

COMPANY ANNOUNCEMENT

Datatrak Holdings plc

Announces approval of the Interim Financial Statements

Date of Announcement	26/08/2008
Reference	86(2008)
Listing Rule	LR8.7.3

This is a company announcement being made by the Company in compliance with Chapter 8 of the Listing rules:

Quote

At a meeting of the directors the interim financial statements for the financial period ended 30 June 2008 were approved. The interim financial statements are available for viewing at the registered office of the company. A Preliminary Statement of results is attached.

At the same Board Meeting the Audit Committee for the current Financial Year was appointed and the members are Mr Anthony Demajo (Chairman), Mr Maurice Mizzi and Mr George Gregory.

Unquote

Signed:



Louis de Gabriele
Company Secretary

Datatrak Holdings p.l.c.

Unaudited Half-Yearly Report

30 June 2008

Datatrak Holdings p.l.c.

30 June 2008

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Datatrak Holdings p.l.c.

Directors' Report pursuant to Listing Rule 9.44.2

For the six-months ended 30 June 2008

The Directors present their report in accordance with the requirements of MFSA Listing Rule 9.44. This report, which shall be read in conjunction with the Condensed Consolidated Interim Financial Statements for the six months ended 30 June 2008, including the Notes thereto, forms part of the Half-Yearly Report of Datatrak Holdings p.l.c., drawn up in terms of the requirements of Listing Rules 9.42 to 9.53.

Review of Performance

The Group registered a turnover of €1,602,739 (2007: €1,453,152) over the six months ended 30 June 2008. The increase in turnover over 2007 has been achieved notwithstanding marginal decreases in revenue across all the subsidiaries with the exception of Datatrak IT Services Ltd which in turn registered marginally higher revenues primarily due to hardware sales in the UK. A loss before tax of €116,596 (2007: €129,807) was reported by the Group, after deducting depreciation and amortization costs of €391,892 (2007: €360,319) and net finance costs of €61,757 (2007: €77,407).

The Group loss for the period was mainly due to the one-time restructuring costs that took place in the first 6 months of 2008 together with an increase in salaries arising from the strengthening of the IT compliment within the Group to service both local and international clients.

Principal Activities

The Company holds investments in subsidiaries engaged in providing ICT solutions including tracking services, geographical information systems and related services.

Business Restructuring, Business Development and Significant Events

The Restructuring Process

As approved during the Extraordinary General Meeting, the Group embarked on its restructuring initiatives in the first half of the year. One of the most critical elements was refocusing the Group's core strategy towards placing ICT competency at the heart of the Group's operations, whilst re-grouping other activities as complementary business units. The strategic aim of the Group is that of capitalising on the strengths of the successful units within the Group and which, in management's opinion, have the most potential for accelerated business growth.

The restructuring involving the acquisitions and mergers of the two IT subsidiaries with the other two fully owned companies within the Group took longer than anticipated due to the complexity of the transaction itself. This, together with the consequential internal organisational restructuring, has placed the Group's plans six months behind schedule. Notwithstanding this, management is working to achieve the primary financial target of moving away from the loss situations of the past.

Directors' Report pursuant to Listing Rule 9.44.2 (continued)

For the six-months ended 30 June 2008

From an operational point of view, the restructuring process also involved a shift in technology. The first months of the year witnessed the implementation of a technical project planning phase which would lead to the decommissioning of the LF-UHF network allowing the Group to fully ensconce the latest mobile communications technologies in its offering for the local market. The project included a period of extensive testing of the new locators, the selection of a mobile telecommunications provider, the de-installation of the existing LF-UHF network, and the scheduling of the garage time necessary to replace the devices in the existing tracking client base. This element of the restructuring process was completed in the last week of July 2008.

Another element of the restructuring involved a shift in the Group's core business from that of a network operator and related services to an ICT Group. The Group is now organised around business units which will cut across the Group's subsidiaries. As part of this process three additional business units are being formed in order to augment the core ICT operation. The three new business units are: (i) an ICT Solutions Business Unit, (ii) an ICT Projects Business Unit for the overseas market and (iii) a business consulting unit.

Business Development

The forecasted Group revenue for 2008 was estimated to slightly surpass the €4 million mark. Such an anticipated level of revenue was based on the assumptions that the revenue generated from existing multi-year contracts in Malta and the United Kingdom will remain on the same levels as in 2007 and that the revenue projected to materialise from the Italian market will come on stream together with an increase in market share in the United Kingdom.

The Group continued to register steady performance in the UK. This business, which is denominated in Pound Sterling, relates to recurrent revenues generated through Datatrak On-line subscriptions and through the monthly access fees generated by DispatchIT clients. The economic situation in the UK and the strength of the Euro against the Pound Sterling however left their mark on the company's books. The conversion of revenues between the two currencies had a material effect because the Group's financial statements and reporting are denominated in Euro, the stronger of the two currencies at the moment.

UK sales in relation to Datatrak On-line continued to grow as anticipated in the company's forecasts, whilst the Group continued its efforts to conclude various negotiations in relation to DispatchIT. An important development in this regard saw the signing of a distribution agreement with MIX Telematics, (one of the world leaders in the field of fleet telematics), for the marketing and sales of DispatchIT in the UK. This agreement has already produced its first results, where Scania (UK) have been contracted to start using DispatchIT within their Roadside Assistance team. Moreover negotiations for the sale of DispatchIT to another multinational client are also reaching their final stages. Sales in relation to additional RouteIT modules and the related consultancy were also registered in the first half of 2008.

The Group's Italian subsidiary, Datatrak Italia srl, began operating fully in January of this year. A network of channel partners has been trained and deployed across the territory and the company has taken part in various marketing events where it demoed the full range of datatrak products. These marketing efforts are producing results whereby a number of clients have already been signed up for DispatchIT. These are ACS, IB

Datatrak Holdings p.l.c.

Directors' Report pursuant to Listing Rule 9.44.2 (continued)

For the six-months ended 30 June 2008

Services and Poste Nazionale Private. A number of try-to-buy pilots for DispatchIT and TrakIT are also taking place. Due to the influx of leads from Italy and in order to provide more timely support to the in-country sales network, two resources have been redeployed to Italy.

Two show case clients have also been identified by our Dutch partners and this has led to try-to-buy pilots being rolled out in the Netherlands. As communicated in the previous Interim Statement, revenues for 2008 from the Dutch market will be relatively modest, with a view, however, to step up revenues in 2009.

The second phase of datatrak's European Marketing Plan is now underway. This earmarked the penetration of the Spanish market as its target. Considerable progress has been registered in localizing its solutions for Spain, whilst business development activity in order to identify and sign up Spanish Sales Channel Partners is also underway. In this context, Datatrak formed part of the Trade Delegation headed by Malta Enterprise, at the Zaragoza EXPO. The target for 2008 is to sign up a minimum of two sales channel partners in order to replicate the business model adopted in Italy.

The Fleet Services and Geomatics Business Unit completed the migration process of all its connected vehicles from the LF-UHF communications network, (which was fully decommissioned at the end of July 2008) to GPS/GPRS technology. Notwithstanding the implementation of the technology migration project, the business unit continued to register further local sales, with the most significant in terms of size and value being the award of a five year tender to provide the tracking of 200 Enemalta Corporation vehicles. It is worth mentioning however that prices and fees in relation to the sale and leasing of tracking equipment and vehicle tracking services to the local market were adjusted downwards due to market forces. Sales of Vessel Monitoring System (VMS) continued to increase both locally and overseas, with overseas sales being generated from Libya.

A pilot that trialed the use of GPS/GPRS location based services in Tripoli, Libya was completed successfully. The Group thus embarked on the second stage of its plan. This involves the appointing of a Libyan Sales Channel Partner. Discussions in this regard are underway, whilst an initial order for hardware and IT services has also been received. This has allowed us to achieve a break even situation in Libya. In the first six months of the year where all the marketing and operational costs in relation to the region were recovered through sales. It should however be highlighted that although some in-roads have been registered in the first half of 2008, revenues from Libya are not anticipated to be of significance compared with the overall sales forecast of the Group.

The Core Services Business Unit was also very active in concluding negotiations in order to renew the service contracts in relation to Law Enforcement. During the first half of the year, almost all agreements were renewed for a further contract term.

Datatrak Holdings p.l.c.

Directors' Report pursuant to Listing Rule 9.44.2 (continued)

For the six-months ended 30 June 2008

The Second Half of 2008

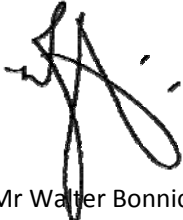
For the second half of 2008 it is anticipated that revenues from the local market will be in line with the trend in the first six months. On the international front, it is anticipated that the Group, will register slightly higher revenue figures mainly due to hardware sales that should take place in the third quarter of 2008 and by potentially accelerating the conclusion of negotiations with existing 'try-to-buy' clients for the purchase of DispatchIT licenses .

Spanish Sales Channel Partnership agreements are targeted to be concluded by the end of 2008 with a view to actively market Datatrak's products in Spain as from early 2009.

The second half of 2008 will see the new versions of Datatrak On-line (DOL v4) and DispatchIT (v4) launched on both the local and international markets.

It is also being targeted that the three new business units: ICT International Projects, ICT Solutions and Consulting, will be formally launched in the second half of 2008.

Approved by the Board on 26 August 2008 and signed on its behalf by:



Mr Walter Bonnici
Chairman



Mr Joe Fenech Conti
Director

Datatrak Holdings p.l.c.

Condensed Consolidated Interim Income Statement

For the six-months ended 30 June 2008

	The Group	
	01.01.2008 to 30.06.2008 €	01.01.2007 to 30.06.2007 €
Revenue	1,602,739	1,453,152
Purchases and other directly attributable costs	(364,787)	(282,273)
Changes in inventory	(47,615)	(19,881)
Other income	-	13,044
Wages	(585,320)	(490,508)
Depreciation and amortisation	(391,892)	(360,319)
Other expenses	(209,736)	(218,065)
Marketing costs	(58,229)	(130,741)
Net financing costs	(61,756)	(77,407)
Share of results of associate	-	(16,809)
Loss before tax	(116,596)	(129,807)
Tax (charge)/income	(135)	36,804
Loss for the period	(116,731)	(93,003)
(Loss)/Profit attributable to:		
Equity holders of the parent	(116,731)	(179,269)
Minority Interest	-	86,266
Loss for the period	(116,731)	(93,003)
Loss per share	(0c4)	(0c5)

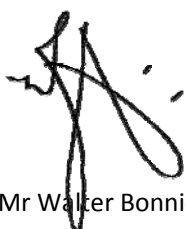
Datatrak Holdings p.l.c.

Condensed Consolidated Balance Sheet

As at 30 June 2008

	The Group	
	30.06.2008	31.12.2007
	€	€
Assets		
Property, plant and equipment	508,002	443,280
Intangible assets	6,091,919	6,028,073
Total non-current assets	<u>6,599,921</u>	<u>6,471,353</u>
Inventories	67,500	18,355
Trade and other receivables	1,601,070	1,602,656
Cash at bank and in hand	115,503	156,153
Total current assets	<u>1,784,073</u>	<u>1,777,165</u>
Total assets	<u><u>8,383,994</u></u>	<u><u>8,248,516</u></u>
Equity		
Issued capital	7,430,468	3,715,234
Share premium	3,372,411	2,302,795
Capital Redemption Reserve	121,554	121,554
Accumulated losses	(6,173,318)	(6,056,587)
Total equity attributable to equity holders of the parent	<u>4,751,115</u>	<u>82,996</u>
Minority interest	1,171	4,784,850
Total Equity	<u>4,752,286</u>	<u>4,867,846</u>
Liabilities		
Interest-bearing loans and borrowings	275,548	378,197
Total non-current liabilities	<u>275,548</u>	<u>378,197</u>
Interest-bearing loans and borrowings	444,922	365,835
Trade and other payables	2,911,238	2,636,638
Total current liabilities	<u>3,356,160</u>	<u>3,002,473</u>
Total liabilities	<u>3,631,707</u>	<u>3,380,670</u>
Total equity and liabilities	<u><u>8,383,994</u></u>	<u><u>8,248,516</u></u>

The Condensed Consolidated interim financial statements set out on pages 5 to 11 were approved by the Board of Directors on 26 August 2008 and were signed on its behalf by:



Mr Walter Bonnici
Chairman



Mr Joe Enech Conti
Director

Condensed Consolidated Interim Statements of Changes in Equity For the six-months ended 30 June 2008

	Attributable to the holders of the parent				Total	Minority Interest	Total Equity
	Ordinary Shares	Share Premium	Capital Redemption Reserve	(Accumulated losses)/ Retained earnings			
	€	€	€	€			
At 1 January 2007	3,715,234	2,302,795	-	1,231,181	7,249,210	559,245	7,808,456
(Loss)/profit for the period	-	-	-	(179,269)	(179,269)	86,266	(93,003)
At 30 June 2007	<u>3,715,234</u>	<u>2,302,795</u>	<u>-</u>	<u>1,051,912</u>	<u>7,069,942</u>	<u>645,511</u>	<u>7,715,453</u>
At 1 January 2008	3,715,234	2,302,795	121,554	(6,056,587)	82,996	4,784,850	4,867,846
Increase in share capital	3,715,234	1,069,616	-	-	4,784,850	(4,784,850)	-
Loss for the period	-	-	-	(116,731)	(116,731)	-	(116,731)
Increase in share capital of subsidiary	-	-	-	-	-	1,171	1,171
At 30 June 2008	<u>7,430,468</u>	<u>3,372,411</u>	<u>121,554</u>	<u>(6,173,318)</u>	<u>4,751,115</u>	<u>1,171</u>	<u>4,752,286</u>

Datatrak Holdings p.l.c.

Condensed Consolidated Interim Statements of Cash Flows For the six-months ended 30 June 2008

	The Group	
	01.01.2008 to 30.06.2008 €	01.01.2007 to 30.06.2007 €
Cash flows from operating activities		
Cash receipts from customers	1,636,904	1,676,427
Cash paid to suppliers and employees	(1,089,718)	(1,351,249)
	<hr/>	<hr/>
Cash generated from operations	547,186	325,178
Interest received	3,247	51,111
Interest paid	(21,207)	(41,421)
Income taxes paid	(134)	2,690
	<hr/>	<hr/>
Net cash from operating activities	529,092	337,558
Cash flows from investing activities		
Acquisition of property, plant and equipment	(108,437)	(45,218)
Payments for intangibles	(412,024)	(360,964)
Investment in associate	-	(54,193)
Proceeds from maturity single premium life assurance policy	-	1,199,627
Advances to related party	(50,048)	(117,046)
	<hr/>	<hr/>
Net cash used in investing activities	(570,509)	622,206
Cash flows from financing activities		
Repayment of bank borrowings	(39,632)	-
Advances by related parties	23,159	181,742
Repayment of advances by related parties	-	(78,395)
Proceeds from issue of share capital	1,172	-
	<hr/>	<hr/>
Net cash (used in)/from financing activities	(15,301)	103,347
Net increase/(decrease) in cash and cash equivalents	(56,719)	1,063,111
Cash and cash equivalents at 1 January	(93,564)	(1,258,316)
	<hr/>	<hr/>
Cash and cash equivalents at end of period	(150,283)	(195,205)

Datatrak Holdings p.l.c.

Notes to the Condensed Consolidated Interim Financial Statements For the six-months ended 30 June 2008

Reporting entity

Datatrak Holdings p.l.c. (“the Company”) is a company domiciled in Malta. The condensed consolidated interim financial statements of the Company as at and for the six months ended 30 June 2008 comprise the Company and its subsidiaries (together referred to as the “Group”) and the Group’s interests in associate.

Statement of compliance

The condensed consolidated interim financial statements have been prepared in accordance with accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34 *Interim Financial Reporting*).

These condensed consolidated interim financial statements have been extracted from the unaudited and unreviewed group management accounts for the six months ended 30 June 2008.

The interim financial statements do not include all of the information required for full annual financial statements, and should be read in conjunction with the financial statements of Datatrak Holdings p.l.c. as at and for the year ended 31 December 2007.

The condensed consolidated interim financial statements were approved by the Board of Directors on 26 August 2008.

The consolidated financial statements of the Group as at and for the year ended 31 December 2007 are available upon request from the Company’s registered office at F26, Mosta Technopark, Mosta, Malta.

Going concern

On the 7 August 2008 the AGM approved the final implementation stage of the restructuring exercise approved at the EGM of April 2008. These condensed consolidated interim financial statements have been prepared on the assumption that the company will continue as a going concern for the reasonably foreseeable future.

Significant accounting policies

The accounting policies applied by the Group in these condensed consolidated interim financial statements are the same as those applied by the Group in its financial statements as at and for the year ended 31 December 2007.

Estimates

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2007.

Datatrak Holdings p.l.c.

Subsequent events

During the AGM held on 7 August 2008 it was agreed that, in order to reduce accumulated losses and thus present a fairer picture of the Group's financial situation, a portion of the share premium account would be written off against accumulated losses.

Datatrak Holdings p.l.c.

Statement pursuant to Listing Rule 9.44.3 issued by the Listing Authority For the six-months ended 30 June 2008

I hereby confirm that to the best of my knowledge as follows:

- the condensed consolidated interim financial statements give a true and fair view of the financial position of the Group as at 30 June 2008, as well as of the financial performance and cash flows for the said period, fully in compliance with the accounting standards adopted for use in the EU for interim financial statements (EU adopted IAS 34, *Interim Financial Reporting*); and
- the Interim Directors' report includes a fair review of the information required in terms of Listing Rule 9.44.2



Mr Walter Bonnici
Chairman