

# Trakm8 Holdings PLC - Proposed Acquisition

RNS Number:6404C  
Trakm8 Holdings PLC  
09 May 2006

9th May 2006

TRAKM8 HOLDINGS PLC  
("Trakm8" or "the Company")

Proposed acquisition of Interactive Projects Limited ("IPL")

The Company today announced that is in discussion with the shareholders of IPL ("Vendors") in relation to the potential acquisition of the entire issued share capital of IPL ("IPL Shares"). The proposed consideration for the IPL Shares is £100,000 cash and 446,428 Ordinary Share giving an implied value of £ 702,667.80 as at 8th May 2006, based on a Trakm8 share price of 135p on 8 May 2006, the last business day before the announcement of the proposed acquisition. The cash component shall be payable upon acceptance by the Company of the Vendors offer ("Completion") and the remainder to be satisfied by the allotment and issue of 446,428 Ordinary Shares to the Vendors on 29 November 2006 (subject to the Company withholding such number of Ordinary Shares, if any, in accordance with the terms of the proposed agreement, in satisfaction of the whole or part of any claim by the Company against the Vendors in connection with the proposed agreement).

In view of the interests of some of the Directors in IPL (details of which are set out below) the prior approval of Shareholders is required pursuant to section 320 of the Companies Act 1985 before the Company may enter into an arrangement whereby the Company acquires or is to acquire the IPL Shares.

Reasons for the proposed acquisition of IPL

IPL is a research and development company that focuses on the development of broader telematics technology and applications. Historically the Company has had a close relationship with IPL. The first Trakm8 branded product, known as the 'Trakm8 1' was developed within IPL.

The Company continues to licence some of its intellectual property from IPL which the Company uses in relation to applications for vehicle tracking and vehicle security markets. The Company also has a maintenance agreement and secondment agreement with IPL. Under the maintenance agreement IPL provides agreed support and maintenance services for those products and product components used by the Group which have been designed, developed, produced or supplied by IPL. Under the secondment agreement IPL provides the services of certain IPL employees to the Company.

The Company believes that the proposed acquisition will considerably strengthen its ability to develop new products and will open access to the non-vehicle tracking markets which have to date been prevented. In addition the acquisition will achieve some operational economies of scale and result in limited cost savings from integration of technical, production and finance activities.

In summary, given the interrelationship between the Company and IPL and their continued association under the intellectual property licence agreement, maintenance agreement and secondment agreement, the Directors consider that the acquisition of the IPL Shares will serve to further protect these important aspects of the Company's business and offer additional opportunities for the

future.

#### Directors' interests

The interests of the Directors (including the interests of their spouses and infant children and the interests of any persons connected with them within the meaning of Section 346 of the Companies Act 1985), all of which are beneficial, in the issued share capital of IPL are as at the date of this document and will be at the date of the EGM as set out in the table below.

The table below also sets out the consideration by way of cash and the allotment and issue of Ordinary Shares that will be received by each Director in relation to the sale of their IPL Shares to the Company.

Director	Number of IPL Shares Held	% of IPLShares Held	Consideration: Cash	Consideration: Ordinary Shares
Adrian Richard Dowding White	8,414	8.4%	£8,414	37,562
Cary Paul Knapton	18,213	18.2%	£18,214	81,311
Matthew William Cowley	9,137	9.1%	£9,137	40,790
Timothy Adam Cowley	8,995	9.0%	£8,995	40,156
Timothy Paul Couling	Nil	Nil	Nil	Nil
Timothy David Douglas Evans	Nil	Nil	Nil	Nil
Dawson Buck	Nil	Nil	Nil	Nil

In addition, Richard White and Tim Cowley are directors of IPL.

Following shareholder approval and Completion of the proposed transaction:

- \* Richard White, who is currently non-executive Chairman of both the Company and IPL, will have these roles consolidated into a role as non-executive Chairman of the Company. His appointment terms with the Company will remain unchanged.
- \* Timothy Cowley, who is currently an executive director of IPL and non-executive director of the Company, will have these roles consolidated into a role as an executive director of the Company. His terms of appointment will otherwise remain unchanged.
- \* All other directors of IPL will resign from the IPL board with immediate effect.

#### Lock-in arrangements

The shareholders of IPL have agreed not to sell, transfer or otherwise dispose of the Ordinary Shares to be received as part of the consideration for IPL without the consent of Arbuthnot Securities Limited ("Arbuthnot"), the Company's nominated adviser, other than in certain specified circumstances, for a period of 12 months from the proposed date of issue of the consideration shares, being 29 November 2006.

#### Financial summary

IPL's financial year runs from April to March and is the same as the Trakm8 Group. IPL has not prepared audited accounts and has historically taken advantage of the special provisions of Part VII of the Companies Act 1985 relating to small companies. The Company intends that following completion of the acquisition IPL's accounts will be audited as part of the Company's group accounts for the year to 31 March 2007.

IPL's unaudited profit & loss account for the 12 months ended 31 March 2006 show a pre-tax loss for the period of £75,073 and the accumulated losses for the financial years 2004 and 2005 were £108,000. Following completion of the acquisition the Company would intend to utilise these losses in due course.

As at 31 March 2006 the unaudited balance sheet net asset value of IPL was £37,270.

The Company currently accounts for approximately 85% of IPL's turnover, including licence fees payable under the terms of a licence agreement. As at 31 March 2006 there was no significant outstanding trade debtors and all creditors were paid up to date. There are no disputed items.

IPL entered into two loan agreements in January 2003 and February 2005 with the National Westminster Bank Plc ("NatWest"). Each loan was for £125,000 and are guaranteed by the Secretary of State under the Small Firms Loan Guarantee Scheme. The term of each loan is 7 years with interest payable quarterly and repayments to be made by equal monthly instalments. As at 31 March 2006 the amount outstanding under these loans was £174,107. NatWest has confirmed to IPL and the Company that the proposed acquisition of the IPL Shares by the Company will not affect the terms of the loans.

#### Proposed share purchase agreement available for inspection

A copy of the proposed share purchase agreement in relation to the IPL Shares will be available for inspection at the offices of Lawrence Graham LLP, 190 Strand, London WC2R 1JN during normal business hours on any weekday (Saturday excepted) from the date of this circular until close of the EGM, and at the place of the EGM for at least 15 minutes prior to and during the EGM.

#### Extraordinary General Meeting

The EGM has been convened for 10 a.m. on Friday 26th May 2006 at the Company's offices, Lydden House, Wincombe Business Park, Shaftesbury, Dorset. SP7 9UJ at which the resolution set out in the notice of EGM will be proposed to approve the proposed acquisition. The resolution will be proposed as an ordinary resolution.

#### Recommendation

Tim Couling, Tim Evans and Dawson Buck, being Directors who do not have an interest in the issued share capital of IPL (the "Independent Directors"), consider, having consulted with Arbuthnot, that the terms of the proposed transaction are fair and reasonable insofar as the Company's shareholders are concerned. Accordingly the Independent Directors recommend that shareholders vote in favour of the resolution to be proposed at the EGM. In providing their advice Arbuthnot has relied on the Independent Directors' commercial assessment of the acquisition.

A circular containing the details of the proposed acquisition of IPL and convening the EGM is expected to be posted to Shareholders as soon as practicable.

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