

**Trakm8 Holdings PLC**  
**REPORT AND FINANCIAL STATEMENTS**  
for the year ended  
31 March 2007

Company No: 05452547

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# Trakm8 Holdings PLC

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# Trakm8 Holdings PLC

## OFFICERS AND ADVISERS

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### **DIRECTORS**

C D Buck  
C P Knapton  
M Cowley  
T Cowley  
T Couling  
J Watkins

### **SECRETARY**

T Couling

### **REGISTERED OFFICE**

Lydden House  
Wincombe Business Park  
Shaftesbury  
Dorset  
SP7 9QJ

### **BANKERS**

HSBC Bank plc  
165 High Street  
Southampton  
SO14 2NZ

### **AUDITOR**

Baker Tilly UK Audit LLP  
Chartered Accountants  
1 Georges Square  
Bath Street  
Bristol  
BS1 6BP

### **FINANCIAL PUBLIC RELATIONS**

Tavistock Communications  
131 Finsbury Pavement  
London  
EC2A 1NT

# Trakm8 Holdings PLC

## HIGHLIGHTS

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	Year ended 31st March 2007 £000's	Year ended 31st March 2006 restated £000's
Turnover	6,370	5,213
Gross Profit	2,430	1,863
Gross Profit %	38.1%	35.7%
Operating Profit	102	232
Operating Profit %	1.6%	4.5%
Profit on ordinary activities before taxation	78	211
Cash at bank and in hand	709	402
Net Assets	1,426	985

### Key points:

- 22.2% increase in turnover
- Increase in gross profit percentage from 35.7% to 38.1%
- Operating profit decreased due to Trakm8 SWIFT® launch costs, the restructuring of Interactive Projects post acquisition and certain ongoing operational cost increases
- Completion of acquisition of Interactive Projects Limited
- Launch of Trakm8 SWIFT®
- Successful placing of £0.5m

# Trakm8 Holdings PLC

## CHAIRMAN'S STATEMENT

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### DAWSON BUCK, CHAIRMAN

#### Overview

It is with pleasure that I report the Trakm8 Holdings PLC results for the year ended 31<sup>st</sup> March 2007 in my first report as Chairman of the Group.

In the last 12 months the Group has embarked on a strategy to strengthen and grow shareholder value by transitioning our business from pure telematics hardware design and manufacture to integrated telematics service provision. This strategy commenced with the acquisition of Interactive Projects Limited (IPL) in a cash and shares deal which completed on 26<sup>th</sup> May 2006. The acquisition of IPL, a telematics research and development house, was designed to secure a significant proportion of the Group's core Intellectual Property Rights (IPR) and allow the onward development of our product portfolio into the service arena

The strategy has continued with the market testing and launch of Trakm8 SWIFT®, the Group's first venture as a Telematics Service Provider (TSP). Trakm8 SWIFT® sales were initially lower than expected however I am pleased to report that sales are now growing with strong interest emerging from larger fleet buyers

Research and development of new products and services remains a core activity. It was this area of activity that in the past year enabled the Group to secure a valuable sales-led partnership with Motorola. The Group has also commenced the design of the next generation telematics platform, the hardware design of this new platform being shared with leading industry partners. This latter step represents a key point in the Group's transition strategy and is expanded on by Cary Knapton, the Group Chief Executive Officer, in his review.

#### Results

Turnover in the period increased 22.2% to £6.37 million (2006: £5.21 million) generating a profit before tax of £78,185 (2006: £211,414). Operating profit decreased due to Trakm8 SWIFT® launch costs, the restructuring of Interactive Projects post acquisition and certain ongoing operational cost increases. Cary Knapton expands on the Group's results in the Chief Executive Officer's review.

#### Operations

The Group's core activity over the last year has been the sales of its proprietary Global Positioning System (GPS) hardware and software for the vehicle telematics market. During the period our hardware sales volumes grew significantly and we continued to supply our products to partners around the globe. We have however experienced increased competition and subsequent product price pressure and expect this to continue in the foreseeable future. However the Company is currently developing its next generation platform product, expected to be launched in the second half of this financial year, in conjunction with a blue chip supplier. This new platform will supersede existing products and will offer improved functionality at a more competitive price. We are confident that this development will enable us to continue to remain competitive in our sector whilst providing a degree of gross margin protection.

In addition the Group commenced delivery of Trakm8 SWIFT®, our first integrated telematics service offering. Trakm8 SWIFT® is marketed as a packaged hardware/service product with customers purchasing the hardware unit and paying an annual license fee for the service and associated support. The hardware revenue is recognised at the time of sale whilst the higher margin service fees are recognised on a monthly basis. Although Trakm8 SWIFT® sales have grown at a slower pace than

# Trakm8 Holdings PLC

## CHAIRMAN'S STATEMENT *(continued)*

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planned the Directors firmly believe that this evolutionary change to our business model will deliver encouraging sales in the coming year

During the latter half of the year the Group became concerned at certain performance related issues being experienced with a single externally sourced component of one of our hardware products. This issue affected a small number of installed units and was reported in our trading update announcement on 2 April 2007. I am pleased to report that this issue has now been rectified and financial remedy has been agreed with the supplier. Nevertheless this has no doubt impacted our brand reputation and we have been working with customers to restore any lost confidence.

### **The Board**

The Group announced in October 2006 that Richard White was standing down as Chairman and as non-Executive Director. Richard helped shape the Group from its formation and we thank him for his contribution.

We welcomed John Watkins to the Board in January. John brings considerable management experience gained from a number of senior executive positions including Energy Technique Plc, GEC and FKI. He is currently Executive Chairman of Omitec Group Limited, a leading provider of vehicle diagnostic equipment and services. John also took part in the convertible note issue in December 2006.

As announced late April 2007, Tim Evans, the Strategy and Marketing Director resigned from the Board to pursue other opportunities

### **Acquisition of Interactive Projects Limited**

On 26 May 2006 the Group completed the acquisition of IPL thereby securing protection for the core intellectual property used by the Group. As noted in the Interim Report for the period ended 30 September 2006 no integration issues were expected and none materialised. In accordance with the Terms of Sale the Group applied for the admission to the Alternative Investment Market (AIM) of the remaining 446,423 Consideration Shares effective from 29 November 2006

### **Acquisition of PJ Soft s.r.o.**

As announced on the 7 August 2007 the Group has acquired PJ Soft s.r.o. (PJ Soft); a Czech software house, with significant expertise in mapping technologies. This acquisition, a cash and shares deal, brings the last external elements of our product intellectual property in-house and will allow the Group to further leverage our software offerings. PJ Soft have worked closely with Trakm8 over the last 4 years; consequently no significant integration issues are anticipated and under the terms of the acquisition all the key members of the PJ Soft team have agreed to remain with the Group.

### **Outlook**

Trakm8 has had another good year, although it has been dampened somewhat by the impact of the external component issue which reached further than the small number of directly affected installed units. As noted above the industry has become increasingly competitive and the Board envisages this to continue. The Trakm8 SWIFT® service revenue model also results in a lag between sales and revenue. However our order pipeline is promising and we are confident that our next generation platform will help to insulate Trakm8 to a degree from envisaged price competition. The Group anticipates that its change in strategy to a fully integrated TSP will take time to deliver improved profitability.

# Trakm8 Holdings PLC

## CHAIRMAN'S STATEMENT *(continued)*

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We will continue to develop our business and will examine expansion by acquisition or other means. The Executive team remain committed to delivery of continued organic growth and I would like to close by thanking them for their commitment and dedication to the Group over the last year.

**DAWSON BUCK**  
**CHAIRMAN**

# Trakm8 Holdings PLC

## CHIEF EXECUTIVE'S REVIEW

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**CARY KNAPTON**

**CHIEF EXECUTIVE OFFICER**

### **Introduction**

Trakm8 has had another a good year for growth with increases in both revenues and gross margins. However our operating profit was eroded by SWIFT® launch costs, the restructuring of Interactive Projects post acquisition and certain ongoing operational cost increases as detailed below

The last year has seen the Group launch a new service based product; moving the Group into on-line service provision for the first time. This, together with the successful acquisition of IPL, has proved positive for the Group. The Group also achieved ISO 9000 status for our manufacturing and distribution operations and this was instrumental in several large business wins, notably cementing our emerging relationship with Motorola and other customers

Overall therefore I can report that Trakm8 is in good shape to grow and to meet the challenges of the coming year.

### **Operational Review**

Trakm8's products continue to be used around the globe and our distributors in the Americas, Asia Pacific and Africa are showing increasing growth. In our core market of the UK, where the Group operates through both distributors and other partnerships, there has been significant revenue growth in the period Elsewhere the Group's international relationships have continued to mature.

Nevertheless, as noted in the Chairman's Statement and as shown in the financial summary below, the increasing competitiveness and credibility of our products was damaged when an externally sourced component in our hardware platforms was found to be faulty Although the direct losses have been largely recovered from the supplier concerned the consequential brand impact will take some time to restore.

Notwithstanding this issue the Group made its initial entry as a full TSP during the second half of the year with the launch of Trakm8 SWIFT®. Trakm8 SWIFT® extends the Group's products and software services into both small vehicle fleets and also into major fleet customers. The soft launch in calendar Q4 of 2006 enabled the Group to carefully assess these target markets and prove the offering operationally prior to a more structured roll-out The major fleet customer segment was not initially targeted but the product has proven attractive to this sector with a surprising level of interest emerging. Without doubt our presence at the Commercial Vehicle Show earlier this year raised the Group profile in this area considerably The Group therefore looks to build on the Trakm8 SWIFT® proposition in the future and anticipates significant revenues accruing from this source in the next full year.

The Group continues to monitor the markets in which it operates and the placement of its products in these markets. This enables the Group to enhance existing offerings and to develop new products and services tailored to our customers needs.

# Trakm8 Holdings PLC

## CHIEF EXECUTIVE'S REVIEW (*continued*)

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### **Strategy**

The Group remains fully committed to a strategic transition to a fully integrated Telematics Service Provider with service revenues providing an increased source of higher margin revenue in the future. Trakm8 SWIFT® will therefore continue to be developed to keep pace with the needs of our fast moving markets.

Non-core manufacturing activities remain entirely outsourced but core activities are either retained wholly in-house or, where a clear competitive advantage exists are migrated to a joint venture model with trusted partners. As an example future platform hardware development is now partnered with leading industry players whilst the software development element is retained wholly in-house. At the same time the Group has internally restructured the management of day to day activities. This was noted at the half year and I am pleased to report that this change has been successful.

The Group has also conducted an efficiency review of its activities in the second half of the year. I am pleased to report that this exercise is now complete and cost savings have been achieved whilst maintaining a higher degree of customer service.

Future product strategy will see several strands of hardware and services, not least of which will be an alignment of service and product offerings which will target both central and local government requirements. In this context the Group expects to move into *strategic national and regional projects* in collaboration with selected partners during the coming year.

The Group envisages that this change in strategy, coupled with a transition to fully integrated TSP will take time to deliver improved profitability.

### **Financial Review**

Turnover for the year ended 31 March 2007 was £6.37m (2006. £5.21m), an increase of 22%. Gross profit increased to £2.43m (2006. £1.86m). Gross margins improved to 38.1% (2006 35.7%), a 2.4% improvement. Despite increased administrative expenses of £2.33m (2006. £1.63m), the Group is pleased to announce a profit on ordinary activities before taxation for the period of £0.08m (2006: £0.21m).

The Group's administration costs increased in the year due to one-off operational costs associated with the Trakm8 SWIFT® launch coupled with restructuring of IPL post acquisition. Ongoing costs also increased as a result of the first full year of listing on AIM and increased staff numbers as the Group expanded into service markets.

Project costs, the most significant component of which was to enable the delivery of Trakm8 SWIFT®; totalled £0.22m for the year. In accordance with our accounting policy these amounts have been capitalised and will be amortised over the life expectancy of the product.

Net cash increased during the year by £0.20m to £0.43m. This increase is after £0.17m for the purchase of Interactive Projects Limited and the proceeds of the £0.5m convertible note issued in January 2007.

In accordance with the policy contained in the Admission Document dated 2005, the Board has not declared a dividend in respect of the year ended 31 March 2007.

# Trakm8 Holdings PLC

## CHIEF EXECUTIVE'S REVIEW (*continued*)

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### **Outlook**

The Group's strategic transition to a fully integrated TSP provider will take time to achieve. In this transition period the Group aims to increase cash generation through service revenues, and this is being evidenced now. Following the transition period, the Directors firmly believe that the Group's high quality, predictable, revenue streams will increase, however the impact of revenue recognition in the short term will mean that the Group is in effect forgoing short term profitability in order to deliver its strategic ambitions. As identified in the Chairman's statement our market place is becoming increasingly competitive however we are confident that continue product development will, especially with the envisage launch or a new hardware platform, help to ensure our products remain competitive whilst providing a degree of gross margin protection.

I am please to report that Trakm8 has an encouraging sales pipeline moving into the second half of the current financial year, including several large opportunities for Trakm8 SWIFT®. The Group is working on a number of large bids in the home markets as well as overseas, some in partnership with major international customers and others in partnership with local and national governments.

Throughout the year the Group has continued to carefully observe developments in government legislation and other regulatory initiatives. It is clear that road tolling, congestion charging, energy efficiency and health and safety responsibility are key factors in the expansion of the telematics market. The Group is well placed to take advantage of these developments and the Directors are pleased to note that several strategic opportunities in these areas at national and regional level are in the pipeline.

The Group continues to identify exciting technology developments in the telematics arena. These form the centre point of the Group's product strategy and will enable the delivery of price competitive enhanced products and services in the coming year. The Directors believe strongly that protection and expansion of the Group's Intellectual Property (IP) has helped mitigate against current competitive risks.

The Group therefore looks forward to the future with enthusiasm and I am confident we will continue to successfully deliver our innovative products to the market. These factors, coupled with the increase in brand awareness afforded by our Trakm8 SWIFT® TSP offering, give the Directors considerable optimism for the future.

I would like to close by thanking the Trakm8 Team for their hard work and support in the past year. Their efforts helped the Group to grow significantly and I look forward to sharing the coming year with such a dedicated team.

**CARY KNAPTON**  
**CHIEF EXECUTIVE OFFICER**

# Trakm8 Holdings PLC

## DIRECTORS

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### **Charles Dawson Buck, Non-executive Chairman**

Dawson brings diverse and comprehensive management expertise obtained from several senior management and executive appointments. Dawson founded Automated Loss Prevention Ltd which he later sold to the Sensormatic Electronic Corporation Inc. He has since held board appointments across various industry sectors including; Telecoms, Food Science, Surveillance and Security and International Consultancy. Dawson is currently non-executive Director of Infonic plc and non-executive Chairman of AIM listed Provexis plc.

### **John Watkins, Non-executive Director**

John brings considerable management experience gained from a number of senior executive positions including Energy Technique Plc, GEC and FKI. He has held board appointments across various sectors including telecoms, automotive, industrial controls and recruitment. John is currently Executive Chairman of Omitec Group Limited, a leading provider of vehicle diagnostic equipment and services, having led a buyout of Omitec Instrumentation from Solvera PLC in 1998.

### **Cary Knapton, Chief Executive Officer**

As International Business Acquisition Programme Manager at Cable & Wireless, Cary was responsible for delivering projects with multi-million pounds capital budgets and ensuring an appropriate 'return on investment' was delivered. Since establishing the 'trakm8' brand, Cary has guided Trakm8 from start-up

### **Tim Couling, Finance Director**

Tim has had significant experience in financial management in both project based and operational environments. After a career in the Royal Navy, Tim achieved his MBA with the University of Bath following which he worked with both Goldman Sachs and JP Morgan Chase as a Project Finance Controller over a period of six years. Tim's role at Trakm8 also includes legal and compliance responsibilities. Tim is the Company Secretary to all Group companies.

### **Matt Cowley, Chief Technical Officer**

Matt has over fifteen years experience developing state of the art real time embedded software. His extensive engineering skills include server-side voice recognition, telephony switching, intelligent networks, mobile communications such as Tetra, GSM and most recently GPRS & GPS.

### **Tim Cowley, Solutions Director**

For over eighteen years, Tim has been involved in software and hardware design of; unmanned aircraft systems, autopilot control and navigation software, digital mapping, range and direction finding equipment and more recently, miniature GPS receivers. He also has management experience of running design teams responsible for the successful delivery of multi-million pound projects.

# Trakm8 Holdings PLC

## DIRECTORS' REPORT

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The Directors submit their report and financial statements of Trakm8 Holdings PLC for the year ended 31 March 2007.

### PRINCIPAL ACTIVITY

The principal activity of the Trakm8 Group is the marketing, manufacture and distribution of vehicle telematics equipment and services. Trakm8 Holdings PLC is the holding company for the Trakm8 Group.

### REVIEW OF THE BUSINESS

Trakm8 has had another excellent year. The order pipeline for the second half of the current year is good and, coupled with the anticipated launch of our next generation platform; the Board anticipate a significant improvement in Group performance over the coming 12 months. Overall the Group remains focused on delivering the results demanded by our strategy. We will continue to develop our business and will examine expansion by acquisition or other means. The acquisition of IPL has also enabled the protection of the Group's intellectual property. The Group has recently announced the acquisition of PJ Soft sro, a Czech software house.

Turnover increased by 22% to £6 37m (2006 £5 21m) generating a profit before tax of £78,185 (2006 £ 211,414).

The Directors monitor Key Performance Indicators (KPI's) on a regular basis to ensure sustained progress is made towards the Group's overall objectives. These KPI's include sales revenues, margin (gross and product); cash balances; units despatched; customer service performance levels, returns and rework, debtors and creditors.

### RESULTS AND DIVIDENDS

The Group results for the year ended 31 March 2007 are shown in the profit and loss account on page 25. The Directors do not recommend the payment of a dividend.

### OUTLOOK

The Group has seen further significant revenue growth in its core products this year. Throughout the year the Group has continued to carefully observe developments in government legislation and other regulatory initiatives. It is clear that road tolling, congestion charging, energy efficiency and Health & Safety responsibility are key factors in the expansion of the telematics market. The Group is well placed to take advantage of these developments and the Directors are pleased to note that several strategic opportunities in these areas at national and regional level are in the pipeline. Trakm8 has a growing order book moving into the second half of the current financial year, and the pipeline includes several large opportunities for Trakm8 SWIFT®.

The Group looks forward to the immediate future with enthusiasm and the Directors are confident we will continue to successfully deliver our innovative products to the market. These factors, coupled with the increase in brand awareness afforded by our Trakm8 SWIFT® TSP offering, give the Directors considerable optimism for the future.

The Group continues to monitor the markets in which it operates and the placement of its products in these markets. This enables the Group to enhance existing products and to develop new products and services as outlined in the Chief Executives Report. The Directors believe strongly that protection and

# Trakm8 Holdings PLC

## DIRECTORS' REPORT (*continued*)

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### OUTLOOK (*continued*)

expansion of the Group's Intellectual Property (IP) has helped mitigate against the current competitive risks. In addition development of new and existing IP will provide the basis for future risk management strategies.

### RESEARCH AND DEVELOPMENT

The Board considers that the Group's research and development activity plays an important role in the operational and financial success of the business

The Group continues to identify exciting technology developments in the telematics arena. These form the centre point of the Group's product strategy and will enable the delivery of new and enhanced products and services in the coming year. This investment continues to complement prior year spend on the Trakm8 SWIFT® proposition.

### DIRECTORS

The following directors have held office since 1 April 2006:

C D Buck	
T Couling	
M Cowley	
T Cowley	
T D Evans	Resigned 24 April 2007
C P Knapton	
J Watkins	Appointed 29 January 2007
A R D White	Resigned 16 October 2006

### DIRECTORS AND THEIR INTERESTS

Details of Directors' share interests and of their rights to subscribe for shares are shown in the *Directors' Remuneration Report on pages 19 to 21.*

### SUBSTANTIAL SHAREHOLDING

The Directors have been notified, or are aware of, the following interests in 3% or more of the ordinary share capital of the Company (excluding Directors) as at 20 August 2007:

	Ordinary shares at 1p each	
	Number	Percentage
Redmayne (Nominees)	2,160,168	18.8%
R White	695,042	8.4%
LR Nominees Limited	720,450	6.3%
Edric Property and Investment Company (and related parties)	675,000	5.9%
James Capel (Nominees) Limited	542,740	4.7%
Barclayshare Nominees	521,515	4.5%
B Webb	373,910	3.3%

# Trakm8 Holdings PLC

## DIRECTORS' REPORT (*continued*)

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### CREDITORS' PAYMENT POLICY

It is the Group's policy to establish payment terms with suppliers and to adhere to those terms, provided that the goods and services are in accordance with the agreed terms and conditions.

### EMPLOYMENT POLICY

During the year, the Group has consulted with employees in matters likely to affect their interests and is committed to involving them in the performance and development of the Group.

### DISABLED EMPLOYEES

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person

Should existing employees become disabled, it is the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training, career development and promotion to such employees as appropriate

### POLITICAL AND CHARITABLE DONATIONS

The Group made no political or charitable donations in the year

### FINANCIAL INSTRUMENTS

The Group raises finance through equity and borrowings and places surplus cash on short-term deposits. The primary source of borrowings is the bank facility which is in place for use as required.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit and currency risk. The policies for managing these are reviewed by the board

*Interest rate* - The Group uses fixed and floating interest rates where appropriate in order to minimise any interest rate risks.

*Liquidity* - The Group operates a long-term business, and its policy is to finance it primarily with equity and short to medium-term borrowings. Short-term flexibility is achieved by cash balances and overdraft facilities

*Credit risk* - The Group aims to minimise its exposure to credit risk through a mixture of credit insurance, credit limits and credit checks on new customers.

*Currency risk* - Historically the Group has not used hedging instruments to minimise currency risk as the exposure is limited. If foreign currency exposure increases, the use of foreign currency hedging instruments will be reviewed as necessary

# Trakm8 Holdings PLC

## DIRECTORS' REPORT (*continued*)

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### STATEMENT AS TO DISCLOSURE OF INFORMATION TO THE AUDITOR

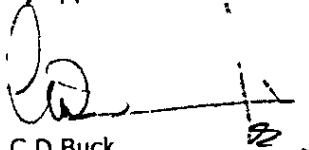
The Directors who were in office on the date of approval of these financial statements have confirmed, as far as they are aware, that there is no relevant audit information of which the auditors are unaware. Each of the Directors have confirmed that they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that it has been communicated to the auditor

### AUDITOR

The Directors, having been notified of the cessation of the partnership known as Baker Tilly, resolved that Baker Tilly UK Audit LLP be appointed as successor auditor with effect from 1 April 2007, in accordance with the provisions of the Companies Act 1989, s26(5) Baker Tilly UK Audit LLP has indicated its willingness to continue in office.

A resolution to reappoint Baker Tilly UK Audit LLP, Chartered Accountants, as auditor, will be put to the members at the annual general meeting

By approval of the Board on 20 September 2007



C D Buck  
Chairman

# Trakm8 Holdings PLC

## CORPORATE GOVERNANCE

Whilst the 2003 FRC Combined Code on Corporate Governance formally applies only to companies listed on the London Stock Exchange, the Group has developed procedures to ensure that as far as is practicable and having regard to the size of the Group, it is able to comply with most of the main principles of the Combined Code. As the Group expands, the Directors intend to continue to develop further measures for compliance with the Combined Code.

The Directors review the internal controls of the Group on a regular basis, normally not less than twice a year. Taking into consideration the size and complexity of the Group it is the Directors view that the Group does not currently need an internal audit function though this is reviewed periodically.

### Board of Directors and Committees

The Board, currently comprising four executive Directors and two non-executive Directors, meets regularly throughout the year.

The Board of Trakm8 Holdings PLC is responsible for the strategic direction of the Group's businesses. The Board's specific roles include corporate governance policy and direction; as well as strategy and monitoring the achievement of the business plan. The day-to-day management of the Group is the responsibility of the executive directors under the CEO. The Board meetings of Trakm8 Holdings PLC cover matters required to be covered by the boards of the Group's subsidiaries.

The Directors have established an Audit Committee, and a Remuneration Committee which have formally delegated duties and responsibilities. All committees comprise the current non-executive directors (C D Buck and J Watkins), both of whom bring extensive and diverse commercial experience for the benefit of the Group. C D Buck chairs both Committees. These Committees meet and take advice from independent third parties as the need arises throughout the year. In August 2007 the Directors established a Nominations Committee chaired by C D Buck.

Since 1<sup>st</sup> April 2006 the Directors attended Board and Committee meetings as follows:

Type	Board	Audit	Remuneration	
Total Held	18	2	2	
C D Buck	14	2	2	
T Couling	18			
M Cowley	17			
T Cowley	17			
T Evans	18			Resigned 24 April 2007
C Knapton	17			
J Watkins	2	1	1	Appointed 29 January 2007
A R D White	8	1	1	Resigned 16 October 2006

C D Buck is considered by the Board to be a fully independent non-Executive Director. J Watkins is a beneficiary of a pension fund which holds 50% of the Convertible Note issued in December 2006 and is therefore not considered fully independent.

# Trakm8 Holdings PLC

## CORPORATE GOVERNANCE *(continued)*

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The Audit Committee is responsible for ensuring that the Group's financial performance is properly monitored, controlled and reported. It meets and reviews reports from the auditors at least twice a year. Other Directors attend as required. The committee and the external auditors have safeguards to avoid a potential compromise of auditor's objectivity and independence. These include the adoption of a policy that segregates the supply of audit and non-audit services and requires committee approval for the supply of services such as tax services and acquisition related due diligence

The Remuneration Committee's terms of reference include making recommendations on Directors' compensation packages to ensure that the Group board enjoys and retains an appropriate level of motivated resource. The Committee engages with external consultants as and where it is deemed necessary and/or beneficial.

The Nomination Committee's terms of reference include to meet as necessary and consider appointments to the Board of Directors and to co-ordinate succession planning at Director level. The Nomination Committee was established in August 2007.

The Group has adopted and operates a share dealing code for Directors in accordance with the requirements of the Combined Code.

### **Relations with Shareholders**

The Board attaches considerable importance to the maintenance of good relationships with shareholders. It is the intention of the Board that presentations are made to shareholders, institutions and analysts at least twice a year. These presentations are attended by the non-Executive Directors

### **Operational and Internal Controls**

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key elements of the Group's control system are currently

- A comprehensive budgeting system with an annual budget approved by the Board
- Actual results compared on a monthly basis with budgets and past results as appropriate.
- All significant capital expenditure and organisational changes reviewed and approved by the Board.
- The integrity and competence of personnel to be ensured through high recruitment standards, aligned personal objectives with associated appraisal mechanisms and subsequent training and personal development planning.
- A clearly defined organisation structure.
- High quality personnel being seen as an essential part of the control environment.

# Trakm8 Holdings PLC

## CORPORATE GOVERNANCE (*continued*)

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### **Operational and Internal Controls** (*continued*)

- Board reviews key business performance indicators (KPI's) and periodic assessment as to the effectiveness and completeness of those KPI's in relation to the business environment.

The process of monitoring and updating internal controls and procedures and monitoring their effectiveness continued throughout the year.

### **Performance Evaluation**

During the period the Board undertook a formal evaluation of its own performance that of the associated committees and the individual performances of the Directors. The Directors completed and were subject to detailed appraisals against personal and corporate objectives derived from the Group strategic business plan. As a result various action and development plans are being developed where appropriate.

# Trakm8 Holdings PLC

## DIRECTORS' REMUNERATION REPORT

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### Directors and their Interests

The present members of the Board are as listed on page 3.

The Directors' interests in the shares of the Company are detailed below -

	1p ordinary shares At 31 March 2007	% of issued ordinary share capital	1p ordinary shares At 1 Apr 2006 or on subsequent date of appointment	% of issued ordinary share capital
C D Buck	-	-	-	-
T Couling	37,520	0.3%	37,520	0.3%
M Cowley	771,750	6.7%	730,960	6.6%
T Cowley	759,756	6.6%	719,600	6.5%
C Knapton	1,623,021	14.1%	1,305,600	11.8%
J Watkins	-	-	-	-

The Directors had no interest in the share capital of the Company's subsidiary undertakings at 31 March 2007 or on the date on which these financial statements were approved.

### Directors' Remuneration Policy

The remuneration policy for the Executive Directors is determined by the Remuneration Committee, which as previously stated consists solely of the Non Executive Directors. The current members of the Committee are C D Buck (Chairman) and J Watkins. The Committee acts within its agreed terms of reference.

Within the framework of the agreed remuneration policy the Committee determines the remuneration packages of the Executive Directors including the size of, and conditions applying to, awards made under the Company's cash bonus and share option schemes. In preparation for the annual salary review the Committee met on 20 April 2007. The Committee's policy on Executive Directors remuneration will continue to apply for the year to 31 March 2008 and, so far as is practicable, for future years.

The Committee aims to provide Executive Directors with packages which are sufficiently competitive to attract, retain and motivate individuals of the quality required to achieve the objectives of the Company and thereby enhance shareholder value. Each package consists of a basic salary, discretionary cash bonus and share option plan. These latter two items are performance related; the discretionary bonus is related to profitability whilst the share option package is designed to link the remuneration of the Executive Directors to the returns enjoyed by shareholders.

# Trakm8 Holdings PLC

## DIRECTORS' REMUNERATION REPORT (continued)

### Directors' Remuneration

The Directors' remuneration for the year ended 31 March 2007 was.

	31 March 2007				31 March 2006		
	Salary £	Bonus £	In lieu of notice	Total £	Salary £	Bonus £	Total £
<b>Executive Director</b>							
C Knapton	88,500	10,000	-	98,500	74,160	5,000	79,160
T Couling	68,833	5,000	-	73,833	51,500	8,000	59,500
M Cowley	62,000	5,000	-	67,000	51,500	5,000	56,500
T Cowley <sup>1</sup>	45,508	9,000	-	54,508	-	-	-
T Evans (Resigned 24 April 2007)	57,655	2,000	-	59,655	56,650	5,000	61,650
	<u>322,496</u>	<u>31,000</u>	<u>-</u>	<u>353,496</u>	<u>233,810</u>	<u>23,000</u>	<u>256,810</u>
<b>Non Executive Director</b>							
C D Buck	24,582	-	-	24,582	2,345	-	2,345
T Cowley	-	-	-	-	2,942	-	2,942
J Watkins (Appointed 29 January 2007)	4,167	-	-	4,167	-	-	-
A R D White (Resigned 16 October 2006) <sup>2</sup>	16,731	-	15,000	31,731	16,000	20,000	36,000
Note Table Data Audited	<u>45,480</u>	<u>-</u>	<u>15,000</u>	<u>60,480</u>	<u>21,287</u>	<u>20,000</u>	<u>41,287</u>

<sup>1</sup> T Cowley was appointed an Executive Director on 26 May 2006 and ceased to be a Non Executive Director from the same date.

<sup>2</sup> A R D White also invoiced an additional £18,667 (2006: £32,000) in consultancy fees.

### Directors' Service Contracts

After 12 months from appointment, Executive Directors service contracts provide termination provisions of 6 months notice in writing by either side. The service contracts terminate automatically upon the Director reaching 65 years of age.

The service contracts for Executive Directors do not provide for any predetermined compensation amounts in the event of early termination other than a standard payment in lieu of notice provision.

# Trakm8 Holdings PLC

## DIRECTORS' REMUNERATION REPORT (continued)

Non Executive Directors are engaged under letters of appointment for an initial period of 12 months subject to termination by either party upon 3 months notice.

All Executive and Non Executive Directors are subject to retirement and re-election by shareholders in line with the Company's Articles of Association.

	Appointment date	Contract Date
<b>Executive Director</b>		
T Couling	20/10/2005	24/11/2005
M Cowley	20/10/2005	24/11/2005
T Cowley	26/05/2006	26/05/2006
T Evans (Resigned 24 April 2007)	20/10/2005	24/11/2005
C Knapton	20/10/2005	24/11/2005
<b>Non Executive Director</b>		
C D Buck	23/02/2006	23/02/2006
J Watkins	29/01/2007	17/01/2007

### Directors' Share Options

At 31 March 2007 the following options had been granted to the Company's directors and remain current and unexercised as at 31 March 2007

Director	Option Exercise Price	Balance as at 31 March 2006	Granted during year	Exercised during year	Expired/forfeited during the year	Balance as at 31 March 2007	Expiry Date
T Couling	25p	25,750	-	-	-	25,750	31 March 2010
M Cowley	25p	25,750	-	-	-	25,750	31 March 2010
T Cowley	25p	10,000	-	-	-	10,000	31 March 2010
T Evans <sup>1</sup>	25p	28,325	-	-	-	28,325	31 March 2010
C Knapton	25p	37,080	-	-	-	37,080	31 March 2010

<sup>1</sup> Tim Evans resigned as an Executive Director on 24 April 2007

On 31 March 2007 the existing share option scheme was replaced by a similar scheme. The same number of options were granted under the replacement scheme to eligible Directors; however the terms were modified by the addition of an expiry date and the grant price was reduced to reflect the mid-market closing price on the grant date of the replacement scheme.

The highest share price during the year was £1.38. The lowest share price during the year was £0.25. The closing share price on 30 March 2007 (last day of trading in the financial year) was £0.25 (2006: £1.22). The exercise of all share options is the closing market price on the day of grant.

# Trakm8 Holdings PLC

## STATEMENT OF DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

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The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the Company and 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 UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- d prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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. They are also responsible for safeguarding the assets of the Company 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 Company's website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

## Trakm8 Holdings PLC

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We have audited the financial statements on pages 25 to 46.

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 auditor's 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 United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) 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. We also report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements.

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. This other information comprises only the Highlights, the Chairman's Statement, the Chief Executive Officer's Review, Products & Market, Directors, Directors' Report, the Corporate Governance Report and the Directors' Remuneration Report. 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF

Trakm8 Holdings PLC (*continued*)

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**Opinion**

*In our opinion*

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and parent Company's affairs as at 31 March 2007 and of the Group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements.

*Baker Tilly UK audit LLP .*

BAKER TILLY UK AUDIT LLP  
Registered Auditor  
Chartered Accountants  
1 Georges Square  
Bath Street  
Bristol  
BS1 6BP

20 September 2007

# Trakm8 Holdings PLC

## CONSOLIDATED PROFIT AND LOSS ACCOUNT for the year ended 31<sup>st</sup> March 2007

	Notes	2007 £	2006 restated £
TURNOVER	2	6,370,007	5,212,847
Cost of sales		(3,940,105)	(3,349,363)
Gross profit		<u>2,429,902</u>	<u>1,863,484</u>
Administrative expenses		(2,327,468)	(1,631,920)
OPERATING PROFIT	3	102,434	231,564
Interest receivable		15,052	4,699
		<u>117,486</u>	<u>236,263</u>
Interest payable and similar charges	4	(39,301)	(24,849)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		78,185	211,414
Taxation	5	18,146	(43,506)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	18	<u>96,331</u>	<u>167,908</u>
EARNINGS PER ORDINARY SHARE (PENCE)			
Basic EPS	7	0.9	1.5
Diluted EPS	7	<u>0.8</u>	<u>1.5</u>

All results relate wholly to continuing activities

## CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES for the year ended 31 March 2007

	2007 £	2006 £
Profit After Tax	96,331	175,250
Prior year adjustment	(7,342)	-
Total recognised gains and losses recognised since the last annual report	<u>88,989</u>	<u>175,250</u>

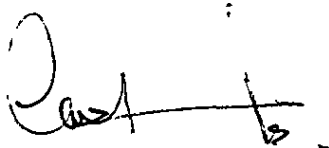
The prior year adjustment relates to FRS20 treatment of share based payments. See note 1

# Trakm8 Holdings PLC


## CONSOLIDATED BALANCE SHEET as at 31<sup>st</sup> March 2007

	Notes	2007 £	2006 restated £
<b>FIXED ASSETS</b>			
Intangible fixed assets	8	809,857	-
Tangible assets	9	446,143	393,110
		<u>1,256,000</u>	<u>393,110</u>
<b>CURRENT ASSETS</b>			
Stocks	12	332,522	398,306
Debtors	13	1,273,089	1,070,984
Cash at bank		708,588	402,454
		<u>2,314,199</u>	<u>1,871,744</u>
CREDITORS. Amounts falling due within one year	14	(1,306,259)	(1,026,765)
<b>NET CURRENT ASSETS</b>		<u>1,007,940</u>	<u>844,979</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,263,940</u>	<u>1,238,089</u>
CREDITORS: Amounts falling due after more than one year	15	(837,718)	(253,136)
<b>NET ASSETS</b>		<u>1,426,222</u>	<u>984,953</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	16	114,724	110,260
Share premium	18	754,279	435,087
Merger Reserve	18	509,837	509,837
Share based payment reserve	18	28,624	7,342
Profit and loss account	18	18,758	(77,573)
<b>SHAREHOLDERS' FUNDS</b>		<u>1,426,222</u>	<u>984,953</u>

These financial statements were approved by the Directors and authorised for issue on 20 September 2007 and are signed on their behalf by:



C D Buck  
Director



T Couling  
Director

# Trakm8 Holdings PLC

## COMPANY BALANCE SHEET as at 31<sup>st</sup> March 2007

	Notes	2007 £	2006 £
FIXED ASSETS			
Investments	10	<u>595,519</u>	<u>101,120</u>
CURRENT ASSETS			
Debtors	13	313,679	55,309
Cash at bank		<u>508,347</u>	<u>365,051</u>
		822,026	420,360
CREDITORS: Amounts falling due within one year	14	<u>(61,960)</u>	<u>(9,000)</u>
NET CURRENT ASSETS		<u>760,066</u>	<u>411,360</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,355,585</u>	<u>512,480</u>
CREDITORS: Amounts falling due after more than one year	15	<u>(500,000)</u>	<u>-</u>
NET ASSETS		<u>855,585</u>	<u>512,480</u>
CAPITAL AND RESERVES			
Called up share capital	16	114,724	110,260
Share premium	18	754,279	435,087
Share based payment reserve	18	28,624	-
Profit and loss account	18	<u>(42,042)</u>	<u>(32,867)</u>
SHAREHOLDERS' FUNDS		<u>855,585</u>	<u>512,480</u>

These financial statements were approved by the directors and authorised for issue on 20 September 2007 and are signed on their behalf by:



C D Buck  
Director



T Couling  
Director

# Trakm8 Holdings PLC

## CONSOLIDATED CASH FLOW STATEMENT for the year ended 31<sup>st</sup> March 2007

		2007 £	2006 £
NET CASH INFLOW / (OUTFLOW) FROM OPERATING ACTIVITIES	19A	186,214	(264,490)
RETURNS ON INVESTMENTS AND SERVICING OF FINANCE			
Interest received		15,052	4,699
Interest paid		(39,301)	(24,849)
NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		(24,249)	(20,150)
TAXATION			
Research & Development Tax Credit		43,237	-
CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT			
Purchase of tangible fixed assets		(71,203)	(32,215)
Sale of assets		999	-
NET CASH INFLOW / (OUTFLOW) BEFORE ACQUISITION		134,998	(316,855)
ACQUISITION			
Purchase of Interactive Projects Limited		(170,742)	-
Net overdraft acquired		(18,733)	-
NET CASH OUTFLOW AFTER ACQUISITION		(54,477)	(316,855)
Proceeds from the issue of shares		-	914,000
Expenses paid in connection with share issue		-	(469,773)
Repayment of loans		(244,565)	(7,613)
Issue of Loan Stock		500,000	-
INCREASE IN CASH IN YEAR		<u>200,958</u>	<u>119,759</u>
RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS			
		2007 £	2006 £
Increase in cash in year	19B	200,958	119,759
Cash outflow from loan repayments		244,565	7,613
		<u>445,523</u>	<u>127,372</u>
Loans and Finance leases acquired with subsidiary		(193,278)	-
Issue of Loan Stock		(500,000)	-
Movement in net debt in period		(247,755)	127,372
Opening net debt		(212,066)	(339,438)
CLOSING NET DEBT	19B	<u>(459,821)</u>	<u>(212,066)</u>

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31<sup>st</sup> March 2007

---

### 1 ACCOUNTING POLICIES

#### BASIS OF ACCOUNTING

The consolidated financial information comprises the financial information of Trakm8 Holdings PLC and all of its subsidiary undertakings for the year. The financial statements have been prepared under the historical cost convention in accordance with the applicable accounting standards.

The consolidated financial statements merge the financial statements of Trakm8 Limited and Trakm8 Holdings Plc as if they had always so been owned. Accordingly, in those years when mergers take place, the whole of the results, assets, liabilities and shareholders' funds of the merged companies are consolidated, regardless of the actual merger date, and corresponding figures for previous years are re-stated.

Interactive Projects Limited ("IPL") was acquired by the Company on 26 May 2006 and has been consolidated using the acquisition method. The results are incorporated from the date that control passes. The difference between the cost of acquisition of shares in subsidiaries and the fair value of the separable net assets acquired is capitalised and written off on a straight line basis over its estimated economic life. Provision is made for impairment. All financial statements are made up to 31 March 2007

#### CHANGE IN ACCOUNTING POLICY

During the year, the Group adopted FRS 20, 'Share based payment'. The adoption of FRS 20 is a change in accounting policy which results in a prior year adjustment. The effect on the comparative figures is the recognition of a share option reserve of £7,342 as at 31 March 2006. There is no change to the net assets of the Group at 31 March 2006.

The Group previously charged the intrinsic value of share options, (the difference between the market price of the shares at the grant date and the exercise price), to the profit and loss account over the performance period. Following the adoption of FRS 20, the fair value at grant date is expensed over the vesting period.

#### SHARE-BASED PAYMENTS

The Group has applied the requirements of FRS 20 Share-based Payments. In accordance with the transitional provisions, FRS 20 has been applied to all grants of equity instruments after 7 November 2002 that were unvested as of 1 January 2006. The note above explains the impact of this new policy.

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value at the date of grant. The fair value determined at the grant date of equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest.

The fair value is measured by use of the Black-Scholes option pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effect of non-transferability, exercise restrictions, and behavioural considerations. No expense is recognised for awards that do not ultimately vest.

# Trakm8 Holdings PLC

NOTES TO THE FINANCIAL STATEMENTS (*continued*)  
for the year ended 31 March 2007

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## 1 ACCOUNTING POLICIES (*continued*)

### FINANCIAL INSTRUMENTS

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. Instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

### INVESTMENTS

Fixed asset investments are stated at cost less impairment against the cost of investments. The carrying values of investments in subsidiaries are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

### GOODWILL

Goodwill is the difference between the cost of an acquired entity and the aggregate of the fair value of that entity's identifiable assets and liabilities. Goodwill arising on the acquisition of IPL has been capitalised and is amortised over the period of its estimated useful life, which the Directors consider to be 10 years.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate the carrying value may not be recoverable. The cost of acquisition includes the fair value of the consideration paid, the market value of shares issued as consideration plus expenses.

### INTANGIBLE FIXED ASSETS

Intellectual Property is valued based on the Directors' best estimate of its current fair value less amortisation. Amortisation is calculated over 10 years in equal instalments, according to the expected useful life.

Development expenditure relating to specific projects intended for commercial exploitation is carried forward where the ultimate commercial viability has been assessed with reasonable certainty. Such expenditure is amortised over the period expected to benefit. Expenditure on pure and applied research, and development for projects where the long term commercial viability has not been established with reasonable certainty is written off as incurred.

### TANGIBLE FIXED ASSETS

The cost of tangible fixed assets is their purchase cost together with any incidental costs of acquisition.

# Trakm8 Holdings PLC

NOTES TO THE FINANCIAL STATEMENTS (*continued*)  
for the year ended 31 March 2007

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## 1 ACCOUNTING POLICIES (*continued*)

### DEPRECIATION

Depreciation is provided on all tangible fixed assets other than freehold land at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows

Freehold buildings	2% straight line
Furniture, fixtures and equipment	25% reducing balance
Computer equipment	33% straight line

### STOCKS AND WORK IN PROGRESS

Stocks and work in progress are valued at the lower of cost and net realisable value. In general cost is determined on a first in first out basis and includes all direct expenditure and production overheads based on a normal level of activity. Net realisable value is the price at which the stocks can be sold in the normal course of business after allowing for the costs of realisation and where appropriate for the costs of conversion from its existing state to a finished condition. Provision is made for obsolete, slow moving and defective stocks.

### LEASES

Rentals paid under operating leases are charged to the profit and loss account as incurred

Where leased assets are financed by leasing agreements that give rights approximating to ownership, the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding lease commitments are shown as obligations to the lessor. Lease payments are split between *capital and interest elements* using the sum of the digits method. Depreciation on the relevant assets and interest are charged to the profit and loss account.

### FOREIGN CURRENCIES

Foreign currency assets and liabilities are converted to sterling at the rates of exchange ruling at the end of the financial year. Transactions in foreign currencies are converted to sterling at the *rates of exchange ruling* at the transaction date. All of the resulting exchange differences are recognised in the profit and loss account as they arise.

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 March 2007

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### 1 ACCOUNTING POLICIES (*continued*)

#### DEFERRED TAXATION

Provision is made for deferred taxation in respect of all material timing differences that have originated but not reversed by the balance sheet date. Timing differences represent differences between gains and losses recognised for tax purposes in periods different from those in which they are recognised in the financial statements. No deferred tax is recognised on permanent differences between the Company's taxable gains and losses and its results as stated in the financial statements. Deferred tax assets and liabilities are included without discounting.

#### TURNOVER

Turnover represents the total of amounts receivable for goods and services provided excluding value added tax. Turnover is recognised on the delivery of the goods to the customer.

#### WARRANTY CLAIMS

Provision is made for liabilities arising in respect of expected warranty claims.

### 2 SEGMENTAL ANALYSIS

All turnover, profits and net assets are derived from the Group's principal activity being the marketing and distribution of vehicle telematic equipment.

The geographical analysis of turnover by destination is as set out below

	2007	2006
	£	£
United Kingdom	3,440,539	3,157,102
Rest of the World	2,929,468	2,055,745
	<u>6,370,007</u>	<u>5,212,847</u>

### 3 OPERATING PROFIT

	2007	2006
	£	restated £
Operating profit is stated after charging:		
Depreciation - owned fixed assets	47,924	25,980
assets on finance leases	7,107	-
Goodwill amortisation	10,245	-
Other intangible assets amortisation	102,771	-
Operating lease rentals		
Equipment	19,436	12,355
Land and buildings	27,025	5,417
Research and development	59,470	43,754
Loss on foreign exchange transactions	18,834	6,620

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 March 2007

### 3 OPERATING PROFIT (*continued*)

	2007	2006 restated
	£	£
Auditor's remuneration	38,000	38,000
Baker Tilly		
- audit services	-	9,000
Parent Company and consolidation	-	29,000
Subsidiary audit	-	9,500
- tax advisory services	-	-
Baker Tilly UK Audit LLP		
- audit services	7,000	-
Parent Company and consolidation	31,000	-
Subsidiary audits	18,129	-
- tax advisory services	<u>18,129</u>	<u>-</u>

### 4 INTEREST PAYABLE AND SIMILAR CHARGES

	2007	2006
	£	£
Bank interest payable	25,802	24,849
Interest on Loan stock	12,482	-
Interest on finance leases	1,017	-
	<u>39,301</u>	<u>24,849</u>

### 5 TAXATION

	2007	2006
	£	£
Current tax:		
In respect of the current year	25,091	-
Adjustment in respect of prior periods		
R&D Tax Credit	(47,699)	-
	<u>(22,608)</u>	<u>-</u>
Deferred tax		
Deferred tax charge for current year	4,462	43,506
	<u>(18,146)</u>	<u>43,506</u>

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 March 2007

### 5 TAXATION (*continued*)

#### Factors affecting the tax charge

The tax assessed for the years are lower than the applicable rate of corporation tax in the UK. The difference is explained below:

	2007	2006 restated
	£	£
Profit on ordinary activities before tax	<u>78,183</u>	<u>211,414</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2006 19%)	23,455	40,169
Effects of:		
Expenses not deductible/income not taxable	12,170	4,668
Accelerated capital allowances	2,753	1,485
Losses utilised	-	(47,693)
Share Option adjustment	6,385	1,395
Depreciation on non qualifying assets	1,160	-
Other timing differences	(10,211)	-
Marginal relief	(10,621)	(24)
Total current tax	<u>25,091</u>	<u>-</u>

### 6 EMPLOYEES

	2007 No	2006 No.
The average monthly number of persons (including directors) employed by the Group was		
Research and development	5	7
Selling and distribution	8	5
Production	11	7
Administration	12	9
	<u>36</u>	<u>28</u>

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 March 2007

---

### 6 EMPLOYEES (*continued*)

	2007	2006 restated
	£	£
Staff costs for the employees and directors		
Wages and salaries	1,353,197	666,428
Social Security costs	145,485	72,583
Share Based Payments (FRS 20)	21,282	7,342
	<u>1,519,964</u>	<u>746,353</u>

Included in the above are costs relating to directors as follows:

Directors' emoluments	<u>£413,976</u>	<u>£298,097</u>
-----------------------	-----------------	-----------------

The Directors in office during the year ended 31 March 2007 received no pension contributions.

Emoluments disclosed above include the following amounts paid to the highest paid director. -

Emoluments for qualifying services	<u>£98,500</u>	<u>£79,160</u>
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Further details of Directors' remuneration can be found in the Directors' Remuneration report on pages 19 to 21.

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS for the year ended 31<sup>st</sup> March 2007

### 7 EARNINGS PER ORDINARY SHARE

The earnings per ordinary share has been calculated using the profit for the year and the weighted average number of ordinary shares in issue during the year as follows

	2007	2006 restated
Profit for the year after taxation	£96,331	£167,908
	No	No.
Number of ordinary shares of 1p each	11,472,423	11,026,000
Number of ordinary shares of 1p each (diluted)	12,596,941	11,474,860
Basic weighted average number of ordinary shares of 1p each	11,175,215	11,026,000
Basic weighted average number of ordinary shares of 1p each (diluted)	11,760,871	11,155,435
Basic earnings (pence per share)	0.9p	1.5p
Diluted earnings (pence per share)	0.8p	1.5p

### 8 INTANGIBLE ASSETS

	<i>Goodwill</i>	<i>Development Costs</i>	<i>Intellectual Property</i>	<i>Total</i>
	£	£	£	£
As at 1 April 2006	-	-	-	-
Acquisition of IPL	102,453	-	600,000	702,453
Additions	-	220,420	-	220,420
Amortisation	(10,245)	(42,771)	(60,000)	(113,016)
As at 31 March 2007	92,208	177,649	540,000	809,857

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2007

### 9 TANGIBLE FIXED ASSETS

GROUP	Freehold buildings	Furniture, fixtures and equipment	Computer equipment	Total
	£	£	£	£
<b>COST</b>				
As at 1 April 2006	368,264	22,773	44,563	435,600
Additions	-	23,529	47,674	71,203
Acquired with IPL	-	50,204	33,584	83,788
Disposals	-	(1,141)	-	(1,141)
As at 31 March 2007	<u>368,264</u>	<u>95,365</u>	<u>125,821</u>	<u>589,450</u>
<b>DEPRECIATION</b>				
As at 1 April 2006	11,595	7,779	23,116	42,490
Charge for the year	3,865	16,198	34,968	55,031
Acquired with IPL	-	18,683	27,245	45,928
Disposals	-	(142)	-	(142)
As at 31 March 2007	<u>15,460</u>	<u>42,518</u>	<u>85,329</u>	<u>143,307</u>
<b>NET BOOK VALUE</b>				
As at 31 March 2007	<u>352,804</u>	<u>52,847</u>	<u>40,492</u>	<u>446,143</u>
As at 31 March 2006	<u>356,669</u>	<u>14,994</u>	<u>21,447</u>	<u>393,110</u>

Included within freehold buildings is £175,000 (2006 £175,000) relating to land which is not depreciated. The net book value of plant and computer equipment includes £21,071 (2006 Nil) in respect of assets held under finance leases and hire purchase contracts. The depreciation charge in respect of these assets was £7,107 (2006: Nil).

The Company held no fixed assets during the year.

### 10 SUBSIDIARY UNDERTAKINGS

<b>COMPANY</b>	2007	2006
	£	£
Subsidiary undertakings	<u>595,519</u>	<u>101,120</u>

Name of subsidiary	Class of holding	Proportion held	Nature of business
Trakm8 Limited	Ordinary	100%	Marketing and distribution of vehicle telematics
Interactive Projects Limited	Ordinary	100%	Project management and design
Purple Reality Limited	Ordinary	100%	Dormant

The subsidiaries are incorporated in England and Wales. Purple Reality Limited was incorporated on 19<sup>th</sup> April 2006.

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 March 2007

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### 11 ACQUISITION OF INTERACTIVE PROJECTS LIMITED ("IPL")

On 26 May 2006 the Company acquired the entire issued share capital of IPL. The consideration was £100,000 in cash paid to the vendors on 26 May 2006 and 446,423 Ordinary shares were allotted and issued to the vendors on 29 November 2006 at a market price of 72.5 pence per share. The transaction has been accounted for by the acquisition method of accounting as detailed in FRS6 (Acquisitions and Mergers)

The following assets and liabilities were acquired at the date of acquisition:

	Book Value as at May 2006	Fair Value as at May 2006
	£	£
Intangible Assets	200,000	600,000
Tangible Assets	37,860	37,860
Stocks	41,633	41,633
Debtors	43,140	43,140
Bank overdraft	(18,733)	(18,733)
Loan & trading balance with Trakm8	(48,101)	(48,101)
Trade Creditors	(46,410)	(46,410)
Other Creditors	(24,165)	(24,165)
Finance Leases	(25,123)	(25,123)
DTI Loans	<u>(168,155)</u>	<u>(168,155)</u>
	(8,054)	391,946
Goodwill		<u>102,453</u>
Total Consideration		<u>494,399</u>

Satisfied by:

Cash	100,000
Costs of acquisition	70,742
Fair value of shares issued	<u>323,657</u>
	<u>494,399</u>

The results of IPL have been consolidated in the Profit & Loss account for the Group for the ten months from the date of acquisition to 31st March 2007.

Intangible assets represent Intellectual Property owned by IPL. The Directors have reviewed the fair value of these assets and revalued them at the date of acquisition. The valuation has been based on the expected licence fee income to be received over the next 10 years.

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 March 2007

### 12 STOCKS

GROUP	2007 £	2006 £
Finished goods and goods for resale	<u>332,522</u>	<u>398,306</u>

The Company held no stock at the year end or during the year

### 13 DEBTORS

	Group		Company	
	2007 £	2006 £	2007 £	2006 £
Trade debtors	1,180,083	965,503	-	-
Amounts due from subsidiary undertakings	-	-	291,144	23,944
Other debtors	6,356	35,583	-	-
Prepayments	55,110	64,404	22,535	26,783
VAT recoverable	30,508	-	-	-
Deferred Tax asset	1,032	5,494	-	4,582
	<u>1,273,089</u>	<u>1,070,984</u>	<u>313,679</u>	<u>55,309</u>

### DEFERRED TAX

	2007 £	2006 £
Balance at 1 April	5,494	49,000
Profit and loss account (note 5)	(4,462)	(43,506)
Balance at 31 March	<u>1,032</u>	<u>5,494</u>

	2007 £	2006 £
Accelerated capital allowances	1,032	-
Tax losses available	-	5,494
	<u>1,032</u>	<u>5,494</u>

The Directors are satisfied that the Deferred tax asset will be recoverable based on the Group earning future profits.

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 March 2007

### 14 CREDITORS: Amounts falling due within one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank loans & overdraft	282,789	176,293	-	-
Other loans	35,714	185,091	-	-
Trade creditors	793,714	565,683	29,987	-
Taxation and social security	36,426	23,330	19,032	-
Other creditors	33,706	26,707	-	-
Corporation Tax	25,091	-	-	-
Accruals and deferred income	98,819	49,661	12,941	9,000
	<u>1,306,259</u>	<u>1,026,765</u>	<u>61,960</u>	<u>9,000</u>

### 15 CREDITORS Amounts falling due after more than one year

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
Bank Loan	235,039	253,136	-	-
DTi Loans	102,679	-	-	-
Loan Stock	500,000	-	500,000	-
	<u>837,718</u>	<u>253,136</u>	<u>500,000</u>	<u>-</u>

	Group		Company	
	2007	2006	2007	2006
	£	£	£	£
After one and within two years	550,271	13,133	500,000	-
After two and within five years	117,878	45,931	-	-
After five years	169,569	194,072	-	-
	<u>837,718</u>	<u>253,136</u>	<u>500,000</u>	<u>-</u>

The bank loan is secured by a fixed and floating charge on all the assets of Trakm8 Limited. It is repayable by instalments of £2,660 per month until 2019 and bears interest at a fixed rate of 7.60%.

The DTi loans were provided in 2006 by National Westminster Bank under the Small Firms Loan Guarantee Scheme. The two loans are each repayable at the rate of £1,488 per month and interest is payable at the rate of 3.5% over Base rate. During 2007 the loans were transferred to HSBC under the same terms.

In January 2007 the Company issued £500,000 of 9% Convertible Unsecured Loan Stock. The Loan Stock will be converted into ordinary shares of the Company on 31 December 2008 or at an earlier date at the option of the Holder. The Loan Stock is convertible at a conversion price being either 60 pence or if the closing mid-market price of an ordinary share on the Business Day before the Conversion date is less than 60 pence, 95 per cent of the average closing mid-market price of the ordinary shares for the previous five business days.

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS *(continued)* for the year ended 31 March 2007

### 16 SHARE CAPITAL

<b>Group &amp; Company</b>	2007 £	2006 £
<b>Authorised</b>		
200,000,000 ordinary shares of 1p each	<u>2,000,000</u>	<u>2,000,000</u>
<b>Allotted, issued and fully paid</b>		
11,026,000 ordinary shares of 1p each	-	110,260
11,472,423 ordinary shares of 1p each	<u>114,724</u>	<u>-</u>

On 26 May 2006 the Company acquired the entire issued share capital of Interactive Projects Limited. The consideration was £100,000 in cash paid to the vendors on 26 May 2006 and 446,423 Ordinary shares were allotted and issued to the vendors on 29 November 2006 at a market price of 72.5 pence per share

### 17 SHARE-BASED PAYMENTS

Trakm8 Holdings PLC has issued options (under the Trakm8 Approved Option Scheme) to subscribe for ordinary shares of 1p in the Company. The purpose of the Option Scheme is to retain and motivate employees. The exercise price and number of shares to which the options relate are as follows

Option Exercise Price	Balance as at 31 March 2006	Granted during year	Exercised during year	Expired/forfeited during the year	Balance as at 31 March 2007	Expiry Date
25p	366,925	83,935	-	159,675	291,185	31 March 2010

On 31 March 2007 the existing share option scheme was replaced by a similar scheme. The same number of options were granted under the replacement scheme to eligible employees; however the terms were modified by the addition of an expiry date and the grant price was reduced to reflect the mid-market closing price on the grant date of the replacement scheme

The highest share price during the year was £1.38. The lowest share price during the year was £0.25. The closing share price on 30 March 2007 (last day of trading in the financial year) was £0.25 (2006: £1.22). The exercise of all share options is the closing market price on the day of grant.

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 March 2007

### 17 SHARE-BASED PAYMENTS (*continued*)

The fair value of the equity settled share options granted is estimated as at the date of grant using the Black Scholes option pricing model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used for the years ended 31 March 2006 and 31 March 2007

Historical volatility	8.9%
Dividend Yield (declared)	0.0%
Risk-free interest rate	4.8%

A vesting period of 1 or 2 years is applicable according to the terms of grant

### 18 RECONCILIATION OF SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT ON RESERVES

<b>Group</b>	Share capital	Share premium	Merger Reserve	Share based payment reserve	Profit and loss account	Total
	£	£	£	£	£	£
At 1 April 2005	101,120	-	509,837	-	(245,481)	365,476
Shares Issued	9,140	904,860	-	-	-	914,000
Costs relating to shares issued	-	(469,773)	-	-	-	(469,773)
Profit for the year	-	-	-	-	175,250	175,250
At 1 April 2006 as previously stated	110,260	435,087	509,837	-	(70,231)	984,953
FRS20 Share based payments	-	-	-	7,342	(7,342)	-
1 April 2006 restated	110,260	435,087	509,837	7,342	(77,573)	984,953
Shares Issued	4,464	319,192	-	-	-	323,656
FRS20 Share based payments	-	-	-	21,282	-	21,282
Profit for the year	-	-	-	-	96,331	96,331
As at 31 March 2007	114,724	754,279	509,837	28,624	18,758	1,426,222

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued) for the year ended 31 March 2007

### 18 RECONCILIATION OF SHAREHOLDERS' FUNDS AND STATEMENT OF MOVEMENT ON RESERVES (continued)

Company	Share capital £	Share premium £	Share based payment reserve £	Profit and loss account £	Total £
At 1 April 2005	-	-	-	-	-
Shares issued	110,260	904,860	-	-	1,015,120
Costs relating to shares issued	-	(469,773)	-	-	(469,773)
Loss for the period	-	-	-	(32,867)	(32,867)
At 1 April 2006 as previously stated	110,260	435,087	-	(32,867)	512,480
FRS20 Share based payments	-	-	7,342	(7,342)	-
1 April 2006 restated	110,260	435,087	7,342	(40,209)	512,480
Shares issued	4,464	319,192	-	-	323,656
FRS20 Share based payments	-	-	21,282	-	21,282
Loss for the year	-	-	-	(1,833)	(1,833)
As at 31 March 2007	114,724	754,279	28,624	(42,042)	855,585

### 19 CASH FLOWS

	2007 £	2006 restated £
<b>A Reconciliation of operating profit to net cash flow from operating activities</b>		
Operating profit	102,432	231,564
Depreciation	55,031	25,980
Goodwill Amortisation	10,245	-
Other intangibles amortisation	102,771	-
Development costs capitalised	(220,420)	-
FRS 20 provision	21,282	7,342
Movement in stock	107,417	(255,535)
Movement in debtors	(158,965)	(249,210)
Movement in creditors	166,421	(24,631)
Net cash flow from operating activities	186,214	(264,490)

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 March 2007

### 19 CASH FLOWS (*continued*)

#### B Analysis of change of net debt

	At 1 April 2006	Cash flow	IPL Acquisition	At 31 March 2007
Cash at bank	402,454	306,134	-	708,588
Overdrafts and loans	(164,118)	(105,176)	-	(269,294)
	238,336	200,958	-	439,294
Debts falling due after 1 yr	(253,136)	(452,141)	(132,441)	(837,718)
Debts falling due within 1 yr	(197,266)	183,771	(35,714)	(49,209)
Finance leases	-	12,935	(25,123)	(12,188)
	(212,066)	(54,477)	(193,278)	(459,821)

### 20 FINANCIAL COMMITMENTS

At each year end the Group was committed to making the following payments during the next year in respect of leases

	2007 £	2006 £
<b>Operating Leases</b>		
Land and buildings		
Less than one year	3,090	-
Expiring within two to five years	10,000	10,000

	2007 £	2006 £
<b>Finance Leases</b>		
Plant and equipment:		
Less than one year	10,537	-
Expiring within two to five years	8,160	13,587

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 March 2007

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### 21 RELATED PARTY TRANSACTIONS

Richard White, who was a Director until he resigned on 16 October 2006, invoiced the Group £18,887 (2006: £32,000) for consultancy work. There were no other related party transactions.

### 22 CONTINGENT LIABILITIES

The Group and Company are not aware of any contingent liabilities as at 31 March 2007 (2006: nil)

### 23 SUBSEQUENT EVENTS

As announced on the 6 August 2007 the Group acquired PJ Soft sro, a Czech software house. The total consideration for the acquisition of PJ Soft comprises €535,000 (£360,269) in cash and 793,652 new ordinary shares. Both the cash and share elements of the consideration are payable in two stages over the next two years.

### 24 FINANCIAL INSTRUMENTS

The numeric disclosures in this note deal with financial assets and liabilities as defined in FRS13 "Derivatives and other financial instruments".

As permitted by FRS 13, short-term debtors and creditors have been excluded from the disclosures. Certain financial assets such as investments in subsidiary companies are also excluded from the scope of these disclosures.

#### **Liquidity risk**

The Group's objective is to maintain a balance between continuity and flexibility of funding through the use of borrowings and financial assets with a range of maturities.

#### **Interest rate profile**

The Group has no financial assets other than sterling, euro and dollar account balances totalling £708,588 (2006: £402,454) which are instantly available funds attracting variable rates of interest.

The Group finances its operations through a mixture of share capital and bank and other loans. The Group's exposure to interest rate fluctuations on its borrowings is managed by the use of floating and fixed rate facilities.

The interest rate exposure of the financial liabilities of the Group as at 31 March was:

	Interest rate			Total
	Fixed	Zero rate	Floating	
	£	£	£	£
Financial liabilities – 2007	<u>748,534</u>	<u>-</u>	<u>407,687</u>	<u>1,156,221</u>
Financial liabilities – 2006	<u>253,136</u>	<u>185,091</u>	<u>176,293</u>	<u>614,520</u>

The fixed rate financial liabilities comprise a Bank loan that bears an interest rate of 7.6% and Loan stock that bears a fixed rate of 9%.

# Trakm8 Holdings PLC

## NOTES TO THE FINANCIAL STATEMENTS (*continued*) for the year ended 31 March 2007

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### 24 FINANCIAL INSTRUMENTS (*continued*)

#### **Maturity of financial liabilities**

The maturity of the Group's financial liabilities is detailed in note 15.

#### **Borrowing facilities**

The Group had an overdraft facility of £450,000 with HSBC Bank. As at 31 March 2007 the total overdraft being utilised was £269,294. However HSBC allow a setoff against other bank balances and the combined net overdraft as at 31 March 2007 was nil.

#### **Fair values**

There is no material difference between the book value and the fair value of the Group's financial assets or liabilities.

#### **Currency exposure**

Historically the Group has not used derivative instruments to hedge against possible risks arising from fluctuations in foreign currency exchange rates as the exposure is limited. If foreign currency exposure increases, the use of foreign currency hedging instruments will be reviewed as a means of reducing the effect of exchange rate fluctuations on the Group's results.

### 25 COMPANY PROFIT AND LOSS ACCOUNT

As permitted by s230 Companies Act 1985, the Company has not presented its own profit and loss account.