

Datatrak shareholders approve financial restructuring

The Business Times, Times of Malta, 7th December 2006

Datatrak shareholders have approved a resolution for the financial restructuring of the Datatrak Group. The change sees a reduction of the share premium account in order to offset losses of Lm2,247,018. This financial restructuring will offset accumulated losses against share premium and, among other things, would make a dividend distribution possible in the event of the group reporting distributable profits from operations, the group said.

Reuben Portanier, Chief Officer for Strategy and Business Development explained: "The Datatrak Group, has since its inception, accumulated losses which primarily stemmed out of high research and development investments, a substantial amount of depreciation on capital expenditure and marketing initiatives which did not yield the desired results in the past, such as the Libya project.

"As from mid-2005, with the appointment of the new Group CEO, Joe Fenech Conti, the group embarked on a very intensive restructuring programme at all levels. Such a restructuring process involved the focusing on core business areas and the release of non-core business activities such as Datatrak Security Services and Datatrak Multimedia, a concerted cost management activity which saw our operational costs decrease drastically, and an aggressive growth strategy in order to increase our revenue and profitability. Such efforts proved successful, with the group registering a marginal profit in 2005."

Mr Portanier said that notwithstanding the improved operational performance, the company was still carrying considerable accumulated losses brought forward from previous years. Although estimates indicated that 2006 would see a continuation of the positive trend registered in 2005 the accumulated losses carried forward would have hindered the possibility of a dividend distribution in the eventuality that the group continued to register profits.

"These accumulated losses were creating difficulties for our business development activities as, in assessing our financial statements, potential clients question why we had an imbalance between our high share premium account and our accumulated losses. The truth of the matter was that from a presentation point of view, our financial statements were not necessarily reflecting a picture of what the group was currently accomplishing and required in depth analysis to show that the Group was now performing better," he said.

The shareholders had therefore approved a reduction in the share premium account to offset the accumulated losses so as to facilitate the process for further business development activity to materialise, and to facilitate the possibility of future dividend distributions.