

Datatrak Holdings p.l.c.

Annual Report

2006

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2006

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Chairman's Statement

Walter Bonnici

It gives me great satisfaction to report that 2006 has seen the Group move forward steadily. We have registered improvements over previous years in practically all areas. The journey we embarked upon eighteen months ago appeared to be long and challenging. Implementing a turnaround strategy in such a short period was considered by some industry analysts as a daunting task. However, my Board of Directors, together with the Group's management team, headed by Mr Joe Fenech Conti, believed that with dedication and hard work, the Group would unleash its potential and implement such a tough restructuring process and make it seem like the easiest of tasks.

As a Board, in July 2005 we set a number of key targets aimed at improving the Group effectiveness and ensure that it was operating efficiently in all areas. We had targeted to achieve these objectives over three years, however, the energy generated by our CEO and all the datatrak workforce surprised even us; with positive results being registered after only six months into the restructuring process. Concluding 2006 with a pre-tax Group profit of Lm57,416 confirmed that such a positive result was not just an initial spike but was founded on a strategy that instilled cost conscious management discipline without compromising investments for innovation, new business and product development.

Solutions on the Move!

The slogan adopted in 2006 was that we offer 'Solutions on the Move'. Such a slogan is evidently manifested in the fact that datatrak is operating in an evolving market, where technology-change is the order of the day, and where our main markets involve mobile and geospatial technologies. Our slogan motivates us to continuously search for market offerings that are dynamic and cutting edge. We strongly believe that this philosophy will allow us to move ahead and grow further.

Based on this Group ethos our efforts were directed towards finding new opportunities, developing and packaging new products as well as targeting new markets where we believe we can register success. In this regard we developed a 5 year business development strategy which would see us penetrate main-land Europe and eventually move to the east in order to address the Chinese market. The strategy is based on a phased approach of aggressive marketing efforts, whilst at the same time being cautious in our sales projections. The strategy pinpoints Italy, France, Spain, the Benelux, Germany and China as the main target markets which to address, whilst business in the UK and Malta should be further consolidated allowing the Group to step up its market share.

As is immediately evident the target market spread is quite varied. Our phased approach is designed to focus on one specific region, become established in such a market and then move on and target the next territory. Such a stepped approach is considered prudent because it allows us to focus our marketing and sales energies. This ensures that efforts are not diluted with the risk of not achieving the targets which we have set ourselves to achieve.

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Chairman's Statement

The first phase of the Group's business development tactical approach kicked off in October 2006. This saw the opening of our marketing office based in Rome with the remit of initially addressing the Italian market and then move on to France and Spain. The innovative design of our flag ship solution, DispatchIT, has meant that it could be localised for the Italian market without any major effort. Five channel partners have already been signed up (ITIC spa, SESA spa, NetService srl, Prototipo srl and IBP srl) and we are optimistic that the list will soon be enhanced with the names of two important operators. These, one of which is a mobile service provider and the other a non-profit organisation spread across the Italian territory dealing with vehicles, parking and transportation, are considered market leaders in their fields. They are currently carrying out due diligence exercises in order to ascertain the feasibility of the partnership.

The appointed channel partners have already brought in the first important leads and client trials have already initiated. The Italian market is seen to be fertile ground for our subsidiary Datatrak Solutions Ltd, or more specifically for its core products: TrakIT, DispatchIT and RouteIT. Market research has shown that these cutting edge products can establish an important presence, whilst our Vessel Management System (VMS) can comfortably address the need for a tracking system for marine vessels as successfully demonstrated in Malta. 2007 will predominantly be focused into turning Italian leads into sales, whilst the latter part of the year should see us targeting potential channel partners in France and Spain with a view to establishing a market presence in 2008.

The second phase of our business development strategy is aimed at addressing the Benelux region. Initial discussions with our counterparts datatrak Netherlands have already been concluded with the aim of having the first sales in the first part of 2008. Both TrakIT and DispatchIT are prime candidates for this region where DispatchIT has already been localised in Dutch in readiness for launch.

The final European goal of the five year business development plan involves targeting the German market. Apart from the UK and Scandinavian markets, the German market is considered one of the toughest markets to penetrate. Our tactical approach involves a longer time-to-market cycle because marketing efforts are anticipated to be very demanding. However, given our track record in the UK, we believe that if we approach this market with the same level of diligence, we should succeed in attracting our first sales towards the end of 2008.

The final and perhaps most daunting but potentially very lucrative, phase of the strategy involves targeting the Chinese market. There are various elements which need to be considered before addressing such a market. These include the difficult task of localising our solutions, the pricing model to be adopted, identifying appropriate channel partners and finally mobilising marketing and sales activities. To this effect, our tactical approach will focus on defining a sales viability model prior to determining whether it is economically feasible to address such a market. Undoubtedly this will require important marketing financing requirements.

Moving towards the African continent, this year has seen datatrak MENA Ltd registering important progress with respect to the conclusion of the 'Nigeria Project'. Negotiations are reaching the final stages for the installation and operation of two datatrak LF/UHF networks for the cities of Abuja and Lagos. Our 'business success meter' turned from the 2005 'cautious' to the 2007 'cautiously optimistic' level. We believe that 2007 will be the determining year of a 'Go or No-Go' decision. The way that negotiations have progressed so far, it is likely that 2008 will see the initiation of activity with the installation of the two networks.

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Chairman's Statement

Realistically no plan can be carved in stone. We will need to revisit our business development plans continuously in order to ensure that they encompass new opportunities not initially contemplated, whilst reflecting the market realities in our evolving market place.

'To be Innovative' is Our Company Value

In the first week of December 2006, I received a call telling me that the world's business solution giant, SAP, would be awarding datatrak for being the 'Most Innovative Maltese Company in 2006'. Our Group has always adopted a fresh and innovative approach to business and the development of its products. This recognition, by SAP, was not only a pleasant surprise but also a reinforcement of the faith I have in the efforts of all the datatrak workforce. Receiving the award from SAP Italia's Chief Executive Officer, Dott. Ing. Augusto Abbarcchi in the presence of the Minister for Industry, IT and Investments, Dr Austin Gatt filled us with great pride and should help us to push forward in order to live up to this accolade.

Such an award is tangible recognition that we are on the right track. It encourages us to continue to create solutions and products that are innovative. This, together with our ability to rapidly react to changing market requirements, we believe, differentiates us from the competition. Our marketing and development teams are presently creating and packaging new market offerings with a view to expanding our product line. Work is underway in order to launch a product line that will allow insurance companies to offer a 'pay-as-you-drive' insurance scheme, whilst packaging efforts are being directed towards launching a 'self installation tracking kit' for the European market.

On 'Trak'!

This year I intended to provide you with a sneak preview of what we intend to accomplish in the coming years in my report. I can now talk from a position of relative optimism because I feel that over the last two fiscal years we have managed to bring the Group on track. I cannot conclude my statement without showing my appreciation towards all the stakeholders who contributed and are still contributing towards our success. I would like to thank the Board of Directors who invest considerable time and effort in their governance role of the business. I also thank our CEO, Mr Joe Fenech Conti for ensuring that his uncompromising vision was implemented across the Group, placing us as a Maltese flag bearer on the international scene. Last but definitely not least I would like to express my sincere gratitude to all at datatrak who are instrumental in attaining our goals. Although we are on track, we are not yet at destination. I therefore encourage all stakeholders to carry on supporting datatrak in order for the Group to continue realising its great potential and thus achieve further shareholder value.

Walter Bonnici
Chairman

24 April 2007

Datatrak Holdings p.l.c.

Chief Executive Officer's Review of Operations

Datatrak Holdings p.l.c.

The past eighteen months, since my appointment as Group CEO in July 2005, were without doubt a very challenging and demanding period for the entire Group. The objectives I set on my appointment were ambitious and far reaching. I am glad to say all stakeholders of Datatrak Holdings plc and its subsidiaries fully embraced the challenge of reaching these targets which were dual focused; firstly to implement the full turnaround plan for the Group and secondly to propel all companies within the Group towards significant business growth. I am pleased to report that we have registered important progress on both fronts and this augurs well for immediate and future business development.

2006 was a year of confirmation whereby the initial positive trends registered in 2005 were re-affirmed. The Group, for the second year running, registered a profit after tax. The figure for this year was of Lm107,856 compared to that achieved in 2005 which was of Lm3,387. This positive result is in itself an intrinsic vote of confidence in the adoption of new management disciplines, which have unleashed the capabilities and potential of the datatrak Group. The attainment of encouraging results with respect to the Group's turnaround plan required:

- a focused cost management approach, whereby costs were directed to cover initiatives that had a positive immediate and future return;
- a clear and pragmatic business development strategy, whereby business opportunities and new target markets were identified;
- a product development roadmap designed; and
- a balance sheet restructuring exercise so as to present a clearer financial picture for the Group.

Restructuring

2005 saw a dedicated restructuring effort in the whole business composition from both the organisational and financial points of view. 2006 was a year of consolidation which also included the implementation of the final phases of the turnaround programme. This incorporated the restructuring of the Group's Balance Sheet which was approved by the Shareholders during an Extraordinary General Meeting (EGM) held in November 2006.

The resolution, which was unanimously approved by the EGM, specified that the accumulated losses of Lm2,247,018 within the Datatrak Group be offset and absorbed against the share premium account of Datatrak Holdings plc and that accordingly the share premium account of Datatrak Holdings plc be reduced by Lm2,247,018. This was a pivotal requirement in the restructuring programme because notwithstanding the improved operational performance over the past eighteen months, the Group was still carrying considerable accumulated losses brought forward from previous years. If not addressed through the approved balance sheet restructuring this would have, not only, hindered the Board of Directors in eventually being in a position to propose dividends, but would have also created difficulties for our business development activities. This is because, in assessing our financial statements, potential clients would have questioned the imbalance between the high share premium account and the accumulated losses. The truth of the matter was that the financial statements were not necessarily reflecting a picture of current Group performance. The shareholders understood this issue and approved the resolution; whereby as from November 2006, the Group's financial statements are more accurately reflecting the Group's performance and can adequately support the Group's paradigm shift towards a strategy of growth.

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Chief Executive Officer's Review of Operations

The Group's organisational structure was further strengthened in line with our growth projections. A dedicated Strategy and Business Development function, headed by Chief Officer, Mr Reuben Portanier was established in October 2006. The Call Centre and Support Unit was reinforced through the recruitment of additional support officers under the management of Mr Dominic Scicluna. Mr Roland Scerri is in overall charge of this strategically critical department. Ms Marie Claire Portelli joined the finance and administration team as Group Accountant. This team, led by Chief Financial Officer Ms Elaine Attard, has been tasked with the implementation of SAP as the new ERP for the Group. This will be instrumental in the financial management of all the Companies within the Group.

In 2006, the local labour market for ICT resources experienced a pronounced imbalance between supply and demand. This situation proved to be a challenge not only in the recruitment of new personnel but also in the retention of the current team members. The proactive approach embraced by our management team, especially our HR manager, Ms Ilona Gambin, has allowed the Group to register a very low labour attrition rate. Our family friendly policies which include teleworking and flexitime have also allowed us to attract bright and skilful resources towards datatrak, notwithstanding the difficulties posed by the labour market.

Ongoing technology improvements have allowed us to strengthen our product line in 2006. Product development activities were relentless in order to ensure that datatrak retains and improves its market position. In particular, our new GPS/GPRS locator, branded as TrakIT, was successfully launched as a 'client trial' in December 2006 with a view to achieving full implementation (both locally and overseas) in 2007. Our flagship product, DispatchIT was further enhanced in 2006 by our Research and Development teams, ably led by Chief Operations Officer, Mr Paul Borg Costanzi. This allowed us to register encouraging results in the United Kingdom with significant additions to our DispatchIT client portfolio.

Datatrak On-line (DOL), our tracking solution in the UK, was given another vote of confidence from Siemens VDO, who decided to reward the reliability of the product through the signing of a three year rolling agreement that will see DOL units reach 12,500 units in the UK. Another achievement in 2006 was the successful trialling of RouteIT, our dynamic route optimisation, at a major parcel delivery company in the UK. This solution is rapidly gaining recognition as a unique proposition on the European Market in the highly technical and lucrative field of route optimisation.

2006 saw the finalisation of the GIS project for the Superintendency of Cultural Heritage called CHIMS (Cultural Heritage Inventory Management System). This highly innovative project, based on the ground breaking GIS toolbox, gengis.net, achieved rave reviews when it was launched in February 2007.

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Chief Executive Officer's Review of Operations

Group Performance

Overall performance for the Group was excellent. Revenue has marginally fallen by 1% (this was caused primarily by the disposal of subsidiaries that are no longer considered to be part of the group) while costs have decreased by 8%. Using 2004 as the base year against which to benchmark, (2004 was the last full year prior to the launch of the turnaround and restructuring plan), the comparison between the 2006 and 2004 results shows that post-tax profits improved by over Lm 348K. 2006 post tax profits amounted to Lm 107,856, thus registering for the second year running a post tax profit as opposed to the losses registered pre-2005. This significant improvement occurred notwithstanding further restructuring costs of Lm58K associated with the disposal of Datatrak Security Systems Limited. R&D continued to be a major part of our investment with over Lm 264K being spent in 2006, whilst marketing costs were incurred in October 2006, in order to have a presence on the Italian, French and Spanish territories through the establishment of a regional office. This office is located in Rome.

Datatrak Systems Ltd

Datatrak Systems Ltd (DSL) maintained the momentum gained in 2005 notwithstanding the fact that two new competitors entered the local market. Results show that the client base of DSL was not eroded, with customer retention being the primary focus for the year. Our sales team was also successful in targeting a range of new clients. Major signings for the year include the Malta Police Force, Malta International Airport, the Ministry of Infrastructure, and WasteServe Ltd.

Moreover, DSL's high levels of workmanship were rewarded by the ADT when it was appointed as the official installer of taxi meters for Malta. This allowed the company to further diversify its business with the number of meters installed in the local taxi fleet exceeding 220.

Total revenue increased by 4% primarily due to the project to install meters in the Maltese taxi fleet. Although the financial position was further improved by reductions in costs of 12%, DSL registered a loss of Lm116k.

Datatrak MENA Ltd

Datatrak MENA's efforts primarily focused towards concluding the agreement for a LF/UHF datatrak network in Nigeria to cover the cities of Abuja and Lagos. Various stakeholders within the Group were instrumental in ensuring that the final stages of negotiations were reached. These included a concerted effort in order to conclude all elements of negotiations, including financing, technical specifications, service levels framework and determining the project roll-out plan. Progress registered to date is encouraging; the contractual framework has been concluded and the final aspects of the project financing under final negotiation. This project is being targeted to be signed in 2007.

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Chief Executive Officer's Review of Operations

Datatrak IT Services Ltd

Datatrak IT Services Ltd (DSERV) has had another very positive year with revenue targets set in 2005 for 2006 surpassed, whilst the company's costs were managed effectively and controlled. R&D initiatives in 2006 focused on the development of a set of digital maps of Malta for use within vehicle satellite navigation systems. DSERV established yet another first for Malta with the launch of the maps on Garmin units. This was done in close collaboration with Medcomms Ltd and Garmin and saw the official launch of Malta based Garmin maps during the Motor Fair held in the last week of March 2007. Coupled with this initiative, the Mapping and Surveying Unit continued delivering its portfolio of products across its established local and international client base.

Revenue for DSERV increased by 19% while an increase in the licence fees paid to its sister company DSOL are reflected in an increase of 49% in costs. The profit figure for 2006 was just over Lm64k.

Datatrak Solutions Ltd

2006 was a milestone year for Datatrak Solutions Ltd (DSOL). The targeted growth in business for the year was accomplished and business development efforts to enable future progress were established. In particular, the business development strategy for DSOL identified the need to diversify its market penetration. Italy, France and Spain were identified as potential markets for the company's core products. The first phase of this ambitious growth plan involved opening a regional office in Rome. The establishment of this Marketing Regional Office in October 2006 was required in order to have a local presence from which to target Italy, France and Spain. The Rome office, headed by Mr Damiano Sabatino, registered important business development results in the last quarter of 2006; with the signing of four important Channel Partners for the Italian market, namely ITIC spa, SESA spa, Prototipo srl and IBP srl.

Moreover, in February 2007 a memorandum of understanding was signed with Automobile Club Italia's IT division, ACI Informatica, which will see ACI and DSOL seek mutual business development activities through the marketing of DispatchIT, TrakIT and RouteIT for the Italian market. Such a collaboration is seen by DSOL to be of particular importance because ACI has a strong IT competence and an important presence of over 6,000 outlets spread across Italy. Such partnerships are only the first phase of the growth strategy whereby the second phase includes the signing of major clients through the channel partners.

In the United Kingdom, DSOL continued to improve upon its 2004 and 2005 results, with Datatrak On-Line (DOL) and DispatchIT achieving improved market penetration rates. Contracts of significant importance included the renewal of the partnership agreement with Siemens VDO for use of DOL as the AVL solution of choice of Siemens VDO. This three year rolling contract, covering a minimum of 12,500 vehicles, was signed late in 2006. Such a long term contract was a vote of confidence in DOL which, prior to the signing of the agreement, already saw important increments in take-up. The number of units registered on the system increased to 7,000 from the 5,000 in 2005. It is estimated that with the implementation of the renewed contract, DSOL will handle approximately 15% of the UK market in relation to Automatic Vehicle Location (AVL) or vehicle tracking use, thus placing DSOL as an important player on the UK Fleet Tracking Market.

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Chief Executive Officer's Review of Operations

2006 also saw an improvement in sales of DispatchIT. Our UK Country Manager, Mr Roland Scerri, together with our UK channel partners, Siemens VDO and ADP Inc's Kerridge, helped extend our client portfolio. The UK sales team has also established promising business leads that should materialise in 2007. To date, the major signings of DispatchIT include Bathstore.com, Ontime, RK Ceramics, Metric, Cardale, and Geopost, just to mention a few, with the latter contracting over 2,000 units.

Another important milestone accomplished in 2006 was the development of CHIMS for the Superintendency for Cultural Heritage. Following intensive testing during the latter part of 2006, the official launch of CHIMS was held in February 2007 at St. James Cavalier. The development of CHIMS was also possible through the company's own GIS enabling toolbox, GENGIS.NET.

DSOL also registered important revenues from licensing fees both locally and overseas. Revenue for 2006 reached Lm550K which is 65% higher than the sales figures registered in 2005, whilst its profit reached Lm271K in 2006.

Premiere Post Ltd

Part of the turnaround plan for the Group and in particular for DSERV included the increase in efficiency in relation to the fulfilment of the Local Enforcement Service contract. In this regard, various options were explored including the setting up of a dedicated postal delivery service. In collaboration with the Group's consultants, Deloitte, a business plan to assess the feasibility of setting up a postal operation was presented to the Group. The potential cost effectiveness and business development opportunities resulted in a decision to set up the first privately run postal operation in Malta. In 2006, the Group registered Premiere Post Ltd and applied for a postal operation and delivery licence with the Malta Communications Authority, whilst in parallel initiating the company structuring processes. In April 2007, the Malta Communications Authority granted Premiere Post Ltd (PPL) a licence to operate.

Innovation and Determination – Our Key to Success

This report outlines the accomplishments that we managed to attain in 2006. The positive performance, in itself, shows that objectives set are being achieved, however it is impossible to do justice to all the work and extensive effort involved in order to achieve such results.

The turnaround plan which I set out eighteen months ago was very ambitious, to say the least. However all the stakeholders, including the shareholders, the Chairman and the Board of Directors, management and all my colleagues across the Group, embraced this challenge with so much enthusiasm and dedication. This made the accomplishment of these ambitious targets achievable. Dedication was the key to our performance in 2006. However, it was not the only factor. The continuous need to be 'innovative in all that we do' was my motto for success within the Group and which I believe was and is, our differentiator for accomplishing our paradigm shift – that of growing further! It was thus a moment of great pride and satisfaction for all at datatrak, when the number one business solution provider in the world, SAP, awarded us with the most Innovative Maltese Company in 2006. This not only recognised our efforts to be innovative, but was also an important reward for all of us who believed in this motto and who left no stone unturned in order to place the Group as an 'avant-garde' organisation in such a competitive industry.

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Chief Executive Officer's Review of Operations

I am very grateful for the support of the Chairman and the Board of Directors who have not only supported me with advice and direction but equally importantly with the cash required for the second year running, to finance the restructuring of Datatrak Systems Ltd and the marketing efforts of Datatrak MENA Ltd. In the period since I have been appointed Group CEO, the Board believed in my strategy, supported me during the times when the strategy was still in progress and not yet accomplished, and supported the business to conclude important deals with cash out of their own pockets, without which such deals would not have been concluded.

I would also like to thank the shareholders who in 2006 demonstrated full support for the Group through their active participation during the AGM and the EGM and through the continuous individual support provided during the year.

Last but not least, I would like to thank the entire datatrak workforce. They, not only demonstrated a professional approach throughout and gave a value added contribution, but have also gelled as a team in order to move ahead steadily and with dedication. The key to strengthening our success and to meeting the ever changing challenges of the global market we operate in will always be dependent on our team approach based on determination and innovation. I am confident that, with the team we have built, datatrak will be in a position to meet the challenges that the future is sure to bring.

Joseph Fenech Conti
Chief Executive Officer

24 April 2007

Datatrak Holdings p.l.c.

Directors' Report

For the Year Ended 31 December 2006

The Directors present their report, together with the audited financial statements of Datatrak Holdings p.l.c. (the "Company"), for the year ended 31 December 2006.

Board of Directors

Walter Bonnici (Chairman)
Joseph R. Azzopardi
Joseph Spiteri
Chev. Maurice F. Mizzi
Dr. Pascal Demajo
Patricia Ransley
Chev. Anthony P. Demajo
Saviour Portelli (appointed 12 May 2006)
Dr. Francis Galea Salomone (appointed 12 May 2006)
Dr. Chris Said (resigned on 12 May 2006)
Vincent Farrugia (resigned on 12 May 2006)

Principal activities

The Company holds investments in subsidiaries engaged in providing data tracking network services, geographical information systems services and related services. At the balance sheet date, the Company is the ultimate parent of the subsidiaries set out in note 13 to the financial statements.

Review of business development and financial position

The Group achieved a profit before taxation amounting to Lm57,416 (2005: Loss - Lm7,948). After accounting for the recognition of net tax income of Lm50,440 (2005: Lm11,335), the profit after taxation amounted to Lm107,856 (2005: Lm3,387). Profits attributable to minority interests amounted to Lm183,008 (2005: Lm77,285) and the loss attributable to the shareholders of the Company amounted Lm75,152 (2005: Lm73,898). Further information about the results of the Group is provided in the income statement on page 11.

The Company registered a profit for the year amounting to Lm39,308 (2005: Loss - Lm44,742). Further information about the results of the Company is provided in the income statement on page 16.

By an extraordinary resolution dated 24 November 2006 and in line with the provisions of the Companies Act, 1995, the group restructured the balance sheet of its subsidiaries that were showing accumulated losses. This was done by increasing the share capital through the capitalisation of the parent Company's loan and the subsequent reduction of the share capital by the equivalent of the accumulated losses brought forward from the previous year. Further information about the restructuring is provided in note 20 to the financial statements.

A review of the operations of the Company and its subsidiary undertakings for the year under review and an indication of the likely future developments are given in the Chairman's Statement and the Chief Executive Officer's Review of Operations.

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Directors' Report

For the Year Ended 31 December 2006

Events after the balance sheet date and future business developments

During 2006 Datatrak Mena Limited, a group company, has continued its negotiations with its Nigerian Partners on the supply and licence agreement for the provision of Networks in a number of regions. This has now reached its final stages. In particular a number of activities which are crucial in the progress towards the conclusion of the negotiations were completed. These achievements included, the granting of a frequency and operating licence for the area by the Ministry of Communications of Nigeria, and the granting of exclusivity to market a datatrak network in West, Central and East Africa by Siemens VDO Trading Limited. The company is in the process of reviewing alternatives in financing arrangements in relation to the project.

Dividends

No dividends are proposed for distribution.

Reserves

Retained earnings amounting to Lm528,546 (2005: Accumulated losses - Lm1,644,017) for the Group Lm140,339 (2005: Lm100,334) for the Company, are carried forward to the next financial year.

Approved by the Board of Directors on 24 April 2007 and signed on its behalf by:

Mr Walter Bonnici
Chairman

Mr Joseph Spiteri
Director

F26,
Mosta Technopark,
Mosta.

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Statement of Compliance with the Principles of Good Corporate Governance with Appendix 8.1 of the Listing Rules

Introduction

The responsibility for the monitoring of compliance of listed companies lies with the MFSA in its role as Listing Authority. The Code of Principles of Good Corporate Governance (“the Code” or “the Principles”) was originally issued by the Malta Stock Exchange (“the MSE”) and now features as part of the new Listing Rules.

Adherence to the Code is not mandatory on listed companies, however the MFSA stresses the fact that it expects companies to adopt the Principles promulgated by the Code and to implement effective measures that ensure compliance with the said Principles. By virtue of Listing Rule 8.37, listed companies are required to include a Statement of Compliance in their Annual Report setting out the extent to which they have adopted these Principles. In this regard, Datatrak Holdings p.l.c. (“the Company”) is publishing this Statement of Compliance which expounds the Company’s present corporate governance practices intended to ensure compliance with the Code.

Compliance

The Board considers that during the year under review, the Company has been in compliance with the Code, to an extent commensurate with its size and level of operations. Instances of divergence from the Code are as reported hereunder.

The Board

The Board of Directors has the responsibility for overall direction and control of the Company. The main objectives of the Board are to focus on strategy and policy-setting for future development of the Company as well as to analyse business plans and financial information; thus monitoring overall financial performance of the Company. The Board also maintains responsibility for reviewing business risks faced by the Company and ensuring that these are identified and mitigated as necessary. All the Directors have access to all information necessary to make informed decisions on the overall management of the affairs of the Company. Should they require, they may also avail themselves of independent professional advice at the expense of the Company.

The Board is made up of nine non-executive members headed by a Chairman. The majority of the Directors have been members of the Board for a number of years and hence have the benefit of experience and knowledge of the Company’s operations that results from that position. The Board is composed as follows:

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Statement of Compliance with the Principles of Good Corporate Governance with Appendix 8.1 of the Listing Rules

<i>Non-executive Directors</i>	<i>Date of first appointment</i>	<i>Date of resignation</i>	<i>Meetings attended¹</i>
Mr Walter Bonnici - Chairman	23 October 2000		6
Mr Joseph R Azzopardi	23 October 2000		5
Ms Patricia Ransley	23 October 2000		6
Chev Maurice F Mizzi	23 October 2000		4
Dr Pascal Demajo	23 October 2000		6
Mr Joseph Spiteri	23 October 2000		4
Dr. Chris Said	13 August 2004	12 May 2006	0
Mr. Vincent Farrugia	13 August 2004	12 May 2006	0
Chev Anthony P Demajo	29 July 2005		6
Mr Saviour Portelli	12 May 2006		3
Dr. Francis Galea Salomone	12 May 2006		3

The Board of Directors has delegated specific authority to the Chief Executive Officer (CEO) to manage the Company within limits set by it. The Board is responsible for appointing the CEO and participates in the appointment of senior management.

The Director's role as non-executive Directors is one of monitoring and challenging management. The non-executive Directors' performance is not formally evaluated by the Company whether on an individual or collective basis. Moreover, the attendance at Board Meetings as shown above is indicative of the level of commitment of the Directors. The Directors believe that in view of the limited size of the Company and its resources, a formal independent evaluation of the collective and individual performance of the Directors by independent third parties is unwarranted as it is not likely to add significant value to the manner in which the Board currently operates and could be disproportionately costly.

The Board of Directors meets at least four times a year to review the Company's operational activities and strategies, but may meet more often if the need arises. The Board of Directors has convened six times during the year under review. The CEO is required to attend all meetings of the Board of Directors.

The Board is aware of its responsibilities in terms of Principle 12 Appendix 8.1 of the Listing Rules and seeks to adhere, as far as possible within the various constraints inherent in the Company, to its obligations set forth in the said principle.

Remuneration

The Directors have resolved that until companies reach profitability, the balance due to them by the Company by way of Directors' fees at balance sheet date be waived as disclosed in note 8.2 to the financial statements.

The Directors have no arrangement for profit sharing, share options or pension benefits as part of their remuneration.

¹ Either personally or by means of an alternate.

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Statement of Compliance with the Principles of Good Corporate Governance with Appendix 8.1 of the Listing Rules

The Directors believe that at this stage it is not necessary for the Company to set up a Remuneration Committee since the Board determines the remuneration packages of the Company's Executives. The Board believes that due to the fact that the Board is composed of Non-Executive Directors, the need to set up a separate Remuneration Committee does not exist. This belief is founded on the premise that the justification to establish a Remuneration Committee is to avoid a situation where Executive Directors participate in the determination of their own remuneration packages.

As at balance sheet date, the interests of the Directors in the shares of the Company were as follows:

	<u>Number of shares</u>
Mr Joseph R Azzopardi	20,000
Dr Pascal Demajo	1,000,750
Ms Patricia Ransley	612,880
Chev Anthony P Demajo	125,000

Mr Walter Bonnici has a beneficial interest of 1,434,030 shares currently registered in the name of GDL Trading and Services Limited. Mr Joseph Spiteri has a beneficial interest of 1,224,080 shares currently registered in the name of M.P.J. Limited. Dr Pascal Demajo has a beneficial interest of 225,000 shares currently registered in the name of Demco Limited, whilst Chev. Maurice F. Mizzi has a beneficial interest of 775,379 shares currently registered in the name of De Vilhena Limited.

Appointment of Directors

The Memorandum and Articles of Association of the Company regulates the appointment of the directors. Appointment of directors is reserved exclusively to the Company's shareholders. Every shareholder owning not less than 10% of the ordinary share capital, or a number of shareholders who between them hold not less than 10% of the ordinary share capital, are entitled to appoint one director for every such 10% holding.

The Chairman, Board of Directors and Auditors are all appointed by the shareholders during the Annual General Meeting. All Directors may be removed from their post either by the shareholder appointing them or else by the passing of an ordinary resolution in the general meeting. The Directors hold office for a period of one year, unless they resign or are removed or are appointed for periods other than one year. Once the period stated in their letter of appointment lapses, the Directors would be eligible for re-appointment.

The Board considers that the present size and operations of the Company do not merit the setting up of a Nominations Committee.

Dealing by Directors' and Senior Officers

Directors and senior officers are informed and are aware of their obligations on dealings in securities of the Company within the established parameters of the law and the Listing Rules. Chev. Anthony P. Demajo was appointed Designated Director of the Company for the purposes of the "Code of Conduct for Securities Transactions", as documented in the minutes (item 03) of the meeting of the Board of Directors, held on the 25th November 2005, at Datatrak Offices, F26 Mosta Technopark MST 13 Malta at 17.00 hrs. There were no reported breaches of such obligations during the year.

Datatrak Holdings p.l.c.

Statement of Compliance with the Principles of Good Corporate Governance with Appendix 8.1 of the Listing Rules

Board-appointed Committees

The Audit Committee

To ensure proper oversight for better effectiveness of the Company's operations, an Audit Committee was set up. The Committee met on six occasions during 2006. The Audit Committee is made up of non-executive directors, one of whom holds the position of chairman.

Presently, Mr. Joseph R Azzopardi is the Chairman of the Audit Committee while the other members are Ms. Patricia Ransley and Chev. Anthony P Demajo, who replaced Mr Vincent Farrugia following his resignation from the post of director with the Company.

The Audit Committee is, *inter alia*, responsible for ensuring that:

- the necessary systems and procedures are in place to identify, control and report major business risks;
- the annual financial plans are prepared, reviewed and approved by the Board;
- timely and appropriate financial reporting in accordance with applicable regulations and standards is effected;
- the day-to-day operations are monitored for compliance with applicable regulations, policies and standards of best practice; and
- the internal control structures across the Company and the Group are effective.

The Audit Committee reports directly to the Board of Directors.

Ultimate responsibility for delegated functions rests with the Board.

Commitment towards shareholders

Communication with shareholders is effected in line with statutory and regulatory requirements. In this regard, the Company publishes the interim unaudited accounts and the annual financial statements, the latter followed by the AGM. Company announcements are also made through the Malta Stock Exchange, as required by the Listing Rules. A briefing session has been held where stockbroker companies were invited to attend. A number of one-to-one sessions with individual stockbroker companies were also held.

Going concern

After making enquiries and in the light of the current financial position, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis as explained in note 2 to these financial statements.

Approved by the Board of Directors on 24 April 2007 and signed on its behalf by:

Mr Walter Bonnici
Chairman

Mr Joseph Spiteri
Director

Report of the Independent Auditors

To the Shareholders of Datatrak Holdings p.l.c.

Pursuant to Listing Rule 8.39 issued by the Listing Authority

Listing Rules 8.37 and 8.38 issued by the Listing Authority, require the Company's Directors to include in their annual report a statement of compliance to the extent which they have adopted the Code of Principles of Good Corporate Governance, and the effective measures they have taken to ensure compliance with these Principles.

Our responsibility, as independent auditors of the Company, is laid down by Listing Rule 8.39, which requires us to include a report on this Statement of Compliance.

We read the Statement of Compliance and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with these financial statements. Our responsibilities do not extend to considering whether this Statement is consistent with other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures, nor on the ability of the Company to continue in operational existence.

In our opinion, the Statement of Compliance set out on pages 3 to 6 provides the disclosures required by Listing Rules 8.37 and 8.38 issued by the Listing Authority.

Noel Mizzi (Partner) for and on behalf of

KPMG
Certified Public Accountants

24 April 2007

Datatrak Holdings p.l.c.

Preparation of the financial statements and directors' responsibilities

The Companies Act, 1995 (the "Act") requires the Directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Company and the Group as at the end of the financial year and of the results of their operations and their cash flows for the year.

In preparing such financial statements, Article 14 of the Third Schedule to the Act, requires the Directors to:

- adopt the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business;
- select suitable accounting policies and apply them consistently from one accounting period to another;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis; and
- value separately the components of asset and liability items on a prudent basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the Company and the Group and to enable them to ensure that the financial statements have been properly prepared in accordance with the basis of preparation set out in note 2 to the financial statements.

The Directors 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, through oversight of management, are responsible to ensure that the Company establishes and maintains internal control to provide reasonable assurance with regard to reliability of financial reporting, effectiveness and efficiency of operations and compliance with applicable laws and regulations.

Management is responsible, with oversight from the Directors, to establish a control environment and maintain policies and procedures to assist in achieving the objective of ensuring, as far as possible, the orderly and efficient conduct of the Company's business. This responsibility includes establishing and maintaining controls pertaining to the Company's objective of preparing financial statements as required by the Act and managing risks that may give rise to material misstatements in those financial statements. In determining which controls to implement to prevent and detect fraud, management considers the risks that the financial statements may be materially misstated as a result of fraud.

Signed on behalf of the Board of Directors on 24 April 2007 by:

Mr Walter Bonnici
Chairman

Mr Joseph Spiteri
Director

Report of the Independent Auditors

To the Shareholders of

Datatrak Holdings p.l.c.

Report on the financial statements

We have audited the accompanying financial statements of Datatrak Holdings p.l.c. (the “Company”) and of the Group of which the Company is the parent (‘the financial statements’) set out on pages 11 to 46, which comprise the balance sheets as at 31 December 2006, and the income statements, statements of changes in equity and cash flow statements for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors’ responsibility for the financial statements

As described on page 8, the Directors are responsible for the preparation and fair presentation of these financial statements of the group in accordance with International Financial Reporting Standards as adopted by the EU and of the Company in accordance with International Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors’ responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Report of the Independent Auditors (continued)

To the Shareholders of

Datatrak Holdings p.l.c.

Opinions

In our opinion, the financial statements give a true and fair view of:

- the financial position of the group as at 31 December 2006, and of its financial performance and its cashflows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the financial position of the Company as at 31 December 2006, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards.

Also in our opinion, the financial statements have been properly prepared in accordance with the provisions of the Companies Act, 1995 enacted in Malta.

Emphasis of Matter

Without qualifying our opinion we draw attention to note 2.1 to the financial statements, which indicates that the appropriateness of the going concern basis is dependant on the successful outcome of the projects referred to in note 28 and to the basis of recognition and measurement of non-current assets in notes 13, 16 and 19 to the financial statements.

Noel Mizzi(Partner) for and on behalf of

KPMG
Certified Public Accountants

24 April 2007

Datatrak Holdings p.l.c.

Income Statement - Group

For the Year Ended 31 December 2006

	Note	2006 Lm	2005 Lm
Revenue	4	1,398,133	1,408,042
Purchases and other directly attributable costs		(310,722)	(415,217)
Changes in inventory		(11,986)	27,210
Other income		8,839	30,495
Government assistance		-	5,500
Personnel Expenses	5	(362,293)	(352,116)
Depreciation, amortisation and impairment	11/12	(287,284)	(322,763)
Other expenses		(299,985)	(288,489)
Marketing costs		(33,858)	(60,800)
Net financial (costs)/income	6	(43,428)	7,831
Share of results of associate	14	-	(28,360)
Loss on disposal of subsidiary undertakings	7	-	(19,281)
Profit/(Loss) before tax	8	57,416	(7,948)
Tax income	9	50,440	11,335
Profit for the year		107,856	3,387
Profit/(Loss) attributable to:			
Equity holders of the parent		(75,152)	(73,898)
Minority Interest		183,008	77,285
Profit for the year		107,856	3,387
Loss per share - basic	10	(0c5)	(0c5)
Loss per share - diluted	10	(0c5)	(0c3)

Datatrak Holdings p.l.c.

Balance Sheet - Group

As at 31 December 2006

		2006	2005
	Note	Lm	Lm
Assets			
Property, plant and equipment	11	908,171	1,546,233
Intangible assets	12	1,365,376	1,221,348
Investment in associate	14	-	-
Other receivable	15	-	515,000
Deferred tax asset	16	904,692	840,744
		-----	-----
Total non-current assets		3,178,239	4,123,325
		-----	-----
Inventories	17	50,594	63,333
Trade and other receivables	18	1,352,015	712,199
Tax recoverable		3,082	13,508
Cash at bank and in hand		33,171	35,411
		-----	-----
Assets classified as held for sale	19	1,438,862	824,451
		536,558	-
		-----	-----
Total current assets		1,975,420	824,451
		-----	-----
Total assets		5,153,659	4,947,776
		=====	=====

Datatrak Holdings p.l.c.

Balance Sheet - Group

As at 31 December 2006

		2006	2005
	Note	Lm	Lm
Equity			
Issued capital	20	1,594,950	1,594,950
Share premium	20	988,590	3,235,608
Retained earnings/(Accumulated losses)		528,546	(1,644,017)
Total equity attributable to equity holders of the parent		3,112,086	3,186,541
Minority Interest		240,084	110,352
Total Equity		3,352,170	3,296,893
Liabilities			
Interest-bearing loans and borrowings	21	217,738	140,465
Total non-current liabilities		217,738	140,465
Interest-bearing loans and borrowings	21	670,627	522,477
Trade and other payables	22	913,124	987,941
Total current liabilities		1,583,751	1,510,418
Total liabilities		1,801,489	1,650,883
Total equity and liabilities		5,153,659	4,947,776

The consolidated financial statements on pages 11 to 15 and 21 to 46 were approved by the Board of Directors on 24 April 2007 and signed on its behalf by:

Mr Walter Bonnici
Chairman

Mr Joseph Spiteri
Director

Datatrak Holdings p.l.c.

Statement of Changes in Equity – Group

For the Year Ended 31 December 2006

	Attributable to Equity holders of the parent					
	Share capital	Share premium	Accumulated Loss/ Retained Earnings	Total	Minority Interest	Total equity
	Lm	Lm	Lm	Lm	Lm	Lm
Balance at 1 January 2005	1,594,950	3,235,608	(1,609,909)	3,220,649	7,576	3,228,225
(Loss)/profit for the year	-	-	(73,898)	(73,898)	77,285	3,387
Disposal of subsidiary undertakings	-	-	19,555	19,555	17,991	37,546
Increase in share capital of subsidiary	-	-	-	-	32,500	32,500
Dividends paid by subsidiary	-	-	-	-	(25,000)	(25,000)
Equity settled transactions	-	-	20,235	20,235	-	20,235
Balance at 31 December 2005	1,594,950	3,235,608	(1,644,017)	3,186,541	110,352	3,296,893
Balance at 1 January 2006	1,594,950	3,235,608	(1,644,017)	3,186,541	110,352	3,296,893
(Loss)/profit for the year	-	-	(75,152)	(75,152)	183,008	107,856
Capitalisation of share premium (note 20.2)	2,247,018	(2,247,018)	-	-	-	-
Reduction of share capital in terms of Article 83 (5) of the Companies Act, 1995 (note 20.2)	(2,247,018)	-	2,247,018	-	-	-
Dividends paid by subsidiary	-	-	-	-	(53,276)	(53,276)
Equity settled transactions	-	-	697	697	-	697
Balance at 31 December 2006	1,594,950	988,590	528,546	3,112,086	240,084	3,352,170

Datatrak Holdings p.l.c.

Cash Flow Statement – Group

For the Year Ended 31 December 2006

	2006	2005
Note	Lm	Lm
Cash flows from operating activities		
Cash receipts from customers	1,222,347	1,362,296
Cash paid to suppliers and employees	(1,109,202)	(1,159,195)
	-----	-----
Cash generated from operations	113,145	203,101
Interest received	20,768	27,161
Interest paid	(37,444)	(33,683)
Income taxes paid	-	(68)
	-----	-----
Net cash from operating activities	96,469	196,511
	-----	-----
Cash flows from investing activities		
Acquisition of property, plant and equipment	(59,989)	(24,376)
Proceeds from sale of property, plant and equipment	-	3,900
Payments for intangibles	(269,815)	(205,687)
Investment in associate	-	(28,360)
Payments to related party	(7,977)	-
Advances by shareholder	16,182	-
	-----	-----
Net cash used in investing activities	(321,599)	(254,523)
	-----	-----
Cash flows from financing activities		
Repayment of borrowings	-	(6,038)
Advances by related parties	50,744	83,496
Other borrowings	177,597	45,000
Government assistance	-	5,500
Minority interest in subsidiary	-	17,236
Dividends paid	(53,276)	(25,000)
	-----	-----
Net cash from financing activities	175,065	120,194
	-----	-----
Net (decrease)/increase in cash and cash equivalents	(50,065)	62,182
Cash and cash equivalents at 1 January	(490,130)	(552,312)
	-----	-----
Cash and cash equivalents at 31 December	(540,195)	(490,130)
	=====	=====

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Datatrak Holdings p.l.c.

Income Statement – Company

For the Year Ended 31 December 2006

		2006	2005
	Note	Lm	Lm
Revenue	4	40,140	43,505
Personnel expenses	5	(6,596)	(53,522)
Other expenses		(17,080)	(56,508)
Net financial income	6	22,844	21,783
Profit/(Loss) for the year	8	39,308	(44,742)
		=====	=====
Earnings/(Loss) per share - basic	10	0c2	(0c3)
		=====	=====
Earnings/(Loss) per share - diluted	10	0c2	(0c2)
		=====	=====

Datatrak Holdings p.l.c.

Balance Sheet – Company

As at 31 December 2006

		2006	2005
	Note	Lm	Lm
Assets			
Investments in subsidiaries	13	2,705,352	1,982,950
Other receivables	15	-	515,000
		-----	-----
Total non-current assets		2,705,352	2,497,950
		-----	-----
Trade and other receivables	18	2,465,004	2,524,758
Tax recoverable		-	13,508
Cash at bank and in hand		25,183	25,095
		-----	-----
Total current assets		2,490,187	2,563,361
		-----	-----
Total assets		5,195,539	5,061,311
		=====	=====

Datatrak Holdings p.l.c.

Balance Sheet – Company

As at 31 December 2006

		2006	2005
	Note	Lm	Lm
Equity			
Issued capital	20	1,594,950	1,594,950
Share premium	20	988,590	3,235,608
Other reserve	20	2,247,018	-
Retained earnings		140,339	100,334
Total equity		----- 4,970,897	----- 4,930,892
Liabilities			
Trade and other payables	22	224,642	130,419
Total current liabilities		----- 224,642	----- 130,419
Total liabilities		----- 224,642	----- 130,419
Total equity and liabilities		----- 5,195,539	----- 5,061,311

The financial statements on pages 16 to 46 were approved by the Board of Directors on 24 April 2007 and were signed on its behalf by:

Mr Walter Bonnici
Chairman

Mr Joseph Spiteri
Director

Datatrak Holdings p.l.c.

Statement of Changes in Equity – Company

For the Year Ended 31 December 2006

	Share capital	Share premium	Retained earnings	Other Reserve	Total
	Lm	Lm	Lm	Lm	Lm
The Company					
Balance at 1 January 2005	1,594,950	3,235,608	124,841	-	4,955,399
Loss for the year	-	-	(44,742)	-	(44,742)
Equity settled transactions	-	-	20,235	-	20,235
	-----	-----	-----	----	-----
Balance at 31 December 2005	1,594,950	3,235,608	100,334	-	4,930,892
	=====	=====	=====	=====	=====
Balance at 1 January 2006	1,594,950	3,235,608	100,334	-	4,930,892
Capitalisation of share premium (note 20.3)	2,247,018	(2,247,018)	-	-	-
Reduction of share capital in terms of Article 83 (5) of the Companies Act, 1995 (note 20.1)	(2,247,018)	-	-	2,247,018	-
Profit for the year	-	-	39,308	-	39,308
Equity settled transactions	-	-	697	-	697
	-----	-----	-----	-----	-----
Balance at 31 December 2006	1,594,950	988,590	140,339	2,247,018	4,970,897
	=====	=====	=====	=====	=====

Datatrak Holdings p.l.c.

Cash Flow Statement - Company

For the Year Ended 31 December 2006

		2006	2005
	Note	Lm	Lm
Cash flows from operating activities			
Cash paid to suppliers and employees		(9,983)	(8,975)
Cash generated from operations		(9,983)	(8,975)
Interest received		20,768	22,374
Net cash from operating activities		10,785	13,399
Cash flows from investing activities			
Advances to related and group companies		(125,654)	(82,843)
Increase in share capital of subsidiary		-	(14,000)
Dividends received		25,088	-
Net cash used in investing activities		(100,566)	(96,843)
Cash flows from financing activities			
Advances by related parties		89,869	83,496
Net cash from financing activities		89,869	83,496
Net increase in cash and cash equivalents		88	52
Cash and cash equivalents at 1 January		95	43
Cash and cash equivalents at 31 December	23	183	95

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

1 Reporting entity

Datatrak Holdings p.l.c. (the “Company”) is a limited liability company domiciled in Malta. The address of the Company’s registered office is F26, Mosta Technopark, Mosta, Malta. The consolidated financial statements of the Company as at and for the year ended 31 December 2006 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interest in associates and jointly controlled entities. The Group primarily is involved in the provision of data tracking network services, geographical information systems services and related services.

2 Basis of Preparation

2.1 Statement of compliance

The Company’s financial statements have been prepared in accordance with the provisions of the Companies Act, 1995 (the “Act”) enacted in Malta, which requires adherence to International Financial Reporting Standards (IFRSs). In the case of the Group, Article 4 of Regulation 1606/2002/EC (‘the Regulation’) requires that, for each financial year, companies that at balance sheet date have their securities trading on a regulated market of any EU Member State shall prepare consolidated financial statements in accordance with International Finance Reporting Standards as adopted by the EU. The Regulation prevails over the relevant provision of the Companies Act, 1995 to the extent that the said provisions are incompatible with the requirements of the Regulation.

Notwithstanding the above, there were no incompatibilities between the provisions of the Companies Act, 1995 and the requirements of the Regulation in relation to the preparation of these financial statements.

The Act specifies that in the event that any one of its provisions is in conflict or not compatible with IFRSs or its application is incompatible with the obligation for the financial statements to give a true and fair view, that provision shall be departed from in order to give a true and fair view.

IFRS in issue but not yet effective

The Company elected not to early adopt the new *IFRS 7: Financial Instruments: Disclosures* which introduces new disclosures to information about financial instruments, and the amendments to *IAS 1: Capital Disclosures* which also requires additional disclosures to enable users to evaluate objectives, policies and processes for managing capital. These new standards and amendments to IAS 1 are applicable for annual periods beginning on or after 1 January 2007, with earlier adoption encouraged.

Going Concern

On the basis of progress made by the Group, as disclosed in note 28 to the financial statements, the Directors are of the opinion that profits and cash flows expected from the successful outcome of these projects are sufficient to meet present and future commitments and liabilities of the Company as these fall due. Accordingly, the going concern basis in the preparation of these financial statements is deemed appropriate.

The financial statements were approved by the Board of Directors on 24 April 2007.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

2 Basis of Preparation (continued)

2.2 Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

2.3 Functional and presentation currency

These consolidated financial statements are presented in Maltese Lira, which is the Company's functional currency.

2.4 Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in note 29.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by Group entities.

Certain comparative amounts have been reclassified to conform with the current year's presentation.

3.1 Basis of consolidation

3.1.1 *Subsidiaries*

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

3.1.2 *Associates*

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of recognised gains and losses of equity accounted investees, from the date that significant influence commences until the date that significant influence ceases. When the Group's share of losses exceeds its interest in associates, the carrying amount of that interest (including any long-term investments) is reduced to nil and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. Significant accounting policies (continued)

3.1.3 *Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3.2 Foreign currency

Transactions in foreign currencies are translated to the functional currency at the foreign exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Foreign currency differences arising on retranslation are recognised in profit or loss.

3.3 Financial instruments

3.3.1 *Non-derivative financial instruments*

Non-derivative financial instruments comprise trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, i.e., the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise call deposits.

Accounting for financial income and expense is disclosed in note 3.13.

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses (see accounting policy 3.10).

3.3.2 *Preference share capital*

Preference share capital is classified as a liability if it is redeemable on a specific date or at the option of the shareholders, or if dividend payments are not discretionary. Dividends thereon are recognised as interest expense in profit or loss.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. Significant accounting policies (continued)

3.4 Investments in associates

Investments in associates are shown in the balance sheet of the Group at cost less impairment losses (see accounting policy 3.10).

3.5 Property, plant and equipment

3.5.1 *Recognition and measurement*

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses (see accounting policy 3.10).

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

3.5.2 *Subsequent costs*

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

3.5.3 *Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. A depreciation charge equivalent to a half year's depreciation is charged for the year in which the asset is first brought into use and a half year's depreciation is charged during the year in which the asset is disposed of or scrapped.

The estimated useful lives for the current and comparative periods are as follows:

• System infrastructure	5 – 15 years
• Heavy plant and machinery	10 years
• Equipment, furniture and fittings	4 - 10 years
• Motor vehicles	5 years
• Factory improvements	over the remaining period of the lease

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

3.6 Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Lease payments generated from the equipment held under finance leases and leased out under operating lease are accounted for as described in accounting policy 3.11.2.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. Significant accounting policies (continued)

3.7 Intangible assets

3.7.1 *Goodwill*

Goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Goodwill is measured at cost less accumulated impairment losses. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the investment.

3.7.2 *Research and development*

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in profit or loss when incurred.

Development activities involve a plan or design for the production of new or substantially improved products and processes. Development expenditure is capitalised only if development costs can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overhead costs that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in profit or loss when incurred.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses (see accounting policy 3.10).

3.7.3 *Other intangible assets*

Other intangible assets that are acquired by the Group, which have finite useful lives, are measured at cost less accumulated amortisation and impairment losses.

3.7.4 *Subsequent expenditure*

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is recognised in profit or loss when incurred.

3.7.5 *Amortisation*

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, from the date that they are available for use. The estimated useful lives for the current and comparative periods are as follows:

- capitalised development costs 5 – 7 years
- computer software 4 years

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. Significant accounting policies (continued)

3.9 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are re-measured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell.

Impairment losses on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.10 Impairment

3.10.1 Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

3.10.2 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. Significant accounting policies (continued)

3.11 Expenses

3.11.1 *Employee benefits*

The Company contributes towards the State pension defined contribution plan in accordance with local legislation and to which it has no commitment beyond the payment of fixed contributions. Related costs are recognised as an expense in the income statement during the year these are incurred.

3.11.2 *Lease payments*

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

3.12 Revenue

3.12.1 *Goods sold*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

3.12.2 *Services*

Revenue from services rendered is recognised in profit or loss in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed.

3.12.3 *Government grants*

Government grants are compensations for expenses incurred by the Group. Grants are recognised in profit or loss on a systematic basis in the same periods in which the expenses are recognised.

3.13 Financial income and expenses

Financial income comprises interest income on funds invested and foreign currency gains. Interest income is recognised as it accrues, using the effective interest method.

Financial expenses comprise interest expense on borrowings and foreign currency losses. All borrowing costs are recognised in profit or loss using the effective interest method.

3.14 Income tax expense

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

3. Significant accounting policies (continued)

3.14 Income tax expense (continued)

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.15 Unrealised profits

Part II of the Third Schedule to the Act requires that only profits realised at the balance sheet date may be included in retained earnings available for distribution. Any unrealised profits at this date, taken to the credit of the income statement, are transferred to non-distributable reserves.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

4 Revenue

Revenue is stated after deduction of sales rebates and indirect taxes.

	The Group		The Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
4.1 Category of Activity				
Sale and installation of equipment	73,361	81,236	-	-
Leasing of equipment	162,758	176,242	-	-
Data tracking services	46,651	81,243	-	-
Geographical information systems services	1,115,363	988,587	-	-
Multimedia services	-	39,417	-	-
Surveying services	-	41,317	-	-
Management Fees	-	-	-	4,909
Dividends receivable	-	-	40,140	38,596
	-----	-----	-----	-----
	1,398,133	1,408,042	40,140	43,505
	=====	=====	=====	=====
4.2 Geographical Markets				
	The Group		The Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
Local	1,113,211	1,241,430	40,140	43,505
Europe	284,922	125,295	-	-
Other regions	-	41,317	-	-
	-----	-----	-----	-----
	1,398,133	1,408,042	40,140	43,505
	=====	=====	=====	=====

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

5 Personnel expenses

5.1 Personnel expenses incurred during the year are analysed as follows:

	The Group		The Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
Directors' Emoluments	8,400	-	-	-
	-----	-----	-----	-----
Wages and Salaries	529,131	481,271	6,596	53,522
Social Security Costs	32,315	28,066	-	-
Capitalised labour costs	(207,553)	(157,221)	-	-
	-----	-----	-----	-----
	353,893	352,116	6,596	53,522
	-----	-----	-----	-----
Total Personnel expenses	362,293	352,116	6,596	53,522
	=====	=====	=====	=====

5.2 The weekly average number of persons employed during the year was as follows:

	The Group		The Company	
	2006	2005	2006	2005
	No.	No.	No.	No.
Operating	45	51	-	-
Management and Administration	15	12	-	-
	----	----	----	----
	60	63	-	-
	====	====	====	====

5.3 The Company's expense includes Lm2,090 (2005: Lm53,522) payable to the group's Chief Executive Officer under a performance pay agreement. The charge comprises cash compensation and the fair value of share options granted under the Bonus Package agreement.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

6 Net Financial (costs)/income

	The Group		The Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
Interest income	22,844	27,161	22,844	21,783
Net foreign exchange gains	764	14,353	-	-
	-----	-----	-----	-----
Financial income	23,608	41,514	22,844	21,783
	-----	-----	-----	-----
Interest expense	(52,403)	(33,683)	-	-
Net foreign exchange loss	(14,633)	-	-	-
	-----	-----	-----	-----
Financial expenses	(67,036)	(33,683)	-	-
	-----	-----	-----	-----
Net (financing costs)/financial income	(43,428)	7,831	22,844	21,783
	=====	=====	=====	=====

7 Loss on disposal of subsidiary undertakings

The 2005 loss represents the difference between the consideration received and the net asset of the disposed subsidiaries, including the respective goodwill, at date of disposal.

8 Profit before tax

8.1 The results before tax is stated after charging auditors' remuneration amounting to Lm12,000 and Lm3,500 for the Group and the Company respectively, exclusive of indirect taxes.

8.2 By a Board resolution dated 24 April 2007, it was resolved that Directors' fees for the year be waived.

9 Income tax

9.1 Recognised in the income statement

	The Group		The Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
Current tax expense				
Current year	(13,508)	13,440	-	-
	-----	-----	-----	-----

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

9 Income tax (continued)

9.1 Recognised in the income statement (continued)

	The Group		The Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
Deferred tax credit				
Origination and reversal of temporary differences	63,948	(2,105)	-	-
	-----	-----	---	---
	63,948	(2,105)	-	-
	-----	-----	---	---
Total income tax credit in income statement	50,440	11,335	-	-
	=====	=====	==	==

9.2 The tax income for the year and the result of the accounting profit multiplied by the tax rate applicable in Malta, the Company's country of incorporation, are reconciled as follows:

	The Group		The Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
Profit/(Loss) before tax	57,416	(7,948)	39,308	(44,742)
	-----	-----	-----	-----
Income tax using the domestic income tax rate	(20,096)	2,782	(13,758)	15,660
Tax effect of:				
Temporary differences not recognised	(75,429)	(178,671)	(8,412)	(15,660)
Non-deductible expenses	(27,616)	(30,032)	-	-
Tax exempt revenues	8,642	41,669	22,170	-
Investment tax credit	163,246	175,587	-	-
Allowances on intangibles assets	1,693	-	-	-
	-----	-----	-----	-----
Tax income	50,440	11,335	-	-
	=====	=====	=====	=====

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

10 (Loss)/Earnings per share

The calculation of basic (loss)/earnings per share is based on the consolidated loss for the year attributable to the ordinary shareholders of Lm75,152 (2005: Lm73,898) and the Company's profit after taxation amounting to Lm39,308 (2005: loss – Lm44,742) divided by 15,949,500 (2005: 15,949,500), being the average number of equity shares outstanding during the year. The calculation of diluted loss per share is based on the consolidated loss for the year attributable to the ordinary shareholders of Lm74,455 (2005: Lm53,663) and the Company's profit after taxation amounting to Lm40,005 (2005: loss – Lm24,507), divided by 15,988,128 (2005: 15,974,130), being the weighted average number of equity shares outstanding during the year. The (loss)/earnings attributable to shareholders and the weighted average number of shares in the calculation of the diluted loss per share were adjusted with the after-tax effect of the expense of share options and share options on issue respectively.

11 Property, plant and equipment

11.1

	Total	System Infrastructure	Equipment Furniture & Fittings	Motor Vehicles	Factory improvements
	Lm	Lm	Lm	Lm	Lm
Cost					
Balance at 1 January 2005	3,151,804	2,334,313	593,895	50,776	172,820
Acquisitions	24,378	2,580	21,798	-	-
Disposed subsidiaries	(24,677)	-	(21,685)	(2,992)	-
Disposals	(14,117)	-	-	(14,117)	-
Balance at 31 December 2005	3,137,388	2,336,893	594,008	33,667	172,820
Balance at 1 January 2006	3,137,388	2,336,893	594,008	33,667	172,820
Acquisitions	59,989	-	54,885	5,104	-
Transfer to assets held for resale	(936,097)	(936,097)	-	-	-
Balance at 31 December 2006	2,261,280	1,400,796	648,893	38,771	172,820
Depreciation and impairment losses					
Balance at 1 January 2005	1,384,625	879,799	390,191	48,980	65,655
Depreciation charge for the year	227,792	144,718	72,274	-	10,800
Disposed subsidiaries	(7,145)	-	(5,949)	(1,196)	-
Disposals	(14,117)	-	-	(14,117)	-
Balance at 31 December 2005	1,591,155	1,024,517	456,516	33,667	76,455
Balance at 1 January 2006	1,591,155	1,024,517	456,516	33,667	76,455
Depreciation charge for the year	161,494	93,160	57,278	255	10,801
Transfer to assets held for resale	(399,540)	(399,540)	-	-	-
Balance at 31 December 2006	1,353,109	718,137	513,794	33,922	87,256
Carrying amounts					
At 1 January 2005	1,767,179	1,454,514	203,704	1,796	107,165
At 31 December 2005 and 1 January 2006	1,546,233	1,312,376	137,492	-	96,365
At 31 December 2006	908,171	682,659	135,099	4,849	85,564

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

12 Intangible assets

12.1

	Total	Goodwill	Software & Development costs
	Lm	Lm	Lm
Cost			
Balance at 1 January 2005	1,573,650	1,015,748	557,902
Accumulated amortisation eliminated on adoption of IFRS 3	(212,652)	(212,652)	-
Disposed subsidiaries	(42,500)	(42,500)	-
Acquisitions	205,687	-	205,687
	-----	-----	-----
Balance at 31 December 2005	1,524,185	760,596	763,589
	=====	=====	=====
Balance at 1 January 2006	1,524,185	760,596	763,589
Acquisitions	269,818	-	269,818
	-----	-----	-----
Balance at 31 December 2006	1,794,003	760,596	1,033,407
	=====	=====	=====
Amortisation and impairment losses			
Balance at 1 January 2005	420,518	212,652	207,866
Accumulated amortisation eliminated on adoption of IFRS 3	(212,652)	(212,652)	-
Amortisation for the year	94,971	-	94,971
	-----	-----	-----
Balance at 31 December 2005	302,837	-	302,837
	=====	=====	=====
Balance at 1 January 2006	302,837	-	302,837
Amortisation for the year	122,566	-	122,566
Impairment	3,224	-	3,224
	-----	-----	-----
Balance at 31 December 2006	428,627	-	428,627
	=====	=====	=====
Carrying amounts			
At 1 January 2005	1,153,132	803,096	350,036
	=====	=====	=====
At 31 December 2005	1,221,348	760,596	460,752
	=====	=====	=====
At 1 January 2006	1,221,348	760,596	460,752
	=====	=====	=====
At 31 December 2006	1,365,376	760,596	604,780
	=====	=====	=====

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

12 Intangible assets (continued)

12.2 Impairment test for the cash-generating units containing goodwill

The goodwill acquired represents payments made by the Company in anticipation of future economic benefits, from assets that are not capable of being individually identified and separately recognised. As at 31 December 2006 these related to the acquisitions of:

	Lm
Datatrak Systems Limited (DSL Cash generating unit)	621,598
Datatrak IT Services Limited (DIT Cash generating unit)	138,998

	760,596
	=====

In applying the requirements of IAS 36, *Impairment of Assets*, in relation to goodwill acquired in business combinations, the Directors carry out an annual impairment test to provide comfort that the recoverable amount of the cash-generating unit is at least equal to its carrying amount.

The recoverable amount of each of the two cash-generating units is based on value in use calculations. Those calculations use cash flow projections based on actual operating results and five-year budgets/forecasts approved by the Board of Directors. Cash flows for a further five years have been taken into consideration. These yearly cash flows have been assumed to be equal to those projected for year 5. This outlook does not exceed the estimated long-term view taken for the markets in which the cash-generating units operate.

DSL Cash generating unit

The key assumptions and the approach to determine the value of the cash flow projections are:

Assumptions

Successful negotiation of contracts in Africa during 2007

How Determined

Using management's best estimates of the net income streams from the installation, commissioning and management of Datatrak networks in Africa and existing and identified future products. These estimates have been arrived at by reference to demographic figures for areas where services are planned to be provided and based on conservative estimates of share of market that will make use of the Group's services.

Domestic Market Income Streams

Using management's best estimates of the income streams from existing products and services in the local market.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

12 Intangible assets (continued)

12.2 Impairment test for the cash-generating units containing goodwill (continued)

A pre-tax discount rate of 25% has been used in discounting the projected cash flows. Using the above criteria, the recoverable amount of the DSL cash-generating unit exceeds its carrying amount.

DIT Cash generating unit

The key assumption and the approach to determine the value of the cash flow projections are:

Assumptions

Income Streams

How determined

Using management's best estimates of the income streams from existing products and services in the local and overseas market

A pre-tax discount rate of 15% has been used in discounting the projected cash flows. Using the above criteria, the recoverable amount of the DIT cash-generating unit exceeds its carrying amount. The Directors believe that any reasonably possible change in the key assumptions on which the recoverable amount of the cash-generating unit is based, would not cause its carrying amount to exceed its recoverable amount.

13 Investments in subsidiaries

13.1

	Total	Capital subscribed	Debt Securities
	Lm	Lm	Lm
At 1 January 2005	1,950,450	1,898,450	52,000
Acquisition	32,500	32,500	-
	-----	-----	-----
At 31 December 2005	1,982,950	1,930,950	52,000
	=====	=====	=====
At 1 January 2006	1,982,950	1,930,950	52,000
Capitalisation of loans	722,402	722,402	-
	-----	-----	-----
At 31 December 2006	2,705,352	2,653,352	52,000
	=====	=====	=====

13.2 During the year, Datatrak Systems Limited and Datatrak MENA Limited increased their share capital by capitalisation of loans from the Company amounting to Lm722,402. Subsequently, the share capital of these subsidiaries was reduced to absorbed accumulated losses amounting to Lm2,347,352. The Directors believe that no impairment is deemed necessary against the carrying amount of the investment in subsidiaries in view of the expected profits from the project disclosed in note 28 to the financial statements.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

13 Investments in subsidiaries (continued)

13.3 Debt securities represent preference shares of Lm1 each in Datatrak IT Services Limited redeemable in 2007. These shares are interest free and do not carry voting rights.

13.4	Significant subsidiaries	Registered office	Ownership interest		Nature of business
			2006	2005	
			%	%	
	Datatrak Systems Limited	F26, Mosta Technopark, Mosta, MST 13.	99.9	99.9	Mobile data network services in Malta
	Datatrak MENA Ltd	F26, Mosta Technopark, Mosta, MST 13.	99.9	99.9	Mobile data network services in Africa
	Datatrak IT Services Limited	F26, Mosta Technopark, Mosta, MST 13.	50.2	50.2	Software development & related services
	Datatrak Solutions Limited	F26, Mosta Technopark, Mosta, MST 13.	50.1	50.1	Software solutions

In addition, the Company indirectly controls Datatrak IT Algeria SARL and Premiere Post Limited through its direct subsidiaries Datatrak IT Services Ltd and Datatrak Solutions Limited.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

14 Investment in associate

The investment in the associated company is held through Datatrak MENA Ltd.

	Country of incorporation	Interest %	Cost	Cost
			2006	2005
			Lm	Lm
Datatrak Nigeria Limited	Nigeria	30.0	44,205 =====	44,205 =====
			Lm	Lm
Investment in associated company				
- At beginning of year			-	-
- Acquisition			-	28,360
- Share of losses of associated company			-	(28,360)
			----	-----
- At end of year			-	-
			====	=====

The Group has limited the recognition of losses of the associated company up to the extent of the value of the Group's interest in the enterprise.

15 Other receivables

	The Company and the Group	
	2006	2005
	Lm	Lm
Non-current receivable		
Long-term single premium life assurance policy	-	515,000
	====	=====

The single premium life assurance policy matured on 19 February 2007, and was therefore classified with trade and other receivables.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

16 Deferred tax assets and liabilities

16.1 Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

The Group	Assets		Liabilities		Net	
	2006	2005	2006	2005	2006	2005
	Lm	Lm	Lm	Lm	Lm	Lm
Property, plant and equipment	-	-	(123,119)	(200,619)	(123,119)	(200,619)
Impairment of Investment	4,059	4,059	-	-	4,059	4,059
Provision for slow moving Inventories	8,394	4,419	-	-	8,394	4,419
Impairment of trade debtors	4,967	4,725	-	-	4,967	4,725
Tax value of loss carry-forwards recognised	1,010,391	1,028,160	-	-	1,010,391	1,028,160
Net tax assets/(liabilities)	1,027,811	1,041,363	(123,119)	(200,619)	904,692	840,744

16.2 Recognised deferred tax assets

Deferred tax assets have been recognised in these financial statements to the extent that taxable income is probable as a result of profits and cash flows estimated to be generated from installation, commissioning and management of Datatrak networks in Africa (refer to note 28).

16.3 Unrecognised deferred tax assets

No deferred tax asset has been recognised in these financial statements in respect of the tax effect of tax losses and other temporary differences amounting to Lm403,555. The deductible temporary differences do not expire under current tax legislation.

17 Inventories

17.1	The Group		The Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
Raw materials and consumables	50,594	63,333	-	-
	50,594	63,333	-	-

17.2 Raw materials and consumables inventory of the Group is stated net of a provision for slow moving inventories amounting to Lm22,955 (2005: Lm11,599).

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

18 Trade and other receivables

18.1

	The Group		The Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
Receivables due from subsidiaries	-	-	1,924,035	2,496,247
Single premium life assurance policy	515,000	-	515,000	-
Amounts owed by other related parties	-	61,879	-	-
Prepayments and accrued income	106,697	114,961	23,054	20,537
Trade receivables	541,984	401,732	2,821	7,974
Other receivables	86,677	31,505	94	-
Amount due from associate	101,657	102,122	-	-
	-----	-----	-----	-----
	1,352,015	712,199	2,465,004	2,524,758
	=====	=====	=====	=====

18.2 Trade receivables are shown net of impairment losses amounting to Lm31,645 (2005: Lm27,186).

18.3 All amounts due by subsidiaries and other related entities are interest free and repayable on demand.

18.4 Interest income on the single premium life assurance policy represents an effective interest rate of 4.5% (2005: 4.23%) per annum.

18.5 At an extraordinary general meeting held on 24th November 2006, it was resolved to convert Lm722,402 of the amounts due by subsidiary companies into 722,402 ordinary shares of Lm1 each.

19 Assets classified as held for resale

Part of the property, plant and equipment of the subsidiary which the Group has planned to dispose of, ceased operation during the year and has been committed for disposal.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

20 Capital and reserves

20.1 Share capital

	Ordinary shares	
	2006	2005
	No.	No.
On issue at 1 January	15,949,500	15,949,500
Increase in share capital (see below)	2,247,018	-
Reduction in share capital (see below)	(2,247,018)	-
	-----	-----
31 December – fully paid	15,949,500	15,949,500
	=====	=====

At 31 December 2006, the authorised share capital comprised 50,000,000 ordinary shares (2005: 50,000,000). The shares have a par value of Lm0.10. All shares in issue are fully paid up. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

As described below in note 20.2 an amount of Lm2,247,018 was capitalised by the utilisation of share premium. Concurrently the Company carried out a reduction of share capital for an equivalent amount in terms of Article 83(5) of the Companies Act, 1995 as approved by a shareholder's extraordinary resolution dated 28 November 2006.

20.2 Share Premium

During the year, an amount of Lm2,247,018 was capitalised to share capital. This reserve is not distributable.

20.3 Other Reserve

During the year, the Company has capitalised its share premium balance into ordinary shares. Subsequently it transferred the amount from share capital to a non distributable reserve.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

21 Interest-bearing loans and borrowings

21.1 This note provides information about the contractual terms of the Group's interest-bearing loans and borrowings. For more information about the Group's exposure to interest rate and foreign currency risk, see note 24.

	The Group		The Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
Non-current liabilities				
Secured bank loans	217,738	88,465	-	-
Unsecured loans	-	52,000	-	-
	-----	-----	-----	-----
	217,738	140,465	-	-
	=====	=====	=====	=====
Current liabilities				
Bank overdrafts	548,365	500,541	-	-
Secured bank loans	70,262	21,936	-	-
Unsecured loans	52,000	-	-	-
	-----	-----	---	---
	670,627	522,477	-	-
	=====	=====	==	==

21.2 Terms and debt repayment

Bank borrowings of the Group bear interest ranging from 3.25% to 7.25% p.a. and are secured by general hypothecary guarantees over all assets of group companies, by guarantees provided by the Company amounting to Lm1,000,000 and by pledge over the Company's long-term life assurance policy investment and fixed term bank balance. Bank borrowings held by partially owned subsidiaries are also secured by personal guarantees of minority shareholders. Moreover, bank loans amounting to Lm28,949 are secured by a guarantee given by the Institute for Promotion of Small Enterprises under a loan guarantee scheme.

22 Trade and other payables

	The Group		The Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
Trade payables to subsidiaries	-	-	838	3,887
Trade payables to other related parties	211,136	137,823	198,454	107,463
Trade creditors	401,280	306,856	-	-
Other creditors	137,341	305,973	17,701	6,993
Accruals and deferred income	163,367	237,289	7,649	12,076
	-----	-----	-----	-----
	913,124	987,941	224,642	130,419
	=====	=====	=====	=====

22.2 All amounts owed to related parties are unsecured and bear no interest except for an amount due to Directors and major shareholder which bear interest of 8%.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

23 Cash and cash equivalents

	The Group		The Company	
	2006	2005	2006	2005
	Lm	Lm	Lm	Lm
Cash at bank and in hand				
Bank balances	8,171	10,411	183	95
	-----	-----	-----	---
	8,171	10,411	183	95
Bank overdrafts	(548,366)	(500,541)	-	-
	-----	-----	-----	---
	(540,195)	(490,130)	183	95
Adjustment to reflect balances with contractual maturity of more than three months	(262,999)	(85,401)	25,000	25,000
	-----	-----	-----	-----
As per Balance Sheet	(803,194)	(575,531)	25,183	25,095
	=====	=====	=====	=====
Analysed as follows:				
Cash in hand and at bank	33,171	35,411	25,183	25,095
Current liabilities: bank borrowings	(618,627)	(522,477)	-	-
Non-current liabilities: bank borrowings	(217,738)	(88,465)	-	-
	-----	-----	-----	-----
	(803,194)	(575,531)	25,183	25,095
	=====	=====	=====	=====

24 Financial instruments

24.1 Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business. Financial assets of the Group include cash, trade and other receivables and related party balances. Financial liabilities of the Group include bank borrowings, trade payables and related party balances.

24.2 Credit risk

Cash is placed with banks with high credit ratings. Credit risk with respect to debtors is limited since debtors consist mainly of amounts receivable from related parties and government related entities. At balance sheet date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset.

24.3 Interest rate risk

The Group's bank balances and investments earn interest ranging from 0% to 5%. The interest rate and terms of repayment of other interest-bearing assets and liabilities at balance sheet date are set out in notes 18, 21 and 22 to the financial statements. Interest rates on bank borrowings are established at a margin over the bankers' base rate, which reflects local market rates.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

24 Financial instruments (continued)

24.4 Foreign currency risk

The Group incurs foreign currency risk on purchases that are denominated in a currency other than the Maltese Lira. The currency giving rise to this risk is primarily the Great Britain Pound, U.S. Dollar and Nigerian Naira.

24.5 Fair values

All the Group's financial assets and liabilities are carried at cost or amortised cost. Fair values are defined as the amount for which an asset could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arms length transaction. At 31 December 2006 the carrying amounts of assets and liabilities of the Company approximated to their fair values.

25 Operating leases

25.1 Leases as lessee

The Group leases factory facilities under the cancellable operating lease agreement from third parties. The lease agreement runs for initial period of sixteen years.

During the year ended 31 December 2006, Lm23,534 was recognised as rental expense for these facilities in the income statement (2005: Lm22,105).

25.2 Leases as lessor

The Group leases equipment to customers under operating leases amounting to a cost of Lm182,380 (2005: Lm182,380). Accumulated depreciation on these assets at year-end amounted to Lm 157,278 (2005: Lm141,008).

During the year ended 31 December 2006, Lm162,758 was recognised as rental income in the income statement (2005: Lm176,248) and Lm16,270 in respect of depreciation relating to equipment under operating leases to customers (2005: Lm30,616).

Non-cancellable operating lease rentals are receivable as follows:

	2006	2005
	Lm	Lm
Less than one year	74,584	81,159
Between one and five years	76,702	79,119
	-----	-----
	151,286	160,278
	=====	=====

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

26 Contingencies

A subsidiary has outstanding bank guarantees for Lm500 in favour of third parties.

27 Related parties

27.1 Identity of related parties

The Company has a related party relationship with its subsidiaries (see note 13), associate (see note 14) and with its Directors and executive officers.

27.2 Transactions with key management personnel

Directors of the Company and their immediate relatives control 35 per cent of the voting shares of the Company. In addition to their salaries, the Group also provides non-cash benefits to Directors and executive officers.

Key management personnel compensations amounted to Lm146,777.

Total remuneration is included in "personnel expenses" (see note 5.1).

27.3 Other related party transactions

Subsidiaries

During the year ended 31 December 2006, the Company recharged expenses to its group companies for the amount of Lm10,052, whilst expenses amounting to Lm4,506 were recharged to the Company by subsidiaries. Net advances to subsidiaries from the Company amounted to Lm116,861.

Other Related Parties

The group, through its subsidiaries entered into a number of agreements of particular significance to the business with Siemens VDO Trading Ltd. The sales value for 2006 amounted to Lm139,362 (2005: Lm83,058).

During the year ended 31 December 2006, other related parties purchased goods and services from the Group amounting to Lm10,032 (2005: Lm30,906). During the year ended 31 December 2006, the Group was charged Lm26,112 (2005: Lm31,263) for goods and services purchased from related parties. The Group was advanced finance amounting to Lm50,744 (2005: Lm83,496). Directors charged interest to the Company amounting to Lm10,411 (2005: LmNIL) on loans advanced.

27.4 Related party balances

Information on amounts due to/by related parties is set out in notes 18, 21 and 22 to these financial statements.

Datatrak Holdings p.l.c.

Notes to the Financial Statements

For the Year Ended 31 December 2006

28 Current Period Events and Events after the Balance Sheet Date

During 2006 Datatrak Mena Limited, a group company, has continued its negotiations with its Nigerian Partners on the supply and licence agreement for the provision of Networks in a number of regions. This has now reached its final stages. In particular a number of activities which are crucial in the progress towards the conclusion of the negotiations were completed. These achievements included, the granting of a frequency and operating licence for the area by the Ministry of Communications of Nigeria, and the granting of exclusivity to market a datatrak network in West, Central and East Africa by Siemens VDO Trading Limited. The company is in the process of reviewing alternatives in financing arrangements in relation to the project.

29 Accounting estimates and judgements

Management discussed with the Audit Committee the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. Apart from the disclosures in notes 12.2, 13.2, 16.2 and 19 to the financial statements relating to the annual assessment of impairment of goodwill and investment in subsidiaries and the recognition of deferred tax assets, there are no other critical accounting policies and estimates which require additional information to be disclosed.

Datatrak Holdings p.l.c.

Share Register Information

2006

Directors' Interests in the Company as at 31 December 2006 and as at 9 April 2007.

	Ordinary shares held as at 31 December 2006	Ordinary shares held as at 9 April 2007	Movement in shares held by Directors
Mr Joseph R Azzopardi	20,000	52,995	32,995
Dr Pascal Demajo	1,000,750	1,000,750	-
Ms Patricia Ransley	612,880	612,880	-
Chev Anthony P Demajo	125,000	125,000	-

Mr Walter Bonnici has a beneficial interest of 1,434,030 shares currently registered in the name of GDL Trading and Services Limited. Mr Joseph Spiteri has a beneficial interest of 1,224,080 shares currently registered in the name of M.P.J. Limited. Dr Pascal Demajo has a beneficial interest of 225,000 shares currently registered in the name of Demco Limited. Chev Maurice F. Mizzi has a beneficial interest of 765,379 shares currently registered in the name of De Vilhena Limited, which decreased by 10,000 shares since 31 December 2006.

Holders holding 5% or more of the Share Capital at 31 December 2006 and at 9 April 2007.

Ordinary Shares of Lm1 each at:-

	31 December 2006		9 April 2007	
	Number Of shares	Holding (%)	Number of shares	Holding (%)
Maltacom Plc	4,784,850	30.00	4,784,850	30.00
GDL Trading and Services Limited	1,434,030	8.99	1,434,030	8.99
Siemens VDO Trading Limited	1,288,920	8.08	1,288,920	8.08
M. P. J. Limited	1,224,080	7.67	1,224,080	7.67
Dr Pascal Demajo	1,000,750	6.27	1,000,750	6.27

Number of holders at 9 April 2007

1,569 shareholders held the Company's issued share capital consisting of 15,949,500 shares. All shares are of equal class and carry equal voting rights.

Shareholder Range	Number of Holders at 31.12.2006	Number of Holders at 09.04.2007	Movement in holders Increase/(Decrease)
1 - 500 shares	368	370	2
501 - 1,000 shares	443	439	(4)
1,001 - 5,000 shares	609	644	35
5,001 & over	157	116	(41)
	----- 1,577 =====	----- 1,569 =====	----- (8) =====

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