RNS Number : 7132E
Trakm8 Holdings PLC
08 July 2019

8 July 2019

TRAKM8 HOLDINGS PLC

('Trakm8' or 'the Group' or 'the Company')

Final Results

Trakm8 Holdings plc (AIM: TRAK), the global telematics and data insight provider, announces its final results for the year ended 31 March 2019 (FY-2019).

FINANCIAL SUMMARY:

	FY-2019	FY-2018 **Restated**[4]	Change
Group revenue	£19.1m	£29.4m	-35%
of which, Solutions revenue	£19.1m	£26.1m	-27%
of which, Recurring revenue[1]	£10.1m	£10.8m	-7%
(Loss)/ Profit before tax	(£3.6m)	£0.5m	n/a
Adjusted (loss)/ profit before tax[2]	(£1.5m)	£2.1m	n/a
(Loss)/ profit after tax	(£2.5m)	£1.0m	n/a
Net Cash generated from operations	(£1.8m)	£4.7m	n/a
Net debt[3]	£5.6m	£3.3m	+70%
Basic (loss)/ earnings per share	(6.20p)	2.72p	n/a
Adjusted basic (loss)/ earnings per share[2]	(1.89p)	6.51p	n/a

[1] Recurring revenues are generated from ongoing service and maintenance fees

[2] Before exceptional costs and share based payments

[3] Total borrowings less cash and cash equivalents

[4] Restatement due to adoption of IFRS15, details provided in note 13

OPERATIONAL HIGHLIGHTS

· Sales related challenges and contract delays significantly impacted revenue in the year

· Implemented further reduction of annualised operating costs by £2.0m, including the final consolidation of Roadsense and Routemonkey, with savings reinvested into sales and marketing.

· Re-structured Fleet Management sales team including recruiting new management with dedicated Direct and Channel teams.

· Production launch of new insurance self-fit hardware product.

· Over 243,000 connected units in operation (FY-2018: 251,000).

· New contract wins with LexisNexis and Ingenie, with launch inventory for both supplied in quarter 4.

· R&D spend down 10%, however still £4.3m invested.

OUTLOOK

· The new financial year has begun with new contract awards from two further insurance companies, with revenues already commenced.

· Revenues from new insurance contract wins expected to impact strongly the second half of the new financial year.

· The AA Smart Breakdown launch is expected to provide a lift to revenues in the second half of the financial year.

· Fleet sales team's performance is continuing to improve, securing a higher value of contracts than the corresponding period last year with this momentum expected to continue.

· Early months in current financial year confirm realisation of the £2.0m cost savings.

· Given the disappointment of last year, we are being prudent with our outlook, with market expectations of a relatively modest recovery (low double digit growth) in revenues with small adjusted profitability.

- Ends -

For further information:

Trakm8 Holdings plc	
John Watkins, Executive Chairman	Tel: +44 (0) 1675 434 200
Jon Furber, Finance Director	www.trakm8.com

Arden Partners plc (Nominated Adviser & Broker)	Tel: +44 (0) 20 7614 5900
Paul Shackleton / María Gómez de Olea	www.arden-partners.com

Notes to Editors

Trakm8 is a UK-based technology leader in fleet management, insurance telematics, connected car, and optimisation. Through IP-owned technology, the Group analyses data collected by its installed base of telematics units to fine tune the algorithms that are used to produce its solutions; these monitor driver behaviour, identify crash events and monitor vehicle health to provide actionable insights to continuously improve the security and operational efficiency of both company fleets and private drivers.

The Group's product portfolio includes the latest data and reporting portal (Trakm8 Insight), integrated telematics/cameras, self-installed telematics units and one of the widest ranges of installed telematics devices. Trakm8 has over 240,000 connections.

Headquartered in Coleshill near Birmingham alongside its manufacturing facility, the Group supplies to the Fleet, Optimisation, Insurance and Automotive sectors to many well-known customers in the UK and internationally including the AA, Saint Gobain, EON, Iceland Foods, Direct Line Group and Young Marmalade.

Trakm8 has been listed on the AIM market of the London Stock Exchange since 2005.

www.trakm8.com / @Trakm8

The information communicated in this announcement is inside information for the purposes of Article 7 of Regulation 596/2014.

EXECUTIVE CHAIRMAN'S STATEMENT

Results

FY-2019 was a disappointing year in terms of financial results. We failed to meet our revenue, profit and cash generation expectations due to a number of sales related events. Our largest customer had a significant reduction in market share in the young driver insurance market reducing revenues and installed base. We had expected reductions due to lower prices at the customer when the contract had been renewed early in the year but this only compounded the loss of the reduced volume. We had expected that volume from new insurances customers would have made a material difference to the second half of the financial year, but delays in their programmes significantly hit our revenues. The delays in programme launch of the connected car proposition by breakdown companies was unexpected and substantially impacted revenues particularly in the second half. The Fleet Management sales team simply failed to win enough business to meet our expectations. Political and economic uncertainty certainly played their part, and the effect of US sanctions on Iran impacted a multi-million-pound contract for the supply of Insurance solutions into Iran. Change was needed and the replacement with new resources started to make a significant difference in the final quarter of the year but it was too little, too late.

The revenues of the business fell by 35% and the Group posted an adjusted loss before tax of £1.5m. Connections fell by 3% to 243,000. The total fleet management connections increased by 4% over the year to 76,000 (FY-2018: 73,000). Telematics for insurance/automotive connections for the reasons explained above reduced. At the year-end we had 167,000 insurance/automotive connections (FY-2018: 178,000), which is a reduction of 6%. Recurring service revenues reduced by 7% to £10.1m (FY-2018: £10.8 m).

However, FY-2019 was a year of excellent progress in many internally focussed activities. The Group continued to focus on operations, fully consolidating the acquisitions from earlier years of Roadsense and Routemonkey. Engineering solutions improved considerably, maintaining the market leading technology we have. Efficiency improvements in many aspects of our operations reduced direct and indirect costs. During the year we secured the services of a number of highly talented and experienced sales staff for our Fleet Management sales team, and as the year progressed their contribution started to make a difference.

The investment in engineering resources, whilst some £0.5m less than the previous year, has continued to deliver market-leading software and hardware solutions. Trakm8's Insight platform provides superb customer experience and data, enabling vehicle operators to significantly improve operational efficiencies and reduction in risk. The RoadHawk 600 integrated telematics and camera product is the first in the UK using 4G technology and has been implemented by large and small enterprises. A technical challenge with the product lead us to implement a product update and replacement in the field of a large number of units, which addressed the field issue and has enabled EU deployment. Presently, almost 5,000 units are deployed. A further generation of the self-fit telematics devices has been introduced.

We have continued to invest in our software solutions, algorithms and devices, ensuring that Trakm8 retains market-leading solutions with the widest and deepest offer in the market today.

Post-year end, we have announced contracts with two additional insurance companies.

Research and development ('R&D')

Trakm8 has maintained a significant level of investment in R&D although slightly below the level of the previous year. The Board believes that this level of investment is necessary to retain a portfolio of market-leading technology. Trakm8 continues to focus on owning the intellectual property ('IP') we use in our solutions, and we see this as one of our key competitive advantages. Telematics systems are complex; but because we own all the elements that encompass a solution (with the exception of the mobile networks) we have the ability to understand and resolve problems more easily than our competitors.

The R&D investment has concentrated on building out the latest self-fit device, the improved camera, algorithms for crash and risk, Advanced Driver-Assistance Systems (ADAS) and optimisation, and the capability of the Insight platform to provide best-in-class data analytics. As identified in previous years, the requirement to do more for less cost remains a key strategy as this widens the opportunity to expand the rate of growth as the ROI for our customers improves.

Governance

Of the two widely recognised formal corporate governance codes, we adopted the Quoted Companies Alliance's (QCA) Corporate Governance Code for small and mid-size quoted companies, which the Board considers the most appropriate for the size and structure of the Group. More information can be found in the Governance Report section of this report and our website.

Please see https://www.trakm8.com/investor-relations/corporate-governance for our full compliance statement.

Dividend

The Group does not propose to recommend a dividend for the year at the forthcoming AGM. However, the Board will continue to review its dividend policy in light of future results and investment requirements.

People

The number of people Trakm8 employs has reduced slightly during FY-2019 as reductions in operational headcount were partially offset by increases in our sales and marketing teams. In total our staff numbers have reduced by 8% over the year.

In a year when the business did not perform to expectations, the teams had to devote themselves even more diligently to the cause. We have an exceptional team and I would like to thank everyone for their hard work, dedication and contribution to the ongoing success of the business.

Outlook

We continue to drive efficiencies and maintain product enhancements, and we are aiming to focus on a smaller number of activities and execute them much better. The bulk of the available resource and energy is focused on marketing and selling.

Our Fleet sales team's performance is continuing to improve, securing a higher value of contracts than the corresponding period last year with this momentum expected to continue. This and the new contract awards from two further insurance companies is expected to deliver growth in the first half of this financial year compared to the first half last year.

The AA Smart Breakdown launch and the two major new insurance contract wins are expected to provide a lift to revenues in the second half of the financial year. As many Fleet deals take some time to deploy the good recent progress in contract wins will impact the second half more than the first half, so this too makes the expected trading performance of the group to be more significantly second half loaded than ideal.

Trading to date confirm the realisation of operational and efficiency cost savings of £2.0m that were actioned in the prior financial year.

Given the disappointing failure to predict the outcome last year, it is prudent to be tempered in our outlook but current market expectations are for a relatively modest recovery (low double digit growth) in our revenues and very modest adjusted profitability for the financial year as a whole. The Board is confident that this will be achieved.

John Watkins

EXECUTIVE CHAIRMAN

5 July 2019

FINANCIAL REVIEW

TRADING RESULTS

	2019	2018 Restated[2]	Change
Group Revenue (£'000)	19,145	29,361	-35%
of which, Solutions Revenue (£'000)	19,145	26,088	-27%
of which, Recurring Revenue (£'000)	10,087	10,826	-7%
(Loss)/ Profit before tax (£'000)	(3,563)	453	n/a
Adjusted (Loss)/ Profit before tax[1] (£'000)	(1,452)	2,074	n/a
Basic (loss)/ earnings per share (p)	(6.20)	2.72	n/a
Adjusted basic (loss)/ earnings per share (p)	(1.89)	6.51	n/a

1 Before exceptional costs and share based payments

2 Restatement due to adoption of IFRS15, details provided in note 13

Revenue

Group revenue decreased by 35% to £19.1m (FY-2018: £29.4m), this was due to Product revenues which decreased from £3.3m to £nil following the planned exit from CEM activities. All sub-contract electronic manufacturing activities had ceased by end of 2018 financial year. Additionally Solutions revenue reduced by 27% to £19.1m (FY-2018: £26.1m) due to a significant reduction in market share in the young driver market at our largest customer, delays from new insurance customers and delays in the launch of the connected car proposition by breakdown companies. Additionally new business sales in the Fleet Management part of our business failed to meet our expectations. Recurring revenue generated from service and maintenance fees decreased by 7% to £10.1m (FY-2018: £10.8m) due to the reduction in Connections and lower prices in our largest customer contract.

(Loss)/ Profit before tax

The Group reported a loss before tax of £3.6m (FY-2018: Profit £0.5m). This deterioration in profitability was due to the decline in revenue, which was delivered at slightly improved gross margins (due to change in mix) resulting in a £3.9m decline in gross profit. Additionally other income decreased by £0.1m, non-recurring exceptional costs increased by £0.5m (as detailed below) and £0.4m increase in depreciation and amortisation, primarily from capitalised development costs, reflecting the significant investment undertaken by the group in earlier years. These were offset by other overheads decreasing by £0.9m which reflects the cost saving initiatives we have put in place.

Adjusted (Loss)/ Profit before tax

The disappointing trading performance resulted in adjusted profit before tax decreasing to a loss of £1.5m (FY-2018: Profit £2.1m). The £3.9m reduction in gross profit converted into adjusted profit before tax, with administrative costs excluding exceptional costs, depreciation and amortisation down £0.8m on prior year offset by £0.4m increase in depreciation and amortisation and a £0.1m reduction in other income. During the year the company has increased its investment in sales and marketing with headcount increasing by 7%, however overall costs remained flat due to a reduction in commission due to the poor performance. Overhead savings resulted from reduction in expensed R&D spend of £0.5m and a reduction in other overheads of £0.3m as a result on ongoing efficiency savings.

Exceptional Costs

Exceptional costs total £1.9m (FY-2018: £1.4m) include integration and restructuring costs relating to prior year acquisitions and additional costs relating to the acquisition of Roadsense Technology Limited. Additionally, significant product component refit costs were incurred on a recently launched product, these issues have been fixed by year end. The Group also rolled out an enhanced hardware product to two existing customers following a product upgrade to drive increases in market opportunity. Also, the Group provided for the cost of work and solutions supplied in the prior year under a contract to supply insurance solutions to Iran.

Balance Sheet

	2019	2018
		Restated[1]
	£'000	£'000
Non-Current Assets	22,736	21,534
Net Current Assets	5,765	6,159
Non-Current Liabilities	6,407	6,313
Net Assets	22,094	21,380

1 Restatement due to adoption of IFRS15, details provided in note 13

Net Assets increased by £0.7m to £22.1m (FY-2018: £21.4m) reflecting the £3.0m subscription during the financial year, offset by the loss for the year.

Non-current assets increased by £1.2m to £22.7m (FY-2018: £21.5m). This is due to the continued investment in development in both software and hardware with capitalised development costs in the year totaling £3.4m (FY-2018: £3.4m), offset by a £0.4m increase in amortisation to £1.5m (FY-2018: £1.1m). The balance of the movement relates to the sale of the freehold property, reduction in the receivable due on assets leased out and amortisation of other intangible assets.

Cash Flow

	2019	2018
		Restated[2]
	£'000	£'000
Net Cash generated from operations	(1,752)	4,735
Investing activities	(3,179)	(3,716)
Free Cash Flow[1]	(4,931)	1,019
Financing activities	2,664	463
Change in Cash in Year	(2,267)	1,482
Net Debt[3]	5,629	3,300

1 Cash generated from operating activities less cash used in investing activities (excluding cashflows related to acquisitions)

2 Restatement due to adoption of IFRS15, details provided in note 13

3 Total borrowings less cash and cash equivalents

Cash from operating activities decreased in the year to an outflow of £1.8m (FY-2018: £4.7m inflow), which included R&D tax credit cash receipts of £1.0m (FY-2018: £1.6m). The R&D tax credit cash receipt reflects the Group's investment in development. The operational cash outflow is reflective of the reported loss and change in working capital.

Free cash outflow of £4.9m (FY-2018: inflow £1.0m) is due to the decline in trading, with cash outflows from investing activities reducing by £0.5m to £3.2m (FY-2018: £3.7m). Reduction in cash outflow from investing activities was due to the sale and leaseback of the Shaftesbury property that was completed in February 2019.

Financing activities generated £2.7m (FY-2018: £0.5m) due to the subscription in December which raised approximately £3.0m (net of expenses) to fund general working capital requirements and further strengthen the Group's balance sheet, which was offset by debt repayments of £0.4m.

Net Debt

Net debt increased by £2.3m to £5.6m (FY-2018: £3.3m). Cash balances total £1.2m (FY-2018: £3.5m) and total borrowings £6.8m (FY-2018: £6.8m) of which £1.8m (FY-2018: £2.8m) was a term loan with HSBC, £4.4m (FY-2018: £3.4m) were amounts drawn under our £5m revolving credit facility with HSBC and £0.6m (FY-2018: £0.5m) were obligations under finance leases.

Consolidated Statement of Comprehensive Income For The Year Ended

31 March 2019

	Note	Year ended 31 March 2019	Year ended 31 March 2018 Restated*
		£'000	£'000
REVENUE	4	19,145	29,361
Cost of sales		(8,890)	(15,232)
Gross profit		10,255	14,129
Other income	5	436	566
Administrative expenses excluding exceptional costs		(12,101)	(12,681)
Exceptional administrative costs	7	(1,930)	(1,405)
Total administrative costs		(14,031)	(14,086)
OPERATING (LOSS)/PROFIT	6	(3,340)	609
Finance income		10	33
Finance costs	8	(233)	(189)
(LOSS)/PROFIT BEFORE TAXATION		(3,563)	453
Income tax		1,057	520
(LOSS)/PROFIT FOR THE YEAR		(2,506)	973

OTHER COMPREHENSIVE INCOME
Items that may be subsequently reclassified to profit or loss:

	Note		
Exchange differences on translation of foreign operations		(5)	9
TOTAL OTHER COMPREHENSIVE INCOME		(5)	9
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE PARENT		(2,511)	982
ADJUSTED (LOSS)/PROFIT BEFORE TAX	6	(1,452)	2,074
(Loss)/Profit before taxation		(3,563)	453
Exceptional administrative costs		1,930	1,405
IFRS2 Share based payments charge		181	216
EARNINGS PER ORDINARY SHARE (PENCE) ATTRIBUTABLE TO OWNERS OF THE PARENT			
Basic	9	(6.20p)	2.72p
Diluted	9	(6.02p)	2.68p

The results relate to continuing operations.

* See note 13 for details regarding the restatement as a result of changes in accounting policies.

Consolidated Statement of Changes in Equity For The Year Ended 31 March 2019

	Note	Share capital	Share premium	Merger reserve	Translation reserve	Treasury reserve	Retained earnings	Total equity
		£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance as at 1 April 2017 as previously reported		357	11,674	1,138	199	(4)	6,866	20,230
Change in accounting policy	13	-	-	-	-	-	(164)	(164)
Restated balance as at 1 April 2017		357	11,674	1,138	199	(4)	6,702	20,066
Comprehensive income								
Profit for the year (restated*)	13	-	-	-	-	-	973	973
Other comprehensive income								
Exchange differences on translation of overseas operations		-	-	-	9	-	-	9
Total comprehensive income		-	-	-	9	-	973	982
Transactions with owners								
Shares issued		2	76	-	-	-	-	78
IFRS2 Share-based payments charge		-	-	-	-	-	216	216

Tax recognised directly in equity (Note 11)	-	-	-	-	-	38	38
Transactions with owners	2	76	-	-	-	254	332
Balance as at 1 April 2018	359	11,750	1,138	208	(4)	7,929	21,380
Comprehensive loss							
Loss for the year	-	-	-	-	-	(2,506)	(2,506)
Other comprehensive loss							
Exchange differences on translation of overseas operations	-	-	-	(5)	-	-	(5)
Total comprehensive loss	-	-	-	(5)	-	(2,506)	(2,511)
Transactions with owners							
Issue of share capital	141	2,941	-	-	-	-	3,082
IFRS2 Share based payments charge	-	-	-	-	-	181	181
Tax recognised directly in equity	-	-	-	-	-	(38)	(38)
Transactions with owners	141	2,941	-	-	-	143	3,225
Balance as at 31 March 2019	500	14,691	1,138	203	(4)	5,566	22,094

* See note 13 for details regarding the restatement as a result of changes in accounting policies.

Consolidated Statement of Financial Position As At 31 March 2019

	Note	As at 31 March 2019	As at 31 March 2018
			Restated*
ASSETS		£'000	£'000
NON CURRENT ASSETS			
Intangible assets	10	21,165	19,460
Property, plant and equipment		1,432	1,756
Amounts receivable under finance leases		139	318
		22,736	21,534
CURRENT ASSETS			
Inventories		2,736	2,556
Trade and other receivables		8,345	9,926
Corporation tax receivable		1,050	1,001
Cash and cash equivalents		1,205	3,472
		13,336	16,955
LIABILITIES			
CURRENT LIABILITIES			

Trade and other payables		(6,307)		(9,598)	
Borrowings		(1,237)		(1,151)	
Provisions		(27)		(47)	
		(7,571)		(10,796)	
CURRENT ASSETS LESS CURRENT LIABILITIES			5,765		6,159
TOTAL ASSETS LESS CURRENT LIABILITIES			28,501		27,693
NON CURRENT LIABILITIES					
Trade and other payables		(607)		(525)	
Borrowings		(5,597)		(5,621)	
Provisions		(115)		(94)	
Deferred income tax liability		(88)		(73)	
		(6,407)		(6,313)	
NET ASSETS			22,094		21,380
EQUITY					
Share capital	11		500		359
Share premium			14,691		11,750
Merger reserve			1,138		1,138
Translation reserve			203		208
Treasury reserve		(4)		(4)	
Retained earnings			5,566		7,929
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT			22,094		21,380

Consolidated Statement of Cash-Flows For The Year Ended 31 March 2019

	Note	Year ended 31 March 2019 £'000		Year ended 31 March 2018 Restated* £'000	
NET CASH GENERATED FROM OPERATING ACTIVITIES	12	(1,752)			4,735
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchases of property, plant and equipment		(103)		(91)	
Purchases of software		(158)		(236)	
Proceeds from sale of property			495	-	
Capitalised development costs		(3,413)		(3,389)	
NET CASH USED IN INVESTING ACTIVITIES		(3,179)		(3,716)	
CASH FLOWS FROM FINANCING ACTIVITIES					
Issue of new shares			3,082		78
Increase in bank loan			2,000		2,600
Repayment of bank loans		(2,026)		(1,880)	

Repayment of obligations under hire purchase agreements	(187)		(146)	
Interest paid	(205)		(189)	
NET CASH GENERATED FROM FINANCING ACTIVITIES		2,664		463
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,267)			1,482
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		3,472		1,990
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,205		3,472

* See note 13 for details regarding the restatement as a result of changes in accounting policies.

Notes To The Consolidated Financial Statements

1 GENERAL INFORMATION

Trakm8 Holdings PLC ("Company") and its subsidiaries (together the "Group") manufacture, distribute and sell telematics devices and services.

Trakm8 Holdings PLC is a public limited company incorporated in the United Kingdom (registration number 05452547). The Company is domiciled in the United Kingdom and its registered office address is 4 Roman Park, Roman Way, Coleshill, West Midlands, B46 1HG. The Company's Ordinary shares are traded on the AIM market of the London Stock Exchange. The Company is registered in England and is limited by shares.

The Group's principal activity is the development, manufacture, marketing and distribution of vehicle telematics equipment and services. The Company's principal activity is to act as a holding company for its subsidiaries.

The condensed consolidated financial statements are presented in Sterling and all values are rounded to the nearest thousand (£'000) except where otherwise indicated.

2AUTHORISATION OF FINANCIAL STATEMENTS AND STATEMENT OF COMPLIANCE WITH IFRS

The Group's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as endorsed by the European Union, and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

3BASIS OF PREPARATION

The audited financial information included in this preliminary results announcement for the year ended 31 March 2019 and audited information for the year ended 31 March 2018 does not comprise statutory accounts within the meaning of section 434 Companies Act 2006. The information has been extracted from the audited statutory financial statements for the year ended 31 March 2019 which will be delivered to the Registrar of Companies in due course. Statutory financial statements for the year ended 31 March 2018 were approved by the Board of directors and have been delivered to the Registrar of Companies. The report of the independent auditors for the year ended 31 March 2019 and 2018 respectively on these financial statements were unqualified and did not include a statement under section 498 of the Companies Act 2006.

These financial statements are presented on a going concern basis. To monitor the future cash position the Group produces projections of its working capital and long term funding requirements covering three months in detail and 1 and 2 year future projections on a monthly basis. These projections are updated on a regular basis and progress against the projections is closely monitored by the Board and the finance team. The projections include assessments against the covenants agreed with our bank. On 27 June 2019 the Group entered into an Amendment and Restatement Agreement with HSBC that amended the covenants on both the term loan and revolving credit facility, following the waiver of existing covenants during the year. The recently agreed covenants relate to cashflow cover, EBITDA and leverage. At the year end the Group had cash balances of £1,205,000 and undrawn revolving credit facilities of £650,000 at 31 March 2019. The projections for twelve months from date of signing the financial statements show that the Group has sufficient cash resources and will meet its covenants with ample headroom for the foreseeable future. The Group has undertaken a number of adverse sensitivities against its projections, these show that we would still have cash reserves in all these scenarios and would meet our covenants. This sensitivity analysis showed that if either a 32% reduction in Adjusted EBITDA, or a 50% reduction in net cashflow from operating activities for the full financial year materialised that covenants would still be met. On this basis the Directors have a reasonable expectation that the Group will have adequate financial resources to continue in operation for the foreseeable future.

4 SEGMENTAL ANALYSIS

The chief operating decision maker ("CODM") is identified as the Board. It continues to define all the Group's trading under the single Integrated Telematics Technology segment and therefore review the results of the group as a whole. Consequently all of the Group's revenue, expenses, assets and liabilities are in respect of one Integrated Telematics Technology segment.

The Board as the CODM review the revenue streams of Integrated Fleet, Optimisation, Insurance and Automotive Solutions (Solutions) and Hardware as Discrete Devices (Products) as part of their internal reporting. Products is the sale of Contract Electronic Manufacturing services (now ceased) and other third party hardware only supply. Solutions represents the sale of the Group's full vehicle telematics and optimisation services, engineering services, professional services and mapping solutions to customers.

A breakdown of revenues within these streams are as follows:

	Year ended 31 March 2019	Year ended 31 March 2018
		Restated
	£'000	£'000
Solutions	19,145	26,088
Products	-	3,273
	19,145	29,361

A geographical analysis of revenue by destination is as follows:

	Year ended 31 March 2019			Year ended 31 March 2018		
	Solutions	Products	Total	Solutions	Products	Total
				Restated	Restated	Restated
	£'000	£'000	£'000	£'000	£'000	£'000
United Kingdom	18,910	-	18,910	25,764	3,068	28,832

North America	12	-	12	56	-	56
Norway	4	-	4	58	-	58
Rest of Europe	111	-	111	73	197	270
Rest of World	108	-	108	137	8	145
	19,145	-	19,145	26,088	3,273	29,361

5 OTHER INCOME

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Grant income	449	531
R&D tax credit	5	35
R&D tax credit adjustment in respect of prior periods	(18)	-
	436	566

6 OPERATING LOSS/ PROFIT

The following items have been included in arriving at operating loss/ profit:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Depreciation		
- owned fixed assets	242	261
- assets on hire purchase	71	60
Amortisation of intangible assets (see note 10)	1,866	1,484
Operating lease rentals		
- Land and buildings	208	159
- Other	183	263
Research and development expenditure	933	1,485
(Gain)/Loss on foreign exchange transactions	(3)	(59)
Staff costs	6,533	7,936
(Profit)/Loss on disposal of property plant & equipment	(106)	26
Exceptional administrative costs	1,930	1,405

Auditors' remuneration		
- Fees payable to the Company's auditors for the audit of the parent company and consolidated financial statements	93	103
Fees payable to the Company's auditors for other services:		
- Share based payments advisory services	-	8

Adjusted loss/ profit before tax is monitored by the Board and measured as follows:

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000 Restated
(Loss)/ profit before tax	(3,563)	453
Exceptional administrative costs (note 7)	1,930	1,405
Share based payments	181	216
Adjusted (loss)/profit before tax	(1,452)	2,074

7 EXCEPTIONAL ADMINISTRATIVE COSTS

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Acquisition costs	102	256
Integration & restructuring costs	707	501
Head office relocation	-	238
Contract manufacturing closure costs	-	410
New product component refit costs	453	-
Exceptional communication correction costs	375	-
Iranian bad debt	293	-
	1,930	1,405

The acquisition costs incurred in 2019 and 2018 relate to non-underlying charges under two separate agreements linked to the acquisition in 2017. The costs incurred are directly linked to the acquisition and not as part of the underlying business. One agreement terminates on 31

July 2019, and the second agreement terminated on 31 March 2019.

The Company has incurred significant costs relating to its ongoing project to streamline and rationalise the operations of the business. This has resulted in the following non-underlying, one-off costs:
- In the current and prior year, integration and restructuring costs incurred relate to integrating the activities of Route Monkey Limited, Roadsense Limited and DCS Systems that were acquired in previous financial years and include costs associated with office closures and costs and profits incurred as part of its long-term real estate plan.
- Head Office relocation costs in the prior year are non-underlying costs incurred in moving the Head Office and associated administrative functions from Shaftesbury to the West Midlands.
- Contract manufacturing closure costs in the prior year relate to residual inventory costs and contract exit costs following cessation of manufacturing contracts with third parties.

The Company has also incurred the following exceptional in the current financial year:
- In the current year product component refit costs incurred relate to significant component and software issues that arose during the financial year on a recently launched product. These issues have been fixed by year-end. However significant re-visit and material costs have been incurred as a result of the project to remedy these issues. No customers have been lost as a result of these issues.

- In the current year communication correction costs incurred relate to an intermittent fault uncovered with one of our communication elements during our joint extended testing. This resulted in a reduction in signal strength as the component searched for the supplier's network signal, rather than the strongest signal available. This affected two customers. We upgraded the product with an alternative which now provides much enhanced roaming capability across Europe. The enhanced signal will also enable us to deliver a wider range of products. The customers have subsequently ordered further devices from the Group.

- In the current year, it was considered inappropriate to proceed with a contract to supply insurance solutions into Iran due to the impact of US sanctions, therefore the cost of the work and solutions supplied in the previous financial year have been provided for.

8 FINANCE COSTS

	Year ended 31 March 2019 £'000	Year ended 31 March 2018 £'000
Interest on bank loans	172	147
Amortisation of debt issue costs	28	13
Interest on Hire Purchase and similar agreements	33	29
	233	189

9 EARNINGS PER ORDINARY SHARE

The earnings per Ordinary share have been calculated in accordance with IAS 33 using the profit for the year and the weighted average number of Ordinary shares in issue during the year as follows:

	Year ended 31 March 2019	Year ended 31 March 2018 Restated
	£'000	£'000
(Loss)/Profit for the year after taxation	(2,506)	973
Exceptional administrative costs	1,930	1,405
Share based payments	181	216
Tax effect of adjustments	(367)	(267)
Adjusted (loss)/profit for the year after taxation	(762)	2,327
	No.	No.
Number of Ordinary shares of 1p each at 31 March	50,004,002	35,898,254
Basic weighted average number of Ordinary shares of 1p each	40,397,188	35,740,877
Diluted weighted average number of Ordinary shares of 1p each	41,629,797	36,297,287
Basic (loss)/earnings per share	(6.20p)	2.72p
Diluted (loss)/earnings per share	(6.02p)	2.68p
Adjust for effects of:		
Exceptional costs	3.87p	3.18p
Share based payments	0.45p	0.60p
Adjusted basic (loss)/earnings per share	(1.89p)	6.51p
Adjusted diluted (loss)/earnings per share	(1.83p)	6.41p

10 INTANGIBLE ASSETS

	Goodwill	Intellectual property	Customer relationships	Development costs	Software	Total
	£'000	£'000	£'000	£'000	£'000	£'000
COST						
As at 1 April 2017	10,417	1,920	100	7,234	1,426	21,097
Additions - Internal		-	-	2,707		2,824

developments	-				117	
Additions - External purchases	-	-	-	680	332	1,012
As at 31 March 2018	10,417	1,920	100	10,621	1,875	24,933
Additions - Internal developments	-	-	-	2,844	144	2,988
Additions - External purchases	-	-	-	569	14	583
As at 31 March 2019	10,417	1,920	100	14,034	2,033	28,504
AMORTISATION						
As at 1 April 2017	-	1,671	22	1,978	318	3,989
Charge for year	-	117	34	1,123	210	1,484
Amortisation on disposals	-	-	-	-	-	-
As at 31 March 2018	-	1,788	56	3,101	528	5,473
Charge for year	-	61	33	1,531	241	1,866
Amortisation on disposals	-	-	-	-	-	-
As at 31 March 2019	-	1,849	89	4,632	769	7,339
NET BOOK AMOUNT						
As at 31 March 2019	10,417	71	11	9,402	1,264	21,165
As at 31 March 2018	10,417	132	44	7,520	1,347	19,460
As at 1 April 2017	10,417	249	78	5,256	1,108	17,108

Goodwill arose in relation to the Group's acquisition of 100% of the share capital of Roadsense Technology Limited (Roadsense), Route Monkey Limited (Route Monkey), Box Telematics Limited (Box) and DCS Systems Limited (DCS).

Since the acquisition Roadsense, Box, Route Monkey and DCS have been incorporated into the Trakm8 business. These businesses have therefore been assessed as one cash generating unit for an impairment test on Goodwill.
The impairment review has been performed using a value in use calculation.

The impairment review has been based on the Group's budgets for 2019/20 which have been reviewed and approved by the Board. Forecasts for the subsequent 4 years have been produced based on 7% (a prudent growth rate for telematics market) growth rates in revenue and EBITDA in each year. A net present value has been calculated using a pre-tax discount rate of 10% (Group's weighted average cost of capital) which is deemed to be a reasonable rate taking account of the Group's cost of funds and an extra element for risk. A terminal value has been calculated and included in the discounted cash flow forecasts used within the model to fully support the goodwill value. A growth rate of 2% was used to determine the terminal value.

In addition a sensitivity analysis has been undertaken and indicates that an impairment will be triggered by making the following combined changes to the assumptions:
1. Decrease in annual growth rates to 6.5% per annum for five years (terminal growth rate of 2%)
2. Increase in the discount rate to 11%
3. Decrease in 2020 free cash flow of 50%

Amortisation expenses of £1,866,000 (2018: £1,484,000) have been charged to Administrative expenses in the Consolidated Statement of Comprehensive Income.

11 SHARE CAPITAL

	As at 31 March 2019		As at 31 March 2018	
	No's '000's	£'000	No's '000's	£'000
Authorised:				
Ordinary shares of 1p each	200,000	200,000	200,000	200,000
Allotted, issued and fully paid:				
Ordinary shares of 1p each	50,004	500	35,898	359

Movement in share capital:

	As at 31 March 2019	As at 31 March 2018
	£'000	£'000
As at 1 April	359	357
New shares issued	141	2
As at 31 March	500	359

The Company currently holds 29,000 Ordinary shares in treasury representing 0.06% (2018: 0.08%) of the Company's issued share capital. The number of 1 pence Ordinary shares that the Company has in issue less the total number of Treasury shares is 49,975,002.

During the year the following shares were issued:

Date	Description	Shares	Share Capital	Premium
		No's '000's	£'000	£'000
04/08/2018	Exercise of options over Ordinary Shares by an employee	175	2	49
06/12/2018	Subscription of Ordinary Shares	13,931	139	2,892
		14,106	141	2,941

The weighted average price for share options exercised during the year was 29.1p.

12 NET CASH GENERATED FROM OPERATIONS

As at 31 As at 31

	March 2019 £'000	March 2018 Restated £'000
(Loss)/Profit before tax	(3,563)	453
Depreciation	313	321
(Profit)/Loss on disposal of fixed assets	(106)	26
Net bank and other interest	223	156
Amortisation of intangible assets	1,866	1,484
Share based payments	181	216
Operating cash flows before movement in working capital	(1,086)	2,656
Movement in inventories	(180)	1,118
Movement in trade and other receivables	1,732	(4,614)
Movement in trade and other payables	(3,214)	3,957
Movement in provisions	1	(21)
Cash generated from operations	(2,747)	3,096
Interest received	10	33
Income taxes received	985	1,606
Net cash (outflow)/inflow from operating activities	(1,752)	4,735

13 CHANGES IN ACCOUNTING POLICIES

This note explains the impact of the adoption of IFRS15 Revenue from Contracts with Customers on the group's financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those in prior period.

Impact on the financial statements:

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. As explained in note 4 above, IFRS 15 was adopted with restated comparative information.

The following table shows the adjustments recognised for each of the individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and the totals disclosed cannot be recalculated from the numbers provided. The adjustments are explained in more detail below.

The group has adopted IFRS 15 Revenue from Contracts with Customers from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provision in IFRS 15, the group has adopted the new rules retrospectively and has restated comparatives for the 2017 financial year. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 April 2018):

The benefit to the results for the twelve months to 31 March 2019 from the prior year restatement following the adoption of IFRS 15 is not material.

Consolidated Statement of Financial Position (extract)

	Year to 31 March 2018 Presented £'000	IFRS 15 £'000	Year to 31 March 2018 Restated* £'000
Non-current assets/(liabilities)			
Deferred income tax asset/(liability)	(229)	156	(73)

Current assets			
Trade and other receivables	10,844	(918)	9,926
Current assets less current liabilities	7,077	(918)	6,159
Total assets less current liabilities	28,611	(918)	27,693
Net assets	22,142	(762)	21,380
Equity			
Balance as at 1 April 2017	6,866	(164)	6,702
Balance as at 1 April 2018	8,691	(762)	7,929
Profit for the period ended 31 March 2018	1,571	(598)	973
Total equity attributable to equity holders of the Parent	22,142	(762)	21,380

Consolidated Statement of Comprehensive Income (extract)

	Year to 31 March 2018 Presented £'000	IFRS 15 £'000	Year to 31 March 2018 Restated* £'000
Revenue	30,081	(720)	29,361
Gross profit	14,849	(720)	14,129
Operating profit	1,329	(720)	609
Profit before taxation	1,173	(720)	453
Income tax	398	122	520
Profit for the year	1,571	(598)	973
Total comprehensive income for the year attributable to owners of the Parent	1,580	(598)	982
Adjusted profit before tax	2,794	(720)	2,074

14 POST BALANCE SHEET EVENTS

As explained in note 3, on the 27 June 2019 the Group entered into an Amendment and Restatement Agreement with HSBC that amended the covenants and amended the margin on both the term loan and revolving credit facility to 4.5% above base rate and LIBOR respectively. All other terms of the facilities remained unchanged.

END

FR CKODKABKDOOK

RNS Number : 9796E
Trakm8 Holdings PLC
09 July 2019

9 July 2019

TRAKM8 HOLDINGS PLC

('Trakm8' or 'the Company')

Correction to announcement regarding full year results for year ending 31 March 2019

Further to RNS No. 7132E released on 8 July 2019, Trakm8 plc advises that Diluted earnings per share for the Year ended 31 March 2019 as set out immediately below the Consolidated Statement of Comprehensive Income should read (6.20p), not (6.02p) as stated. In note 9, Earnings per Ordinary share for Year ended 31 March 2019, Diluted weighted average number of Ordinary shares of 1p each should read 40,397,188, not 41,629,797 as stated, diluted loss per share should read (6.20p) not (6.02p) as stated, and Adjusted diluted loss per share should read (1.89p) not (1.83p) as stated.

The Annual Report and Accounts is now available on the Company's website.

- Ends -

For further information:

Trakm8 Holdings plc
John Watkins, Executive Chairman — Tel: +44 (0) 1675 434 200
Jon Furber, Finance Director — www.trakm8.com

Arden Partners plc (Nominated Adviser & Broker) — Tel: +44 (0) 20 7614 5900
Paul Shackleton / María Gómez de Olea — www.arden-partners.com

END

FURRLMJTMBAMBML