at 31 December 2006 £** | As at 31 October 2005 £ |
|---|---|---|---|
| **Assets** | | | |
| Intangible assets | 7 | **731,900** | 296,025 |
| Equipment, fixtures and fittings | 8 | **24,455** | 24,143 |
| **Total non-current assets** | | **756,355** | 320,168 |
| Inventories | | **28,303** | 11,400 |
| Trade and other receivables | 10 | **413,866** | 178,186 |
| Cash and cash equivalents | 11 | **394,087** | 86,276 |
| **Total current assets** | | **836,256** | 275,862 |
| **Total assets** | | **1,592,611** | 596,030 |
| **Equity and liabilities** | | | |
| Share capital | 12 | **5,679,344** | 3,032,097 |
| Capital redemption reserve | 13 | **49,000** | 49,000 |
| Share premium | 13 | **915,467** | 2,000 |
| Other reserves | 13 | **457,266** | 386,000 |
| Reverse acquisition reserve | 13 | **(5,244,181)** | (2,460,298) |
| Retained earnings | 13 | **(1,162,844)** | (865,981) |
| **Total equity** | | **694,052** | 142,818 |
| **Creditors** | | | |
| Amounts falling due within one year | 14 | **762,559** | 404,411 |
| **Creditors** | | | |
| Amounts falling due after more than one year | 15 | **136,000** | 48,801 |
| **Total liabilities** | | **898,559** | 453,212 |
| **Total equity and liabilities** | | **1,592,611** | 596,030 |

The financial statements were approved by the Board of Directors on 27 April 2007
and signed on its behalf by

B R J Whipp
Director

S K Goodwin
Director

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

as at 31 December 2006

| Group | Share capital £ | Capital redemption reserve £ | Share premium £ | Other reserves £ | Reverse acquisition reserve £ | Retained earnings £ | Total £ |
|---|---|---|---|---|---|---|---|
| Balance as at 1 November 2004 | 3,032,097 | 49,000 | 2,000 | 386,000 | (2,460,298) | (704,188) | 304,611 |
| Loss for the year | — | — | — | — | — | (161,793) | (161,793) |
| Balance as at 31 October 2005 | 3,032,097 | 49,000 | 2,000 | 386,000 | (2,460,298) | (865,981) | 142,818 |
| Loss for the period | — | — | — | — | — | (296,863) | (296,863) |
| Proceeds from new shares issued during the year | 599,752 | — | (62,932) | — | — | — | 536,820 |
| Shares issued on acquisition of IDL | 40,000 | — | 43,870 | — | — | — | 83,870 |
| IFRS 3 reverse acquisition conversion | 2,007,495 | — | 932,529 | 71,266 | (2,783,883) | — | 227,407 |
| Balance as at 31 December 2006 | 5,679,344 | 49,000 | 915,467 | 457,266 | (5,244,181) | (1,162,844) | 694,052 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

for the 14 months ended 31 December 2006

| | Notes | 14 months ended 31 December 2006 £ | Year ended 31 October 2005 £ |
|---|---|---|---|
| Loss from operations | | **(294,934)** | (155,568) |
| Adjustments for: | | | |
| Amortisation of intangibles | | **47,152** | 37,329 |
| Depreciation of equipment, fixtures and fittings | | **23,135** | 6,388 |
| Loss on sales of fixed assets | | **—** | 294 |
| **Operating cash flows before movements in working capital and provisions** | | **(224,647)** | (111,557) |
| Decrease/(Increase) in inventories | | **16,670** | (5,895) |
| Decrease/(Increase) in trade and other receivables | | **486** | (107,487) |
| (Decrease)/Increase in trade and other payables | | **(33,168)** | 98,510 |
| Cash generated from operations | | **(240,659)** | (126,429) |
| Income taxes paid | | **—** | — |
| **Net cash from/(used in) operating activities** | | **(240,659)** | (126,429) |
| **Cash flows from investing activities and servicing finance** | | | |
| Purchases of fixed assets | | **—** | (11,376) |
| Acquisition of subsidiaries | | **(467,128)** | — |
| Interest received | | **6,340** | 2,183 |
| Interest paid | | **(8,269)** | (5,692) |
| **Net cash used in investing activities** | | **(469,057)** | (14,885) |
| **Cash flows from financing activities** | | | |
| Proceeds on issues of shares | | **848,097** | — |
| Net increase/(decrease) in borrowings | | **146,916** | (208) |
| **Net cash from/(used in) financing activities** | | **995,013** | (208) |
| **Net increase in cash and cash equivalents** | | **285,297** | (141,522) |
| Net cash and cash equivalents at beginning of period | | **86,276** | 227,798 |
| Net cash and cash equivalents at end of period | | **371,573** | 86,276 |
| **Analysis of net funds** | | | |
| Cash and cash equivalents | | **394,057** | 86,276 |
| Bank overdraft | | **(22,514)** | — |
| | | **371,573** | 86,276 |
| Other borrowings due within one year | | **(71,534)** | (14,037) |
| Borrowings due after one year | | **(136,000)** | (43,061) |
| Finance leases | | **(16,251)** | (8,440) |
| Net funds | | **(147,788)** | 20,738 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

as at 31 December 2006

## A) Significant accounting policies

Crimson Tide plc ("the Company") is a company domiciled in the United Kingdom. The consolidated financial statements of the Company for the period ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as "the Group").

## B) Statement of compliance

The consolidated financial statements of Crimson Tide plc have been prepared in accordance with applicable law and International Financial Reporting Standards incorporating International Accounting Standards and Interpretations (collectively "IFRS") as endorsed by the European Union.

The Group has adopted IFRS for the first time for the current financial period, having previously prepared its financial statements in accordance with UK Generally Accepted Accounting Practice (UK GAAP). There have been no significant adjustments required as a result of the conversion.

## C) Basis of preparation

The Financial Statements have been prepared on the historical cost basis except for certain assets and liabilities which have been measured at fair value. The financial statements are presented in UK sterling.

Non-current assets are stated at the lower of carrying amount and fair value less costs to sell.

The preparation of financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results ultimately may differ from those estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in a period of the revision and future periods if the revision affects both current and future periods.

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and in preparing an opening IFRS balance sheet at 1 November 2004 for the purposes of the transition to IFRS.

The accounting policies have been applied consistently by Group entities.

## D) Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

## E) Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and all of its subsidiaries.

On an acquisition, fair values are attributed to the Group's share of net assets. Where the cost of acquisition exceeds the values attributable to such net assets, the difference is treated as purchased goodwill, which is capitalised and subjected to annual impairment reviews. The results of acquired companies are brought in from the date of their acquisition.

On 21 August 2006, A. Cohen & Co. plc (now renamed Crimson Tide plc) became the legal parent of Crimson Tide Limited (now renamed Crimson Tide mPro Limited) in a share-for-share exchange. In accordance with IFRS 3 'Business combinations', this transaction has been accounted for as a reverse acquisition, such that in substance, Crimson Tide mPro Limited has acquired A. Cohen & Co. plc. Accordingly, the comparative information for Crimson Tide mPro Limited and its subsidiary companies has been presented for the year ended 31 October 2005 and these financial statements present a continuation of the business of Crimson Tide mPro Limited as the legal subsidiary.

## F) Foreign currency transactions and translation

Foreign currency transactions by Group companies are booked in their functional currencies at the exchange rate ruling on the date of transaction. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Gains and losses arising on retranslation are included profit or loss for the period and are classified as either operating or financing depending on the nature of the monetary item giving rise to them.

On consolidation, the assets and liabilities of the Group's overseas operations are translated into the presentation currency of the Group at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period where these approximate the rates at the dates of transactions. Exchange differences arising, if any, are classified within equity and transferred to the Group's currency translation reserve. Exchange differences on foreign currency loans that form part of the Group's net investment in these foreign operations are offset in the currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets of the foreign entity and translated at the closing date.

## G) Equipment, fixtures and fittings

**i. Owned assets**

Items of equipment, fixtures and fittings are stated at historic cost less accumulated depreciation with different useful lives (see below).

**ii. Leased assets**

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Assets acquired in terms of finance leases are capitalised at their fair value at inception of the lease, and depreciated over the estimated useful life of the asset. The capital element of future obligations under the leases in included as a liability in the balance sheet.

**iii. Depreciation**

Depreciation is charged to the income statement over the estimated useful lives of each part of an item of equipment, fixtures and fittings. The depreciation rates are as follows:

| | |
|---|---|
| Office equipment | 20% on cost on a straight-line basis |
| Computer equipment | 20% on cost on a straight-line basis |
| Fixtures and fittings | 25% on a reducing balance basis |
| Motor Vehicles | 20% on cost on a straight-line basis |

## H) Intangible assets

### i. Development Expenditure

Direct costs of developing software for commercial resale are capitalised and amortised over the expected useful life of the product, which is currently estimated at 10 years. Amortisation commences when revenues from the product begin to be received. The carrying value of development costs is reassessed annually.

### ii. Goodwill

Goodwill represents the excess of the fair value of the consideration given for investments in subsidiary undertakings over the fair value of the underlying assets at the date of their acquisition. The carrying value of goodwill is reassessed annually.

## I) Impairment

The carrying amounts of the Group's assets are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of its net selling price and its value in use. For intangible assets that are not yet available for use, goodwill or intangible assets with an indefinite useful life, an impairment test is performed at each balance sheet date.

In assessing value in use, the expected future cash flows from the asset 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.
An impairment loss is recognised in the income statement whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a change in the estimates used to determine the recoverable amount, but not to an amount higher than the carrying amount that would have been determined (net of depreciation) had no impairment loss been recognised in prior years. For goodwill, a recognised impairment loss is not reversed.

## J) Turnover and revenue recognition

The turnover shown in the profit and loss account represents amounts receivable for services provided to customers, exclusive of Value Added Tax. Support and maintenance income is credited to turnover in equal monthly instalments over the period of the support and maintenance agreement.

## K) Expenses

### i. Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

### ii. Finance lease payments

The capital element of finance lease repayments is treated as a reduction in the balance sheet liability and the interest element is charged to the profit and loss account on a "sum of digits" basis.

## L) Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the Company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantially enacted by the balance sheet date.

## M) Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of the financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited to equity.

## 1. Segmental reporting

An analysis of turnover, operating profit/(loss) and net assets by geographical destination market is given below:

| | **Turnover** | | **Operating profit/(loss)** | | **Net assets** | |
|---|---|---|---|---|---|---|
| | **14 months ended 31 December 2006** | Year ended 31 October 2005 | **14 months ended 31 December 2006** | Year ended 31 October 2005 | **14 months ended 31 December 2006** | Year ended 31 October 2005 |
| | **£** | £ | **£** | £ | **£** | £ |
| UK | **1,066,894** | 686,911 | **(305,012)** | (155,568) | **661,150** | 142,818 |
| Ireland | **38,835** | — | **10,078** | — | **27,902** | — |
| | **1,105,729** | 686,911 | **(294,934)** | ( 155,568) | **694,052** | 142,818 |

## 2. Loss from operations

| | 14 months ended 31 December 2006 £ | Year ended 31 October 2005 £ |
|---|---|---|
| This has been arrived at after charging: | | |
| Amortisation of intangible assets | **47,152** | 37,329 |
| Depreciation on equipment, fixtures and fittings, motor vehicles | **11,935** | 6,388 |
| Operating lease costs | **36,674** | 53,854 |
| Auditors' remuneration for: | | |
| — audit services | **10,000** | 4,735 |
| — other services; | | |
| The auditing of accounts of associates of the | | |
| Company pursuant to legislation | **4,500** | — |
| Other services supplied pursuant to such legislation | **20,000** | — |
| Services relating to corporate finance transactions | **8,500** | — |

## 3. Finance income and costs

| | 14 months ended 31 December 2006 £ | Year ended 31 October 2005 £ |
|---|---|---|
| Bank interest payable | **4,367** | 4,783 |
| Other loan interest | **2,316** | 2,716 |
| Finance lease interest | **1,586** | 909 |
| Interest received on bank deposits | **(6,340)** | (2,183) |
| Net finance cost | **1,929** | 6,225 |

## 4. Employees

Staff costs (including executive directors) were as follows:

| | 14 months ended 31 December 2006 £ | Year ended 31 October 2005 £ |
|---|---|---|
| Wages and salaries | **437,762** | 296,696 |
| Compulsory social security contributions | **46,987** | 32,866 |
| Personnel expenses | **484,749** | 329,562 |

The following amounts are included above in relation to executive directors:

| | 14 months ended 31 December 2006 £ | Year ended 31 October 2005 £ |
|---|---|---|
| Wages and salaries | **206,764** | 144,160 |
| Compulsory social security contributions | **24,021** | 14,666 |
| Personnel expenses | **230,785** | 158,826 |

Average monthly staff numbers in the period were as follows:

| | 14 months ended 31 December 2006 | Year ended 31 October 2005 |
|---|---|---|
| Sales and marketing | **3** | 4 |
| Technical | **5** | 4 |
| Management, finance and administration | **4** | 3 |
| | **12** | 11 |

## 5. Taxation

No tax charge has been incorporated into the consolidated accounts for the periods ended 31 December 2006 or 31 October 2005 due to the availability of tax losses.

| | **14 months ended 31 December 2006 £** | Year ended 31 October 2005 £ |
|---|---|---|
| Loss on ordinary activities before tax | (296,863) | (161,483) |
| Loss on ordinary activities by rate of tax | (89,059) | (48,445) |
| Expenses not deductible for taxation purposes | 10,583 | 12,519 |
| Capital allowances in excess of depreciation | 811 | (1,669) |
| Carried forward taxable losses | 77,665 | 41,904 |
| Utilisation of brought forward taxable losses | — | (4,309) |
| Loss on ordinary activities before tax | — | — |

**Deferred tax asset**

The Group has an unprovided deferred tax asset relating to carried forward taxable losses of approximately £600,000 (2005: £545,000). This asset has not been recognised in the accounts due to uncertainty of the timing of future taxable profits against which it can be utilised.

## 6. Loss per share

The calculation of basic loss per share is based on the loss attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the period.

The calculation of diluted loss per share is based on loss per share attributable to ordinary shareholders and the weighted average number of ordinary shares that would be in issue, assuming conversion of all dilutive potential ordinary shares into ordinary shares.

Reconciliations of the loss and weighted average number of shares used in the calculations are set out below:

| | **14 months ended 31 December 2006** | Year ended 31 October 2005 |
|---|---|---|
| Basic loss per share | | |
| Reported loss (£) | **(296,863)** | (161,793) |
| Reported loss per share (pence) | **(0.13)** | (0.08) |

| | **14 months ended 31 December 2006** | Year ended 31 October 2005 |
|---|---|---|
| Weighted average number of ordinary shares: | | |
| Shares issued for Crimson Tide mPro Limited | **200,759,180** | 200,759,180 |
| Effect of Crimson Tide plc shares post-reverse acquisition | **23,105,112** | — |
| Effect of shares issued in acquisition of Crimson Tide (IE) Limited | **225,352** | — |
| Weighted average number of ordinary shares | **224,089,644** | 200,759,180 |

Due to the Group's loss for the period, the diluted loss per share is the same as the basic loss per share.

## 7. Intangible assets

| Group | Goodwill £ | Group development expenditure £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 November 2005 | 308,178 | 71,564 | 379,742 |
| Additions | 483,027 | — | 483,027 |
| At 31 December 2006 | 791,205 | 71,564 | 862,769 |
| **Impairment and amortisation** | | | |
| At 1 November 2005 | (61,636) | (22,081) | (83,717) |
| Charge for 14 months | (35,954) | (11,198) | (47,152) |
| At 31 December 2006 | (97,590) | (33,279) | (130,869) |
| **Carrying amount** | | | |
| At 31 December 2006 | 693,615 | 38,285 | 731,900 |
| At 31 October 2005 | 246,542 | 49,483 | 296,025 |

## 8. Equipment, fixtures and fittings

| Group | Office and computer equipment £ | Fixtures and fittings £ | Motor Vehicles £ | Total £ |
|---|---|---|---|---|
| **Cost** | | | | |
| At 1 November 2005 | 54,376 | 24,968 | — | 79,344 |
| Additions | — | 3,878 | 8,369 | 12,247 |
| Disposals | (24,963) | (16,870) | — | (41,833) |
| At 31 December 2006 | 29,413 | 11,976 | 8,369 | 49,758 |
| **Depreciation** | | | | |
| At 1 November 2005 | 36,656 | 18,545 | — | 55,201 |
| Charge for 14 months | 6,883 | 4,591 | 461 | 11,935 |
| Disposals | (24,963) | (16,870) | — | (41,833) |
| At 31 December 2006 | 18,576 | 6,266 | 461 | 25,303 |
| **Carrying amount** | | | | |
| At 31 December 2006 | 10,837 | 5,710 | 7,908 | 24,455 |
| At 31 October 2005 | 17,720 | 6,423 | — | 24,143 |

Included within the net book value of £24,455 is £13,839 (2005: £8,243) relating to assets held under finance lease agreements. The depreciation charge to the financial statements in the year in respect of such assets amounted to £2,477 (2005: £1,639).

## 8. Equipment, fixtures and fittings (continued)

| Company | Fixtures and fittings £ | Total £ |
|---|---|---|
| **Cost** | | |
| At 1 January 2006 | 17,000 | 17,000 |
| Additions | — | |
| **Disposals** | — | — |
| At 31 December 2006 | 17,000 | 17,000 |
| Depreciation | | |
| At 1 January 2006 | 17,000 | 17,000 |
| Charge for year | — | — |
| Disposals | — | — |
| At 31 December 2006 | 17,000 | 17,000 |
| **Carrying amount** | | |
| At 31 December 2006 | — | — |
| At 31 December 2005 | — | — |

## 9. Investments

**Company**

The Company is the holding company of the Group. The following table shows details of the Company's subsidiary undertakings at 31 December 2006. Each of these companies is wholly owned by Crimson Tide plc, the issued share capital of each is fully paid and each is included in the consolidated accounts of the Group:

| Name of company | Activity | Country of incorporation or registration and operation |
|---|---|---|
| **Owned directly by Crimson Tide plc** | | |
| Crimson Tide mPro Limited | Mobile data solutions | England and Wales |
| A. Cohen & Co. (GB) Limited | Non-trading | England and Wales |
| Crimson Tide (IE) Limited | Software | Ireland |
| A.Cohen (Aust) Pty Limited | Non-trading | Victoria, Australia |
| Comexim International Limited | Non-trading | England and Wales |
| **Owned by Crimson Tide mPro Limited** | | |
| Moneymotive Limited | Non-trading | England and Wales |
| Mobile Professional plc | Non-trading | England and Wales |
| A. Cohen & Co. Limited | Non-trading | England and Wales |
| **Owned by Moneymotive Limited** | | |
| Callog Limited | Telecoms | England and Wales |

## 9. Investments (continued)

| Company | Shares in subsidiary undertakings £ | Trade investments £ | Total £ |
|---|---|---|---|
| **Cost** | | | |
| At 1 January 2006 | 1,929,000 | 386,000 | 2,315,000 |
| Additions | 3,231,388 | — | 3,231,388 |
| At 31 December 2006 | 5,160,388 | 386,000 | 5,546,388 |
| **Provisions** | | | |
| At 1 January 2006 | 1,929,000 | 336,000 | 2,265,000 |
| Impairment | — | 50,000 | 50,000 |
| At 31 December 2006 | 1,929,000 | 386,000 | 2,315,000 |
| **Carrying amount** | | | |
| At 31 December 2006 | 3,231,388 | — | 3,231,388 |
| At 31 December 2005 | — | 50,000 | 50,000 |

## 10. Trade and other receivables

| Group | **As at 31 December 2006 £** | As at 31 October 2005 £ |
|---|---|---|
| Trade receivables | **314,929** | 127,680 |
| Other receivables | **8,932** | — |
| Prepayments and accrued income | **90,005** | 50,506 |
| | **413,866** | 178,186 |

| Company | **As at 31 December 2006 £** | As at 31 December 2005 £ |
|---|---|---|
| Amounts recoverable from Group undertakings | **153,638** | — |
| Other receivables | **38,312** | — |
| Prepayments and accrued income | **7,170** | 12,000 |
| | **199,120** | 12,000 |

## 11. Cash and cash equivalents

Cash and cash equivalents comprise cash and short-term deposits held by Group companies. The carrying amount of these assets approximates their fair value.

## 12. Share capital

| | **As at 31 December 2006 £** | As at 31 October 2005 £ |
|---|---|---|
| **Authorised** | | |
| Ordinary shares: 411,950,842 shares of 1p each (2005: 100,000,000 shares of 1p each) | **4,119,508** | 1,000,000 |
| Deferred shares: 15,160,482 shares of 19p each | **2,880,492** | — |
| | **7,000,000** | 1,000,000 |
| **Issued, called up and fully paid** | | |
| Ordinary shares: 279,885,200 shares of 1p each (2005: 15,160,482 shares of 1p each) | **2,798,852** | 151,605 |
| Deferred shares: 15,160,482 shares of 19p each | **2,880,492** | 2,880,492 |
| | **5,679,344** | 3,032,097 |

On 22 August 2006 the Company issued 200,759,180 shares at 1.5p each as consideration for the reverse acquisition of Crimson Tide Limited and 59,975,227 shares placed at 1.5p on admission to AIM.

On 7 December 2006 the Company issued 4,000,000 shares at 2.5p each as consideration for the acquisition of Intelligent Data Limited.

**Warrants**

On admission to AIM, the Company issued an aggregate of 22,574,048 warrants to shareholders on the basis of 1 warrant for every 2 ordinary shares held and to placees on the basis of 1 warrant for every 4 ordinary shares suscribed for.

Total warrants existing at 31 December 2006 over 1p ordinary shares in the Company are summarised below:

| **Date of Grant** | **Exercise Price** | **Expiry Date** | **Number** | **Exercised in period** | **Number outstanding at 31 December 2006** |
|---|---|---|---|---|---|
| 22 August 2006 | 1.5p | 22 August 2009 | 22,574,048 | 4,224 | **22,569,824** |

The fair value of warrants issued during the year was estimated using the Black-Scholes pricing model with the following significant assumptions:

| | |
|---|---|
| Expected life (years) | 3 |
| Risk-free interest rate | 5% |
| Volatility | 20% |

A transfer of £71,266 has been made from share premium account to other equity reserves to reflect the costs of the warrants issued as part of the placing.

## 13. Reserves

| Group | Capital redemption reserve £ | Share premium £ | Other Reserves £ | Reverse acquisition reserve £ | Retained earnings £ |
|---|---|---|---|---|---|
| As at 1 November 2004 | 49,000 | 2,000 | 386,000 | (2,460,298) | (704,188) |
| Total recognised income and expense | — | — | — | — | (161,793) |
| As at 31 October 2005 | 49,000 | 2,000 | 386,000 | (2,460,298) | (865,981) |
| | | | | | |
| IFRS 3 reverse acquisition conversion | — | 932,529 | 71,266 | (2,783,883) | — |
| Premium on shares issued on acquisition of IDL | — | 43,870 | — | — | — |
| Expenses incurred from new shares issued in year | — | (62,932) | — | — | — |
| Total recognised income and expense | — | — | — | — | (296,863) |
| As at 31 December 2006 | 49,000 | 915,467 | 457,266 | (5,244,181) | (1,162,844) |

| Company | Capital redemption reserve £ | Share premium £ | Other Reserves £ | Retained earnings £ |
|---|---|---|---|---|
| As at 1 January 2005 | 49,000 | 2,000 | 252,000 | (3,308,000) |
| Total recognised income and expense | | | | (124,000) |
| As at 31 December 2005 | 49,000 | 2,000 | 252,000 | (3,432,000) |
| Premium on placing shares issued | — | 299,876 | — | — |
| Premium on shares issued on acquisition of Crimson Tide Limited | — | 1,003,796 | — | — |
| Premium on shares issued on acquisition of IDL | — | 60,000 | — | — |
| Expenses incurred from new shares issued in year | — | (378,939) | — | — |
| Fair value of warrants issued with shares | — | (71,266) | 71,266 | — |
| Total recognised income and expense | — | — | — | (5,037) |
| As at 31 December 2006 | 49,000 | 915,447 | 323,266 | (3,437,037) |

## 14. Creditors: Amounts falling due within one year

| Group | As at 31 December 2006 £ | As at 31 October 2005 £ |
|---|---|---|
| Bank loans | **71,534** | 14,037 |
| Bank overdraft | **22,514** | — |
| Trade creditors | **355,369** | 97,214 |
| PAYE and social security | **18,459** | 40,016 |
| VAT | **—** | 36,810 |
| Finance lease agreements | **16,251** | 2,700 |
| Directors' current account | **19,998** | 39,630 |
| Other creditors | **6,050** | 1,945 |
| Accruals and deferred income | **252,384** | 172,059 |
| | **762,559** | 404,411 |

| Company | As at 31 December 2006 £ | As at 31 December 2005 £ |
|---|---|---|
| Bank loans | **34,000** | — |
| Trade creditors | **39,038** | 46,000 |
| Amounts owed to Group undertakings | **12,511** | 4,000 |
| Other creditors and accruals | **34,210** | 32,000 |
| | **119,759** | 82,000 |

## 15. Creditors: Amounts falling due after more than one year

| Group | As at 31 December 2006 £ | As at 31 October 2005 £ |
|---|---|---|
| Bank loans | **136,000** | 43,061 |
| Finance lease agreements | **—** | 5,740 |
| | **136,000** | 48,801 |

| Company | As at 31 December 2006 £ | As at 31 December 2005 £ |
|---|---|---|
| Bank loans | **136,000** | — |
| | **136,000** | — |

**Maturity of debt**

| Group | As at 31 December 2006 £ | As at 31 October 2005 £ |
|---|---|---|
| The bank debt and finance leases are repayable as follows: | | |
| Within one year | **110,299** | 16,737 |
| Between one and two years | **34,000** | 43,061 |
| Between two and five years | **102,000** | — |
| | **246,299** | 59,798 |

| Company | As at 31 December 2006 £ | As at 31 December 2005 £ |
|---|---|---|
| The bank debt and finance leases are repayable as follows: | | |
| Within one year | **—** | — |
| Between one and two years | **34,000** | — |
| Between two and five years | **102,000** | — |
| | **136,000** | — |

## 16. Provisions

| Company | Onerous Lease Costs £ |
|---|---|
| At 1 January 2005 | 82,000 |
| Credit to profit and loss account during the year | (82,000) |
| | — |

Lease costs relating to surplus premises were settled during the year allowing the provision to be written back.

## 17. Operating lease commitments

At the period end, annual commitments under non-cancellable operating leases were:

| Group | **As at 31 December 2006 £** | As at 31 October 2005 £ |
|---|---|---|
| Operating leases which expire: | | |
| Within 1 year | **495** | 8,983 |
| Within 2 – 5 years | **38,698** | 31,021 |
| | **39,193** | 40,004 |

## 18. Financial Risk Management

The Group uses a limited number of financial instruments, comprising cash, short-term deposits, bank loans and overdrafts and various items such as trade receivables and payables, which arise directly from operations. The Group does not trade in financial instruments.

**Financial risk factors**

Exposure to currency, credit and interest rate risk arise in the normal course of the Group's business. The Directors review and agree policies for managing each of these risks to minimise potential adverse effects on the Group's financial performance.

**a) Foreign currency risk**

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the UK pound and the euro. At the end of the year the Group held £27,013 of monetary assets in euros. Foreign exchange differences on retranslation of these assets and liabilities are taken to the income statement.

**b) Credit risk**

The Group has no significant concentrations of credit risk and has policies in place to ensure that sales are made to customers with an appropriate credit history.

**c) Liquidity risk**

Prudent liquidity risk management implies maintaining sufficient cash and available funding through an adequate amount of committed credit facilities. The Group ensures it has adequate cover through the availability of bank overdraft and loan facilities.

## 19. Related party transactions

The Company was under the control of Mr B. R. J. Whipp throughout part of the current and all the previous year. Mr Whipp is the Executive Chairman and largest shareholder.

Other than the Director's current account (for Mr B. R. J. Whipp), no transactions with related parties were undertaken such as are required to be disclosed under International Accounting Standard 24.

## 20. Profit of the Parent Company

As permitted by Section 230 of the Companies Act, the profit and loss account of the parent company is not presented as part of these accounts. The parent company's loss for the financial period amounted to £5,037.

## 21. Acquisitions

On 21 August 2006, A Cohen & Co plc (now Crimson Tide plc) was acquired via a reverse acquisition. The consideration paid has been estimated from the pre-combination fair value and the issued equity of A. Cohen & Co plc.

On 7 December 2006, Intelligent Data Limited (now Crimson Tide (IE) Limited) was acquired for consideration of £120,000 in cash and 4,000,000 shares at 2.5p each.

The book values of the companies acquired were as follows:

| | Crimson Tide plc | Crimson Tide (IE) Limited |
|---|---|---|
| | £ | £ |
| Tangible Fixed Assets | — | 10,914 |
| Stock | — | 33,573 |
| Debtors | 7,000 | 236,124 |
| Cash & Cash equivalents | 3,299 | — |
| Creditors | (63,976) | (239,534) |
| Bank overdraft | — | (23,019) |
| Deferred Income | — | — |
| Net (Liabilities)/Assets | (53,677) | 18,058 |
| Goodwill | 281,085 | 201,942 |
| Consideration | 227,408 | 220,000 |
| Consideration satisfied by | | |
| Shares | 227,408 | 100,000 |
| Cash | — | 120,000 |
| | 227,408 | 220,000 |

The Directors do not consider there to be any material difference between the book values as above and the fair values of the companies acquired.

## 22. Financial Instruments

The Groups financial instruments comprise cash, borrowings and various items such as trade debtors and trade creditors, which arise directly from its operations. It is, and has been throughout the period under review, the Group's policy not to trade in financial instruments but to use loans as a means to ensure a balance between continuity of funding and flexibility.

Short terms debtors/creditors have been excluded from the following disclosures.

| Company | **14 months ended 31 December 2006 £** | Year ended 31 October 2005 £ |
|---|---|---|
| **Financial Assets** | | |
| Cash at bank and in hand | **394,087** | 86,276 |
| **Maturing** | | |
| On demand | **394,087** | 86,276 |
| **Financial Liabilities** | | |
| Bank Loans – floating rate | **230,047** | 57,098 |

An analysis of the maturity of the debt is given in note 15.

The main risk arising from the Group financial instruments is interest rate risk. The directors review and agree policies for managing these risks.

**Liquidity risk**

The group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

**Fair value**

The net fair values and carrying amounts approximate their carrying value. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and notes.

# COMPANY BALANCE SHEET

as at 31 December 2006

| | Notes | As at 31 December 2006 £ | As at 31 December 2005 £ |
|---|---|---|---|
| **Assets** | | | |
| Tangible assets | 8 | **—** | — |
| Investments | 9 | **3,231,388** | 50,000 |
| **Total non-current assets** | | **3,231,388** | 50,000 |
| Trade and other receivables | 10 | **199,120** | 12,000 |
| Cash and cash equivalents | 11 | **355,291** | 5,000 |
| **Total current assets** | | **554,411** | 17,000 |
| **Total assets** | | **3,785,799** | 67,000 |
| **Equity and liabilities** | | | |
| Issued capital | | **5,679,344** | 3,032,000 |
| Capital redemption reserve | | **49,000** | 49,000 |
| Share premium | | **915,467** | 2,000 |
| Other reserves | | **323,266** | 252,000 |
| Retained earnings | | **(3,437,037)** | (3,432,000) |
| **Total equity** | | **3,530,040** | (97,000) |
| **Creditors** | | | |
| Amounts falling due within one year | 14 | **119,759** | 82,000 |
| **Creditors** | | | |
| Amounts falling due after more than one year | 15 | **136,000** | — |
| **Provisions** | 16 | **—** | 82,000 |
| **Total liabilities** | | **255,759** | 164,000 |
| **Total equity and liabilities** | | **3,785,799** | 67,000 |

The financial statements were approved by the Board of Directors on 27 April 2007 and are signed on its behalf by

B R J Whipp
Director

S K Goodwin
Director

# COMPANY STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2006

| | Notes | Year ended 31 December 2006 £ | Year ended 31 December 2005 £ |
|---|---|---|---|
| **Loss after tax for the year being total recognised income and expense for the year** | | **(5,037)** | (124,000) |
| Issue of share capital | | **3,632,077** | — |
| **Total changes in equity** | | **3,627,040** | (124,000) |

# COMPANY STATEMENT OF CASH FLOWS

for the year ended 31 December 2006

| | Notes | Year ended 31 December 2006 £ | Year ended 31 December 2005 £ |
|---|---|---|---|
| Loss before tax | | **(5,037)** | (124,000) |
| Adjustments for: | | | |
| Impairment in valuation of investment | | **—** | 42,000 |
| Interest expense | | **—** | — |
| Interest income | | **—** | — |
| Depreciation of property, plant and equipment | | **—** | — |
| **Operating cash flows before movements in working capital and provisions** | | **(5,037)** | (82,000) |
| (Increase)/Decrease in trade and other receivables | | **(18,120)** | 12,000 |
| Increase in trade and other payables | | **3,759** | 27,000 |
| (Decrease)/Increase in provisions | | **(82,000)** | — |
| Income taxes paid | | **—** | — |
| Cash generated by working capital | | **(265,361)** | 39,000 |
| Net cash outflow from operating activities | | **(270,398)** | (43,000) |
| *Investing activities* | | | |
| Acquisition of subsidiaries | | **(120,000)** | — |
| Proceeds on sale of investments | | **50,000** | — |
| **Net cash used in investing activities** | | **(70,000)** | — |
| *Financing activities* | | | |
| Issue of shares | | **520,689** | — |
| Interest paid | | **—** | — |
| Net increase in borrowings | | **170,000** | — |
| **Net cash used in financing activities** | | **690,689** | — |
| **Net Increase/(Decrease) in cash and cash equivalents** | | **350,291** | (43,000) |
| Net cash and cash equivalents at beginning of period | | **5,000** | 48,000 |
| Net cash and cash equivalents at end of period | | **355,291** | 5,000 |
| **Analysis of net funds** | | | |
| Cash and cash equivalents | | **355,291** | 5,000 |
| Bank overdraft | | **—** | — |
| | | **355,291** | 5,000 |
| Other borrowings due within one year | | **(34,000)** | — |
| Borrowings due after one year | | **(136,000)** | — |
| Net funds | | **185,291** | 5,000 |

# NOTICE OF 2007 ANNUAL GENERAL MEETING

Notice is hereby given that the 2007 Annual General Meeting of Crimson Tide plc will be convened at IAF Securities, 117 Jermyn Street, London SW1Y 6HH on 5 June 2007 at 11:00 am to transact the following business and consider and, if thought fit, pass the following resolutions, each such resolution to be considered as an ordinary resolution or special resolution as indicated:

## Ordinary Resolutions

1 To receive the report and accounts of the Company for the period ended 31 December 2006

2 To reappoint Messrs Shipleys LLP as auditors and authorise the Directors to fix their remuneration

3 To reappoint Barrie Reginald John Whipp as a Director of the Company

4 To reappoint Stephen Keith Goodwin as a Director of the Company

5 To reappoint Jeremy Walter Frederick Roth as a Director of the Company

6 To reappoint Rowley Stuart Ager as a Director of the Company

7 To reappoint Graham Basil Ashley as a Director of the Company

## Special Resolutions

To make the following amendments to the Company's Articles of Association:

8 To amend Article 45 by the deletion of all the words following "Company" in line 3 to the end of that Article; and

9 To replace Article 151 of the Company's Articles of Association with the following:

Without prejudice to the Company's right to serve notice in writing by any other method, the Company may serve any notice required under these Articles or send or supply any other document or information to a member by making the notice, document or information available on a website and/or by sending or supplying it in electronic form (within the meaning of section 1168 Companies Act 2006).

By order of the Board

## Stephen Goodwin

Company Secretary

Registered Office
10 Orange Street
London WC2H 7DQ
30 April 2007

Notes

1 Proxies

Any member of the Company entitled to attend and vote at the above meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a member.

2 Register of Directors' share interests and contracts of service
The register of interests of Directors maintained by the Company under ss324ff of the Companies Act 1985 and all Directors' contracts of service having more than one year's unexpired term are available for inspection by members at the Company's registered office during business hours and will be available for inspection at the location of the meeting for the period commencing 15 minutes prior to the commencement of the meeting and ending at the conclusion of the meeting.

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crimson tide


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