

datatrak Holdings p.l.c.

Preliminary Statement of Operations

For the Year ended 31 December 2005
(Published in terms of Article 8.6 of the MFSA Listing Authority Listing Rules)

Consolidated condensed Income Statement

	2005 Lm	2004 Lm
Revenue	1,408,042	1,204,660
Loss before tax	(7,948)	(359,127)
Tax income	11,335	118,510
Profit / (Loss) for the year	3,387	(240,617)
Profit / (Loss) attributable to:		
Equity holders of the parent	(73,898)	(249,607)
Minority Interest	77,285	8,990
Profit / (Loss) for the year	3,387	(240,617)
Loss per share – basic	(0c5)	(1c5)
Loss per share – diluted	(0c3)	(1c5)

Consolidated condensed Balance Sheet

	2005 Lm	2004 Lm
Assets		
Total non-current assets	4,123,325	4,277,574
Total current assets	824,451	777,608
Total assets	4,947,776	5,055,182
Equity		
Issued capital	1,594,950	1,594,950
Share premium	3,235,608	3,235,608
Accumulated losses	(1,644,017)	(1,609,909)
Total equity attributable to equity holders of the parent	3,186,541	3,220,649
Minority Interest	110,352	7,576
Total Equity	3,296,893	3,228,225
Liabilities		
Total non-current liabilities	140,465	112,818
Total current liabilities	1,510,418	1,714,139
Total liabilities	1,650,883	1,826,957
Total equity and liabilities	4,947,776	5,055,182

Consolidated condensed Cash Flow Statement

	2005 Lm	2004 Lm
Net cash from operating activities	196,511	186,597
Net cash used in investing activities	(254,523)	(159,853)
Net cash from financing activities	120,194	12,687
Net increase in cash and cash equivalents	62,182	39,431
Cash and cash equivalents at 1 January	(552,312)	(591,743)
Cash and cash equivalents at 31 December	(490,130)	(552,312)

Attributable to Equity holders of the parent

	Share capital Lm	Share premium Lm	Accumulated Losses Lm	Total Lm	Minority Interest Lm	Total equity Lm
Balance at 1 January 2004	1,594,950	3,235,608	(1,360,302)	3,470,256	-	3,470,256
(Loss)/profit for the year	-	-	(249,607)	(249,607)	8,990	(240,617)
Reclassification to preference shares	-	-	-	-	(1,414)	(1,414)
Balance at 31 December 2004	1,594,950	3,235,608	(1,609,909)	3,220,649	7,576	3,228,225
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

Notes to the Preliminary Statement of Operations

Review of group performance

Performance in all areas of the group was excellent. Revenue has grown by 17% while costs have dropped by 3% with a resulting improvement in bottom line of Lm244,000 bringing the group into profit for the first time since its inception. This large improvement also includes a number of one time restructuring costs which will not be repeated in 2006.

Other explanatory notes

The preliminary statement has been extracted from the Company's audited financial statements for the year ended 31 December 2005, which were approved by the board of directors on 13 April 2006.

The financial statements have been prepared and presented in accordance with the provisions of the Companies Act, 1995 enacted in Malta as limited below.

Article 4 of Regulation 1606/2002/EC („IAS Regulation“) requires that, for each financial year starting on or after 1 January 2005, companies governed by the law of an EU Member State shall prepare their consolidated financial statements in conformity with International Financial Reporting Standards (IFRSs) as adopted by the EU if, at their balance sheet date, their securities are admitted to trading on a regulated market of any EU Member State.

The IAS Regulation overrides the provisions of the Companies Act, 1995 enacted in Malta, relating to the form and content of the financial statements (and in particular the Third and Fourth Schedules of the Act) of companies as described above.

In December 2003 and March 2004, the IASB approved several new standards and amendments to a number of existing IFRSs as a result of the Improvements Project, effective for financial periods beginning on or after 1 January 2005. Whilst introducing changes to the presentation of the financial statements and related disclosures, the coming into force of these amendments and new standards did not change the Group's methods of accounting for the elements of the financial statements, except for IFRS 3, IAS 36 (revised 2004) and IAS 38 (revised 2004) resulted in a change in the accounting policy for goodwill. Until 31 December 2004, goodwill was amortised on a straight line basis over a period of 20 years and assessed for any indication of impairment at each balance sheet date. In accordance with the requirements of IFRS 3 the Group ceased amortisation of goodwill from 1 January 2005. Accumulated amortisation has been eliminated with a corresponding decrease in the cost of goodwill. From the year ended 31 December 2005 onwards, goodwill is tested annually for impairment, as well as when there are indications of impairment.

The Group has reassessed the useful lives of its other intangible assets in accordance with the provisions of IAS 38 (revised 2004). No adjustment resulted from this reassessment.

All changes in the accounting policies have been made in accordance with the transition provisions in the respective standards.

The financial statements are presented in Maltese Liri and are prepared on the historical cost basis.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions

that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The 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 if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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 26.

Except as disclosed in the Statement of Compliance, the accounting policies set out below have been applied consistently to all periods presented in these financial statements.

On the basis of continued progress made by the Group as disclosed in note 25 to the financial statements, the directors are of the opinion that profits and cash flows expected from the successful outcome of the projects are sufficient to meet present and future commitments and liabilities of the Company and the Group as these fall due. Accordingly, the going concern basis in the preparation of these financial statements is deemed appropriate.

Current period events and events after balance sheet date (note 25)

Datatrak MENA has successfully closed off an in-country survey in Africa in conjunction with Siemens during the second half of 2005. In November 2005 MENA was paid in full for this project. Currently MENA, is in an advanced state of negotiations with its African client on the Supply and Licence Agreement for the provision of datatrak networks in a number of regions.

Extract from report of the independent auditors to the shareholders of the company

In our opinion, these financial statements give a true and fair view of the financial position of the Company and the Group as at 31 December 2005 and of the results of their operations and their cash flows for the year then ended in accordance with the requirements of International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the provisions of the Companies Act, 1995 enacted in Malta, save as those provisions as explained in note 1.1 to the financial statements.

Without qualifying our opinion we draw attention to note 1 to the financial statements, which indicates that the appropriateness of the going concern basis is dependent on the successful outcome of projects referred to in note 25 and to the basis of recognition and measurement of non-current assets in notes 10 and 14 to the financial statements.