

# Trakm8 Holdings PLC - Final Results

RNS Number:3246G  
Trakm8 Holdings PLC  
18 July 2006

Embargoed until 7am

18 July 2006

TRAKM8 HOLDINGS PLC

('Trakm8' or 'the Group')

Preliminary Results  
for the year ended 31 March 2006

## Highlights

Trakm8, one of Europe's leading aftermarket telematics vendors, today announces its preliminary results for the year ended 31 March 2006.

	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
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Turnover	5,213	2,952
Gross Profit	1,863	960
Gross Margin %	35.7%	32.5%
Operating Profit/(Loss)	239	(136)
Profit/(Loss) before taxation	219	(159)
Cash	402	117

## Key points

- \* 77% increase in turnover
- \* 94% increase in gross profit
- \* 9.8% increase in gross profit percentage to 35.7%
- \* Move into profitability at operating and net profit level
- \* 169% increase in net assets to £984,953
- \* Successful admission to AIM in November 2005
- \* Recent acquisition of Interactive Projects Ltd
- \* Agreed terms of a Mutual Co-operation Agreement with Punch Telematix

Cary Knapton, CEO of Trakm8 commented, 'The past 12 months have been very encouraging and we have seen our revenue grow substantially. Primarily, this has been due to a recognised increase in both public awareness and the acceptance of telematics technologies, together with a greater understanding of the value this innovative technology brings to business users.'

'Trakm8 is now providing its services to customers across the Globe and we have recently been recognised as the No1 telematics aftermarket vendor in Europe, by an independent research agency. Government legislation and other regulatory initiatives continue to drive the need for telematic solutions, leading us to remain confident for the future of the Group.'

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#### About Trakm8

Trakm8, based in Shaftesbury, Dorset is the leading technology provider, designer and developer of licensed GPRS based hardware and software to the vehicle tracking and security market. The Company provides its hardware and software worldwide through distributors that allows vehicles and drivers to be monitored, to allow companies to manage deliveries and services, or track stolen vehicles down to 5 metres.

#### Chairman's Statement

##### Overview

It is with great pleasure that I report the Trakm8 Holdings PLC preliminary results for the year ended 31st March 2006.

This has been a significant year that has seen us achieve admission to AIM, successfully launch three new products and report profitability for the first time. In addition we have recently announced the acquisition of Interactive Projects Limited (IPL), a telematics R&D house, in a deal which cements our long standing close working relationship. In addition the acquisition of IPL has enabled the protection of the Group's intellectual property.

##### Results

Turnover increased 77% to £5.2m (2005: £2.9m) generating a profit before tax of £218,756 (2005: loss £158,854).

##### Operations

The Group designs and develops licensed Internet based GPS (Global Positioning System) hardware and software for the vehicle telematics market. We firmly believe that our innovative business model of focusing solely on the primary activity areas within our industry will set us apart from others in the market.

Our hardware sales volumes continue to grow and we supply our products to partners around the globe. Sales of our software offerings also continue to progress well.

##### Acquisition of Interactive Projects Limited

On 26th May 2006 the Group completed the acquisition of Interactive Projects Limited (IPL) thereby securing protection for the core intellectual property used by the Group. IPL has developed a range of machine-to-machine applications based on a hardware platform currently deployed by the Group. These applications offer current and potential future revenue opportunities for the Group to exploit. IPL also has a range of Radio Frequency Identification (RFID) products in its portfolio which the Group is looking to develop and extend.

#### Agreement with Punch Telematix

On 23rd May 2006 the Group announced a Co-operation Agreement with Punch Telematix, part of Belgium conglomerate, Punch International NV. The objective of the agreement will be to seek competitive advantages within the telematics markets in the UK, US, South Africa and Europe. The Boards of Trakm8 and Punch expect to develop combined sales and marketing drive as well as initiatives to share technology and knowledge. The Board looks forward to working with Punch.

#### Outlook

Trakm8 has had a successful past 12 months and the Board believes that the outlook for the Group is excellent. We consider that our differentiated offering combined with the roll out of further services and product solutions offers our clients the functionality and flexibility they require. The Board remain focused on enhancing revenue growth, achieving greater profitability and delivering increased shareholder value. I would like to thank the Executive team and staff for their continuing hard work and dedication to the Group and the evident success this has created.

RICHARD WHITE  
CHAIRMAN

#### Chief Executive Officer's Review

##### Financial Review

Turnover for the year ended 31st March 2006 was £5.2m (31st March 2005: £2.9m), an increase of 77%. Gross profit increased by 94% to £1.86m (2005: £0.96m). Gross margins improved to 35.7% (2005: 32.5%), a 9.8% improvement. With administrative expenses of £1.63m (2005: £1.1m) the Group is pleased to announce a profit before taxation for the period of £0.22m (2005: loss of £0.16m).

Proactive cost controls enabled the 77% increase in revenues to be delivered with only a 48% increase in consequential overheads and administrative costs. A further supportive factor was the Group achieving critical mass in the markets in which it operates.

In the past year the Group enjoyed unprecedented revenue growth coupled with continuing improvement to margins.

In accordance with the policy contained within the Admission Document dated 2005, the Board has not declared a dividend in respect of the year ended 31st March 2006.

##### Operational Review

The Group has seen revenue grow substantially in 2006. This is primarily due to a recognised increase in both public awareness and acceptance of telematics technologies, together with a greater understanding of the value this innovative technology brings to business users. Organisations are now seeing the benefits of telematics technology to their operations enabling them to become more competitive and achieve incremental cost savings.

Trakm8's products are now being used in the UK as well as across Europe, Africa, Asia Pacific and the Americas. In the UK, the Group operates through its partners, including two major vehicle tracking subsidiaries of FTSE 100

companies. In other territories, especially the Americas and Asia Pacific, partner operations have shown significant growth in the period.

To date this business model has proven successful with the use of Value Added Resellers (VARs) saving the Group unnecessary set up costs and marketing expenses. Trakm8's route to market is therefore through service providers that typically focus on particular markets with their own tailored propositions and combinations of supplementary functionality. This approach has allowed Trakm8 to benefit from the partners' innovation and marketing skills to capture market share in a variety of segments in a fragmented market.

The Group's philosophy from an early stage has been that customer service is paramount and it has dedicated itself to this aim. The Directors believe that this was instrumental in the Group being recognised as the No1 European telematics aftermarket vendor by ABI Research(1), not only through the provision of top quality support to its customers but also in developing leading edge sector technology.

ABI Research's Vendor Matrix, an analytical tool developed to provide a clear understanding of vendors' positions in specific markets, assessed the Group against its peers in areas of 'innovation' and 'implementation' across several criteria. These included customer wins, contract awards, global reach, market share, patents, R&D spending, time to market, and first movers, among others.

Whilst Trakm8's hardware sales currently provide the majority of the Group's revenue the Board believes that its higher margin software offerings will account for a significantly increased proportion of future revenues. These revenues will centre on enhancements to STREAM, the Group's scalable software architecture, and will include maintenance and service provision charges. The STREAM software platform allows the Group to increase the value (margin/sales price - clarify) of each unit sold by combining one or more elements of the portfolio. At the same time this ensures that product adoption barriers are easily overcome by reducing the work required to integrate our telematics solutions in to existing business processes.

In the period the Group's products have sold well, with the proven T2002 and complementary T4 platform together providing the greater revenue. The T4, launched in May 2005, has proved a popular addition to the range of solutions provided by the Group as it provides higher sensitivity GPS, which allows greater installation flexibility. Also launched in the reporting period was the trakm8 Solo TM, a 'plug and play' telematics solution aimed at targeting both larger fleets looking for a value-based proposition and smaller enterprises looking for an entry-level tracking solution.

The T2002 and T4 can both accommodate Radio Frequency IDentity (RFID) tags that allow the location data for a driver or an asset to be associated with the vehicle for use in timesheets or logistics software applications. The acquisition of Interactive Projects Limited will facilitate a significant development of the Group's RFID technology capability and offerings.

Despite this period of exceptional performance, the Group has been mindful of increased competitive challenges developing and this coupled with the weakness of the US Dollar has produced additional price pressures that have encouraged competitive hardware products to emerge. In direct response, the Group took the decision in September 2005 to bring all final product assembly 'in-house' and the resulting savings for this financial year have amounted to £84,000 through reduced indirect costs of assembly. Further significant procurement savings for product components achieved throughout the year has also resulted in a substantial decrease in unit costs with as an example, T2002 unit production

costs being reduced by 31%. These savings have allowed pricing to remain competitive and the Group is therefore confident that these competitive challenges are, for the moment, being adequately addressed. Nevertheless, further evolution of the Trakm8 brand is considered essential to retain and improve operating margins and maintain product leadership. In this context the Directors expect to announce a significant service-led development in the next half-year results.

#### Outlook

The Group has carefully observed developments in government legislation and other regulatory initiatives; where road tolling, congestion charging, energy efficiency and Health & Safety responsibility are all rapidly becoming key factors in the expansion of the telematics market. In addition, a heightened corporate governance regime is leading to a 'Duty of Care' requirement emerging with business leaders as fundamental to successfully managing and mitigating employee related risk.

The Group remains confident that the pay-as-you-drive (PAYD) insurance market remains one of the specific applications for the Group's technology with significant potential. Trakm8's products will be able to provide greater resolution for the companies looking to roll-out this new insurance option and it expects that this is to become a material source of future revenue.

The telematics industry is seeing exciting developments and businesses are reaping the benefits of this efficiency driven technology. I am delighted to report that Trakm8 has a strong order book moving into the 2006/2007 financial year and remains well placed to capitalise on the opportunities presenting themselves in the market place.

The Group anticipates continuing growth in the telematics market driven by; potential fleet management benefits, PAYD insurance, congestion charging, road tolling, green taxes, CAT5 vehicle theft recovery, navigation and employer 'duty of care'. Trakm8 firmly believes in the convergence of these service solutions onto a single unit and due to its integrated platform approach and scaleable server facilities the Group is ideally positioned to capture an increased market share of the broadening telematics market.

The Group looks forward to the coming financial year with enthusiasm and optimism and is confident it will continue to successfully deliver its products to the market.

CARY KNAPTON  
CHIEF EXECUTIVE OFFICER

(1) Source: ABI Research UK Limited, 12 John Street, London, WC1N 2EB  
United Kingdom: Press Release 15th June 2006

#### CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31st March 2006

	Year ended 31 March 2006 £ Unaudited	Year ended 31 March 2005 £ Audited
TURNOVER	5,212,847	2,952,268

Cost of sales	(3,349,363)	(1,991,975)
Gross profit	1,863,484	960,293
Administrative expenses	(1,624,578)	(1,096,343)
OPERATING PROFIT/(LOSS)	238,906	(136,050)
Interest receivable	4,699	1,929
	243,605	(134,121)
Interest payable and similar charges	(24,849)	(24,733)
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION	218,756	(158,854)
Taxation	(43,506)	26,000
PROFIT/(LOSS) ON ORDINARY ACTIVITIES AFTER TAXATION AND RETAINED FOR THE YEAR	175,250	(132,854)
EARNINGS PER ORDINARY SHARE (PENCE) Basic	1.59	-

All results relate to continuing activities.

CONSOLIDATED BALANCE SHEET  
31 March 2006

	As at 31 March 2006 £ Unaudited	As at 31 March 2005 £ Audited
FIXED ASSETS		
Tangible assets	393,110	386,875
CURRENT ASSETS		
Stocks	398,306	142,771
Debtors	1,070,984	865,280
Cash at bank	402,454	117,226
	1,871,744	1,125,277
CREDITORS: Amounts falling due within one year	(1,026,765)	(700,836)
NET CURRENT ASSETS	844,979	424,441
TOTAL ASSETS LESS CURRENT LIABILITIES	1,238,089	811,316

CREDITORS: Amounts falling due after more than one year	(253,136)	(445,840)
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NET ASSETS	984,953	365,476
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CAPITAL AND RESERVES		
Called up share capital	110,260	12,640
Share premium	435,087	598,317
Merger reserve	509,837	-
Profit and loss account	(70,231)	(245,481)
EQUITY SHAREHOLDERS' FUNDS	984,953	365,476

CONSOLIDATED CASH FLOW STATEMENT  
for the year ended 31 March 2006

	As at 31 March 2006 £ Unaudited	As at 31 March 2005 £ Audited
NET CASH FLOW FROM OPERATING ACTIVITIES	(264,490)	(438,298)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
Interest Received	4,699	1,929
Interest Paid	(24,849)	(24,733)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENT AND SERVICING OF FINANCE	(20,150)	(22,804)
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
Purchase of tangible fixed assets	(32,215)	(26,547)
Sale of assets	-	5,493
NET CASH FLOW BEFORE FINANCING	(316,855)	(482,156)
Proceeds from the issue of shares	914,000	150,000
Expenses paid in connection with share issue	(469,773)	-
Repayment of Long term loan	(7,613)	(10,824)
New Long term loan	-	185,091
INCREASE IN CASH IN YEAR	119,759	(157,889)

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	Year ended 31 March 2006 £ Unaudited	Year ended 31 March 2005 £ Audited
Movement in cash in year/period	119,759	(157,889)
Opening net funds	106,402	264,291

CLOSING NET FUNDS

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226,161      106,402  
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NOTES TO THE FINANCIAL STATEMENTS

1. The financial information set out in this preliminary announcement does not constitute statutory accounts as defined in section 240 of the Companies Act 1985.
2. The financial information set out above does not constitute the Company's statutory accounts for the years ended 31 March 2006 or 2005. The auditors have reported on the 2005 accounts; their report was unqualified and did not contain a statement under section 237(2) or (3) of the Companies Act 1985. The statutory accounts for 2006 will be finalised on the basis of the financial information presented by the Directors in this preliminary announcement and will be delivered to the Registrar of companies following the Company's Annual General Meeting. Further copies may be obtained from Trakm8, Lydden House, Wincombe Business Park, Shaftesbury, Dorset, SP7 9QJ.
3. The financial information is prepared in accordance with the historical cost convention. The principal accounting policies of the Group are set out in the Admission Document published in November 2005 and in the maiden Interim Report published in December 2005. The policies in this preliminary announcement have remained unchanged from these documents.
4. The Group has implemented FRS 21 'Events after the Balance Sheet Date' and FRS 22 'Earnings per share'. The implementation of these new standards has no significant effect on the Group's existing disclosures.
5. Basis of Consolidation: The consolidated financial information comprises the financial information of Trakm8 Holdings PLC and its subsidiary undertaking.

In order to enable the successful flotation of the Group it was necessary to undertake a restructuring. The holding company, Trakm8 Holdings PLC, was set up to acquire all the issued share capital of Trakm8 Limited on 4th November 2006.

This restructuring qualified as a group reconstruction under FRS6 - Acquisitions and Mergers, and as such has been accounted for via merger accounting. Under merger accounting the results are reported for the Group for the year ended 31st March 2006 as if the Group had been in existence in its current form throughout the current and previous year. No purchased goodwill was created in the transaction and the assets and liabilities of Trakm8 Limited have not been adjusted to reflect their market value.

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