Quartix

Real time vehicle tracking

Quartix Holdings plc

Annual Report

2014

Contents

Company Information

Company registration number:	06395159
Registered office:	Wellington House East Road Cambridge Cambridgeshire CB1 1BH
Directors:	Andrew Walters David Bridge Avril Palmer-Baunack Paul Boughton Jim Warwick
Company secretary:	David Bridge
Bankers:	Barclays Bank PLC PO Box 299 Birmingham B1 3PF
Solicitors:	Hewitsons LLP Shakespeare House 42 Newmarket Road Cambridge CB5 8EP
Auditors:	Grant Thornton UK LLP 101 Cambridge Science Park Milton Road Cambridge CB4 0FY
Nominated advisor and broker:	finnCap 60 New Broad Street London EC2M 1 JJ
Financial public relations:	MHP Communications 60 Great Portland Street London W1W 7RT

Highlights

Financial highlights

- Group revenues increased by 16.3% to £15.3m (2013: £13.2m)
    - Fleet revenues grew by 20% to £11.0m (2013: £9.2m)
    - Insurance revenues increased by 7.5% to £4.3m (2013: £4.0m)
- Operating profit increased by 3.6% to £4.9m (2013: £4.7m)
- Profit before tax increased by 9.5% to £5.0m (2013: £4.6m)
- Adjusted[1] profit before tax increased by 4.1% to £4.8m (2013: £4.6m)
- Fully diluted earnings per share of 8.55p (2013: 8.27p)
- Adjusted[1] fully diluted earnings per share of 8.39p (2013: 8.27p)
- Cash inflow before tax increased by 16.6% to £5.8m (2013: £5.0m)
- Adjusted[2] cash inflow before tax increased by 10.2% to £5.5m (2013: £5.0m)
- Net debt reduced to £0.2m (2013: £2.2m)
- Maiden final dividend of 3p per share proposed

[1] Adjusted to exclude exceptional gain of £248,000 in the year ended 31 December 2014 (2013: nil)
[2] Adjusted to exclude exceptional cash inflow before tax of £0.3m in the year ended 31 December 2014 (2013: nil)

Operational highlights

- Strong progress in the main fleet business:
    - 23.2% increase in subscription base to 59,765 units (2013: 48,501)
    - 18.2% increase in customer base to 6,342 (2013: 5,367)
    - Attrition fell to 9.4% (2013: 9.6%), significantly below the 14.0% industry average
    - 12.5% growth in new fleet installations
    - Strong growth in France, ending the year with 890 customers (2013: 601) and 5,218 vehicles under subscription (2013: 3,601)
    - Product approvals achieved for the USA: 120 fleet customers secured primarily in the latter part of the financial year
- Insurance installations grew by 12.8% to 32,842 (2013: 29,108)

Chairman's Statement

Introduction

The past year has shown continued growth in demand for the Group's vehicle tracking systems, software and services in both the fleet and insurance sectors. Revenues in the core fleet sector grew by 20.2% to £11.0m (2013: £9.2m). Sales to insurance based customers also increased, by 7.5% to £4.3m (2013: £4.0m). Our success across both sectors was reflected in the installation of 49,197 new tracking systems (2013: 43,646) and the achievement of £9.8m of recurring revenue in the fleet sector (2013: £8.0m).

Sales in the UK grew by 15.5%, reaching £14.5m (2013: £12.6m). The Group made good progress in France, where revenues increased by 36.8% to €956,000 (2013: €699,000). Additional investment in the French sales and support teams during the year should allow this growth to continue in 2015.

The Group expanded its operations to the USA in the year, resulting in the opening of an office in Chicago in April 2014. In preparation for this, the Group completed the necessary development of its operational, accounting and marketing systems (which had been started in 2013), and achieved FCC and PTCRB listing for its TCSV10 tracking system early in the year. We completed the year with 120 fleet customers in this market, and the prospects for our business development are encouraging.

Results

Group revenues for the year increased by 16.3% to £15.3m (2013: £13.2m).

Operating profit for the year increased by 3.6% to £4.9m (2013: £4.7m), at the same time as the Group made significant investments in launching in the USA.

Exceptional gains in the year amounted to £248,000 before taxation, comprising a settlement reached for a mis-sold hedging product, less the Group's professional costs in relation to its admission to AIM in November 2014.

Adjusted profit before tax and exceptional gains increased by 4.1% to £4.8m (2013: £4.6m).

Cash conversion was exceptionally good, resulting in cash flow from operations after tax of £4.9m (2013: £4.4m), after allowing for the effects of exceptional gains, and enabling the Group to reduce net debt from £2.2m as at 31 December 2013 to £0.2m at 31 December 2014.

Earnings per share

Adjusted basic earnings per share rose by 2% to 8.52p (2013: 8.35p). Basic earnings per share rose by 4% to 8.68p (2013: 8.35p). On a fully diluted basis, earnings per shares increased to 8.39p (2013: 8.27p).

Dividend

In the year ended 31 December 2014, the Board decided to pay an exceptional dividend of 600p per £0.10 share (the equivalent of 6p per £0.01 share). This totalled £2.8m and was paid on 30 June 2014 to shareholders on the register as at 31 May 2014.

The Board is recommending a final dividend of 3p per share, amounting to £1.4m in aggregate. Subject to the approval at the forthcoming AGM, the final dividend will be paid on 15 May 2015 to shareholders on the register as at 17 April 2015.

Governance and the Board

In anticipation of the Company's flotation in the latter half of 2014, three Non-Executive Directors, myself included, were appointed to join Andrew Walters and David Bridge on the Board. I joined in March 2014, with Paul Boughton and Jim Warwick appointed in May 2014.

My international experience spans the Insurance, Automotive and Logistics sectors and I am currently Chairman of Redde plc, Molins plc and Haversham Holdings plc. My previous roles include those of Chief Executive Officer of Autologic Holdings plc and Universal Salvage plc.

Paul Boughton has over 25 years of experience in identifying, negotiating and completing acquisitions in the USA and Europe. Having spent 13 years as Business Development Director for Spectris plc, Paul is currently Head of Business Development at Brammer plc, leading its European acquisition programme. He has also held senior positions at both Consort Medical plc and IMI plc, a FTSE100 company and is a Chartered Accountant (FCA).

Jim Warwick is Chief Operating Officer at Abcam plc, a global leader in the supply of innovative protein research tools, having originally joined as Technical Director in 2001. Prior to that, he worked on IT, software and web development initiatives for the telecommunications consultancy group Analysys Limited.

In September 2014, Andrew Kirk, William Hibbert and Kenneth Giles resigned from their roles as Executive Directors of Quartix Holdings plc in order to ensure the right balance between the Executive and Non-Executive Directors on the Board, as expected of a public company. Andrew, William and Kenneth remain completely committed to their operational roles, and both Andrew and William are on the Board of Quartix Limited, the Group's principal operating subsidiary. For further details regarding Corporate Governance and the Board, please see the "Investors" section of our website (www.quartix.net/investors.php).

Outlook

The Group has made a strong start to the year, in line with our expectations. The high levels of recurring revenues and opportunities to grow in the UK, France and the USA in fleet combined with continued progress in our insurance business underpin our confidence for the rest of the year and beyond.

AGM

The Group's AGM will be held on 16 April 2015 at the Group's registered office at Wellington House, East Road, Cambridge CB1 1BH.

Avril Palmer-Baunack
Chairman

Strategic Report: Operational Review

Principal activities

Since 2001 Quartix has become one of the UK's leading suppliers of vehicle tracking systems and services. Whilst the origins of the Group's business are in the tracking of commercial vehicles in the UK, it has developed a business presence in the rapidly-growing insurance telematics market. It has set up a French branch tracking commercial vehicles and in 2014 it expanded its operations into the USA.

Strategy and business model

The Group's main strategic objective is to grow its fleet business and develop its recurring revenues. The related insurance business provides economies of scale in product development, supply chain, production and system installation.

Quartix sells its telematics services in two different markets: commercial fleet tracking and insurance telematics. Whilst the same technology is used for both, these markets exhibit different characteristics and the Group has established distinct business models for each of them.

Fleet customers typically use the Group's services for many years, resulting in very low rates of attrition. Accordingly, the Group focuses its business model on the development of subscription revenues based on system rental, providing the best return to the Group over the long term.

Insurance telematics customers use the Group's technology to monitor the driving style and habits of higher-risk drivers, typically for a policy with a term of just 12 months. Quartix therefore treats this as an equipment sale, with the tracking system being sold, at policy inception, together with 12 months service and data usage included.

Operational performance

All business operations continued to perform at a high level in 2014. Gross margins were maintained at 65% despite pricing pressure in insurance sales, which had an adverse effect on the margin mix. Return on sales exceeded 30% as in previous years. Cash conversion was strong with operating cash generated from operations before exceptional items representing 113% of operating profit before exceptional items.

We continue to identify opportunities to save cost in manufacturing, mobile network usage and communications, whilst consistently seeking to develop new products and to improve upon existing models so as to provide a high quality product that meets and exceeds our clients' expectations. This is reflected in the availability of 3G functionality in the TCSV10 model, for which USA approvals were received in January 2015, as well as in the development of the TCSV11 tracking system, which is expected to be launched in production in 2015.

Fleet

Our fleet operation, which accounted for approximately 72% of Group revenue, has delivered considerable progress in a year of investment. This performance has been driven by continued strong growth in the UK combined with a broadening of our addressable markets: significant growth was achieved in France during the year whilst the result of our launch in the USA began to be evident in the second half.

Fleet UK

Demand for fleet tracking systems in the UK continues to grow rapidly. We are well-placed to expand our business, given the strengths of our product, systems and support capabilities. The economies of scale derived from the size of our combined fleet and insurance business also give us a considerable competitive advantage. UK fleet revenues were £10.2m (2013: £8.6m).

New business is won through both direct sales (telephone and field) and distribution. In addition to the sales leads received through these channels and our own marketing initiatives, we are increasingly sourcing sales leads through price-comparison websites.

Sales conversion percentages on enquiries received from our direct marketing remained above 30% during the year, and we will continue to increase our investment in these initiatives. In order to help drive future growth, we will also be increasing capacity in our telephone sales team, expanding our distribution network and enhancing our efficiency in dealing with price-comparison enquiries. Much of this will be achieved through our database systems and automated processes. Development and recruitment programmes for each of these are underway, and we have managed to secure additional office space in Newtown to accommodate expansion in the team from April 2015. We continue to work on search-engine optimisation and have e-commerce and electronic payment options available to our customers, but it is clear that our customers value the service we offer and that continued investment in telephone-based sales capacity must remain the primary focus.

Fleet France

We made significant progress in the French market, increasing new installations by 36%, and we ended the year with 5,218 vehicles (2013: 3,601) under subscription across 890 fleet customers (2013: 601). French fleet revenues increased by 36.8% to €956,000 (2013: €699,000). We continued to strengthen our French sales team and will continue to do so during 2015. In addition to the growth expected through our direct sales and marketing channels we are also in the process of recruiting suitable distributors and resellers, which we would expect to start making a contribution to the business by the end of the year.

We will remain focused on our remote sales and support approach to the French market, and all of our sales staff will remain based in our Newtown office. Despite having no physical presence in France it is clear that our brand is now well known there and we are increasingly requested to bid on larger opportunities. This sales approach enables us to be extremely cost-effective, and particularly allows us to benefit from economies of scale in all of our back-office functions. We have a very high level of customer satisfaction and retention in France, as we do in the UK.

Fleet (continued)

Fleet USA

We opened a small office in Chicago in April of 2014, marking the culmination of a significant development project in preparing our applications, operational and commercial platforms for the American market. This also involved type-approval (both FCC and PTCRB) of our TCSV10 tracking system for use on American networks. We have subsequently also gained approval for the 3G version of that system. Marketing and other functions, including installations, logistics and accounting, are handled from our Newtown office, once again allowing us to minimise overheads in this start-up phase.

Results from a pilot marketing programme in the second half were very encouraging: our product has been well received by customers and the conversion rate on incoming enquiries has been good. We have supplemented those enquiries by purchasing sales leads from price comparison sites and have also recruited a small team of people to setup a distribution network for us. At year end we employed 6 people in the Chicago office.

We finished 2014 with 120 fleet customers in the USA having a total of just under 500 vehicles under subscription. 60% of this base was gained in the final quarter of the year. USA fleet revenues were £0.02m, with the majority of these revenues falling in the final quarter.

We have significant potential for growth in the USA in the next five years, and will make further investments in the achievement of this during 2015.

Insurance

As expected, volume growth in insurance at 12.8% was lower than the very high growth experienced in 2013. Revenue growth of 7.5% was lower than volume growth, as there was some pricing pressure from potential new entrants in the market. We believe that the pricing environment has since begun to stabilise and have, in any case, taken the decision not to pursue high volume growth at the expense of acceptable margins, particularly given the opportunities available to us for long term growth at attractive margins in the fleet sector.

We began installations for a new insurance supply relationship immediately before the end of the year, and for another at the start of this year. Initial installation demand for these is encouraging and expected to grow. Counterbalancing the growth from these new opportunities, however, the supply of Quartix systems for an existing insurance relationship is now expected to terminate in the middle of the year. Whilst it is still early days for these new opportunities, we believe that we have achieved a more balanced spread of revenues and are well placed to make further progress in our insurance business this year.

Our strategic partnership with Wunelli Limited remains of key importance to us in developing our young-driver insurance business. During 2015 we hope to explore the potential for developing our fleet business through relationships with commercial vehicle insurers, by using the technology, knowledge and processes that we have put in place for private vehicle insurance. We have developed some key competitive advantages in each of these areas over the past four years.

Business review

Details of the Group's performance are given in the Consolidated Statement of Comprehensive Income on page 23. The position of the Group and the Company at the end of the year is set out in the Consolidated Statement of Financial Position on pages 24 and 51.

People

Our people play a vital role in the achievement of the high levels of customer retention and financial performance that we maintain. The experience, stability and commitment to customer service of our teams create a substantial competitive advantage for us. We are delighted to have been able to provide our employees with the ability to share the equity in the Company under the EMI option scheme, and those having more than 12 months service will be eligible to take up the first of those options this year. The Directors are not eligible for these grants, which are intended for employees.

Research and development

The Group is committed to research and development. During 2014 the Group improved the functionality of the TCSV10 by adding 3G and worked on the development of the TCSV11. It continued researching various methods and algorithms for determining the difference between the shock levels generated in a vehicle during a crash, as compared with other events which occur normally in the course of journeys. The Group also continued the enhancement of its software systems. The costs relating to this and other research and development all of which has been written off in the year amounted to £1.0m (2013: £1.1m).

Strategic priorities

We are encouraged by the potential we see to accelerate the growth of our fleet business in each of the three geographic markets we address and we have already identified a number of initiatives to position us to deliver on that potential. In particular, in each market there is an opportunity to enhance the efficiency of sales and marketing channels as we invest in additional capacity.

During 2015 our priority will be in developing our systems, processes and performance measures in parallel with the expansion of our sales and marketing teams. Investments are already underway in increased automation and automated support for the sales process, including the development of a broader range of sales support resources, demonstration tools and payment systems on our websites, all tailored to the needs of each sales and marketing channel and intended to support a higher level of specialisation in each telesales role as we expand. These investments will be directly applicable to all three of our target markets.

By carefully coordinated management of this expansion in sales capacity we will strive to maintain the very high levels of customer satisfaction and financial performance for which Quartix is known.

Within the insurance sector we have broadened the range of companies for which we supply telematics technology through our strategic partner, Wunelli Limited. We will continue to pursue our goal of diversifying our customer base with them in this way.

Future developments

The Group will continue to invest in the USA and the UK, whilst further developing its existing business in France.

Andrew Walters
Managing Director

Strategic Report: Financial Review

Financial highlights

Year ended 31 December (audited)	2014 £'000	2013 £'000	% change
Revenue	15,331	13,180	16.3
Gross profit	9,943	8,590	15.8
Gross profit	65%	65%	-
Operating profit before exceptional gains	4,885[1]	4,713	3.6
Cash generated from operations before exceptional gains	5,523[1]	5,014	10.2
Net profit for the year	4,032	3,863	4.4

[1] Exceptional gains of £248,000 and exceptional cash flow of £322,000 were recorded in the year and are excluded from these figures

Key performance indicators ("KPIs")

Year ended 31 December	2014	2013	% change
Fleet revenues (£'000)	**11,038**	9,186	20.2
Fleet subscription base (units)	**59,765**	48,501	23.2
Fleet customer base	**6,342**	5,367	18.2
Fleet attrition (annualised) (%)[1]	**9.4**	9.6	-
Fleet installations	**16,355**	14,538	12.5
Insurance revenues (£'000)	**4,293**	3,994	7.5
Insurance installations	**32,842**	29,108	12.8

[1] Attrition in the year is the number of units installed (excluding upgrades), less the increase in subscription base, expressed as a percentage of the mean subscription base

The fleet KPI's above lead to the build-up of recurring revenues which is our primary strategic objective.

Over the past five years invoiced recurring revenues (before adjusting for deferred revenue) have risen at a 30% per annum compound annual growth rate to £9.8m. We achieved 22.5% growth in 2014 which is good but below recent trends. We plan to address this by investing in additional capacity.

In terms of its unit base the Group had growth of 23.2%; average units per customer rose from 9.0 to 9.4.

Our target for attrition is to have a lower attrition rate than the estimated European mean for telematics which is 14%. We easily exceeded this partly due to good customer care and partly due to a stronger economy.

The revenue from insurance installations helps to fund our research and development and volume growth of 12.8% was satisfactory and led to revenue growth of 7.5%.

Revenue

Revenue increased by 16% to £15.3m (2013: £13.2m). In the core fleet sector sales grew by 20.2% to £11.0m (2013: £9.2m). Sales to insurance based customers also increased, by 7.5% to £4.3m (2013: £4.0m). Recurring revenue increased by 22.5% to £9.8m in the fleet sector (2013: £8.0m).

Profit

Operating profit for the year increased by 3.6% to £4.9m (2013: £4.7m), at the same time as the Group made significant investments in launching in the USA.

Exceptional gains in the year amounted to £248,000 before taxation, comprising a settlement reached for a mis-sold hedging product, less the Group's professional costs in relation to its admission to AIM in November 2014.

Adjusted profit before tax and exceptional gains increased by 4.1% to £4.8m (2013: £4.6m).

Results

Fleet units installed showed a 12.5% annual growth being 16,355 units before upgrades compared to 14,538 in 2013. Fleet sales were £11.0m, a rise of 20% compared with 2013 (£9.2m). The main driver of growth was the recurring revenues from unit rentals.

France contributed £771,000 of sales, a 30% increase on 2013.

Insurance unit installations were up 12.8% at 32,842 units compared to 29,108 in 2013. This led to a rise in insurance sales from £4.0m to £4.3m. The percentage rise in value being less than the rise in units as insurance income per unit installed dropped.

Gross margin remained at 65% with a drop in insurance prices being offset by an increase in the proportion of fleet sales. Profit before tax rose from £4.6m to £5.0m an increase of 9.5%.

Tax

The effective tax rate rose to 20% (2013: 16%) as a result of IPO costs and losses in the USA which were not allowable against UK corporation tax.

Earnings per share

The resultant net profit of £4.0m is 4.4% ahead of 2013 (£3.9m) and is matched by a 4% rise in basic earnings per share. £76,000 of this profit came from exceptional items so adjusted earnings per share were 8.52p which was 2% ahead of 2013. On a fully diluted basis, earnings per share increased to 8.39p (2013: 8.27p).

Statement of financial position

Cash at the year-end was £1.8m and bank debt in cash terms was £2.0m, resulting in net debt of only £0.2m (2013: £2.2m).

Inventories increased towards the end of the year in anticipation of a new insurance project, which commenced installations slightly later than had been expected.

Cash flow

Cash flow from operating items before tax and exceptional items was £5.5m (increased relative to operating profit by a £493,000 increase in provision for deferred revenue and £83,000 of share based payments). Exceptional items added £322,000 net to cash flow, giving operating cash flow before tax of £5.8m. Tax paid was £930,000, so free cash flow before the impact of any financing cash flows was £4.9m.

Dividend

The Board is recommending a final dividend of 3p per share, amounting to £1.4m. Subject to approval at the forthcoming AGM, the final dividend will be paid on 15 May 2015 to shareholders on the register as at 17 April 2015.

Risk management policies

The principal risks and uncertainties of the Group are as follows:

Attracting and retaining the right number of good quality staff

The Group believes that in order to safeguard the future of the business it needs to recruit, develop and retain the next generation of management. The impact of not mitigating this risk is that the Group ceases to be innovative and provide customers with the products and services they require. Considerable focus has been given to good communication with employees and on providing opportunities for promotion.

Retaining a key customer

As disclosed in note 3 during 2014 revenues of £4.3m were derived from one insurance customer. Losing this key contract could have a significant negative impact on cash flow. Considerable resources are devoted to maintaining our relationship with this customer while at the same time the Group continues to build up relationships with its indirect insurance customers.

Increased competition

The Group is exposed to the risk of new competition entering the market place. The impact of a new entrant in the market place could put increased pressure on margins and limit the businesses ability to generate cash. To combat this, the Group is continuously investing in research to improve its offering to customers.

Technology

Technology risks are perceived to arise from possible substitutes for the current Quartix product. Risks cited include everything from smart mobile phones to driverless cars.

The Group strategy is to review potential risks and embrace them if they will provide a better channel for the information services which Quartix provides. At present we perceive security and other problems in using smart phones.

Every major motor manufacturer is currently working on autonomous driving but while there is competition in this field there should still be a need for telematics which works with different brands and different models. We will continue to ensure that Quartix has an excellent product which works well with all current vehicle types.

David Bridge
Finance Director

The Strategic Report is approved by the Board of Directors and signed on behalf of the Board on 2 March 2015.

Andrew Walters
Managing Director

Corporate Governance Report

Introduction

As the Company is listed on AIM, it is not required to, and does not, comply with the UK Corporate Governance Code (the "Code"). However, we have reported on our corporate governance arrangements by drawing upon best practice available, including those aspects of the Code we consider to be relevant to the Company.

The Directors are committed to maintaining a high standard of corporate governance and the Directors refer to the 2013 Quoted Companies Alliance Governance Guidelines for Smaller Quoted Companies ("QCA Guidelines") to establish policies and procedures appropriate for a group of its size and nature.

Directors and the Board

Position	Director	Date of appointment	Date of resignation
Chairman	Avril Palmer-Baunack	1 March 2014	-
Executive Directors	Andrew Walters	1 May 2002	-
	Andrew Kirk	29 January 2008	1 September 2014
	William Hibbert	1 July 2010	1 September 2014
	Kenneth Giles	29 January 2008	1 September 2014
	David Bridge	25 February 2008	-
Non-Executive Directors	Paul Boughton	1 May 2014	-
	Jim Warwick	1 May 2014	-

Board committees

There are three Board committees: Audit, Nominations, and Remuneration. Each Committee is comprised of three Non-Executive Directors, with a different Chairman for each.

The attendance of each Director to Board meetings is outlined below and can be compared with the number of meetings they were invited to attend. The invitations are fewer for some Directors depending on their date of appointment and their position as an Executive Director.

Position	Director	Board meeting attendance (invitations)
Executive Directors	Andrew Walters	15 (15)
	Andrew Kirk	3 (6)
	William Hibbert	3 (6)
	Kenneth Giles	3 (6)
	David Bridge	15 (15)
Non-Executive Directors	Avril Palmer-Baunack	9 (10)
	Paul Boughton	8 (8)
	Jim Warwick	8 (8)

Board committees (continued)

Audit Committee

Paul Boughton is Chairman of the Audit Committee which normally meets three times a year. The Committee exists to scrutinise and clarify any qualifications, recommendations and observations within the audited accounts and report of the Company's auditor. When satisfied, the Committee presents the audited accounts and report to the Company's Board and reviews the effectiveness of resultant corrective and preventative measures.

In performing this function, the key duties of the Committee are to:

- Monitor the integrity of the financial statements of the Group and any formal announcement relating to its financial performance
- With regards to financial reporting, review and challenge the consistency of accounting policies, the use of accounting methods over alternatives, whether the Group has followed appropriate accounting standards, the clarity of disclosure, and all material information relating to the audit and risk management
- Monitor the adequacy and effectiveness of the Group's internal financial controls, including the internal control and risk management systems
- Ensure that the Group's arrangements for its employees and contractors to confidentially raise concerns about possible wrongdoing allow proportionate and independent investigation and appropriate follow up action
- Consider the need to implement an internal audit function
- Make recommendations to the Board and the Company's shareholders regarding the appointment, re-appointment, and removal of the Company's external auditor. It ensures that at least once every ten years the audit services contract is put out to tender to enable the Committee to compare the quality and effectiveness of the services provided by the incumbent auditor
- Oversee the Company's relationship with the external auditor

Nominations Committee

The Nominations Committee is chaired by Avril Palmer-Baunack. The Committee reviews the structure, size and composition of the Board to ensure the leadership of the Group is the most proficient to facilitate the Group's ability to effectively compete in the marketplace. It makes recommendations to the Board regarding the continued suitability of any Director, the re-election by shareholders of any Director under the 'retirement by rotation' provisions in the Company's Articles of Association, and succession planning for Directors and other Senior Executives. If necessary, the Committee will identify and nominate candidates they believe suitable to fill Board vacancies.

Remuneration Committee

Jim Warwick chairs the Remuneration Committee. It acts to ensure sound Corporate Governance and meets at least twice a year. The Committee functions with the objective of attracting, retaining and motivating the executive management of the Company and ensuring they are rewarded in a fair and responsible manner for their contribution to the success of the Group.

The role of the Committee is to determine and agree with the Board the framework or broad policy for the remuneration of the Company's Chairman and Executive Directors, including pension rights and compensation payments. It also recommends and monitors the level and structure of remuneration for senior management. When setting the remuneration policy, the Committee reviews and considers the pay and employment conditions across the Group, especially when determining salary increases.

Relations with shareholders

The Group maintains regular dialogue with institutional investors who, along with City analysts, are invited to presentations immediately after the announcement of the Group's interim and full year results. Shareholders have the opportunity to meet and question the Board and its Committees at the AGM. A detailed explanation of each item of special business to be considered at the AGM is included with the Notice of Annual General Meeting which is usually sent to shareholders at least 20 working days before the meeting. All resolutions proposed at the AGM are taken on a poll vote. This follows best practice guidelines and enables all votes to be counted, not just those of shareholders who attend the meeting.

Internal financial control

The key three controls are:

- Segregation of duties
- Good and reliable information
- A high level of integrity among key employees

The Board recognises the importance of robust and reliable financial reporting procedures and will review the procedures it operates on a regular basis.

Going concern

The Board takes all reasonable steps to review and consider any factors that may affect the ability of the Group to continue as a going concern. These factors include the budget, liquidity and key business risks of the Group. Following such contemplation, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. This enables them to prepare the financial statements on a going concern basis.

Directors' Remuneration Report

Introduction

The Remuneration Committee is chaired by Jim Warwick and also comprises Avril Palmer-Baunack and Paul Boughton. Its creation was confirmed by the Board of Directors on 3 October 2014 in accordance with the Company's Articles of Association. The Committee's fundamental purpose is to ensure sound Corporate Governance. In the year 2015 it will meet at least twice a year to ensure this is achieved.

Remuneration Committee

The Committee functions with the objective of attracting, retaining and motivating the executive management of the Company and ensuring they are rewarded in a fair and responsible manner for their contribution to the success of the Group. Their key duties are:

- Agree a remuneration framework for the Chairman and Executive Directors and agree this with the Board of Directors
- Determine the total individual remuneration package of the Chairman, Executive Directors, Company Secretary and other Senior Executives. This may include bonuses, incentive payments, and share options
- Recommend and monitor the level and structure of remuneration for senior management;
- Oversee any major changes in employee benefits structures throughout the Group
- Assess and submit the design of all share incentive plans for approval by the Board and shareholders. This will comprise whether any awards will be made, if so how much, the individual awards to Executive Directors, Company Secretary & other Senior Executives, and the performance targets to be used
- Establish a policy for authorising expenses claims from the Directors
- Review the ongoing appropriateness and relevance of the remuneration policy

The Remuneration Committee may, in the course of its duties, obtain reliable, up-to-date information regarding remuneration in other companies of comparable scale, and appoint remuneration consultants to advise them if this is deemed necessary.

Remuneration of Executive Directors

The Directors' remuneration packages are comprised of a salary. At present the Remuneration Committee have concluded that no bonus, benefits, compensation for loss of office, nor pension contributions will be paid. See below for a breakdown of the Directors' remuneration packages.

Directors' detailed emoluments and compensation (audited)

Year ended 31 December		2014 (£)			2013 (£)
		Salary	**Benefits**	**Total**	Total
	Andrew Walters	78,603	-	78,603	75,945
	Andrew Kirk[1]	52,402	1,501	53,903	77,461
Executive Directors	William Hibbert[1]	52,402	-	52,402	75,945
	Kenneth Giles[1]	31,442	-	31,442	60,756
	David Bridge	78,603	-	78,603	61,548
		293,452	1,501	294,953	351,655
	Avril Palmer-Baunack[2]	41,667	-	41,667	-
Non-Executive Directors	Paul Boughton[2]	26,667	-	26,667	-
	Jim Warwick[2]	23,333	-	23,333	-
		91,667	-	91,667	-

[1] Salary paid up to the date of resignation from the Board of Quartix Holdings plc (1 September 2014)
[2] Salary paid from the date of appointment to the Board of Quartix Holdings plc (see page 13)

Directors and their interests in shares

		Ordinary shares £0.01 each	
Year ended 31 December		**2014**	2013
	Andrew Walters[1]	**17,855,986**	20,904,011
	Andrew Kirk	**5,489,925**	7,821,800
Executive Directors	William Hibbert	**2,663,000**	2,663,000
	Kenneth Giles	**3,371,800**	7,821,800
	David Bridge	**2,663,000**	2,663,000
		32,043,711	41,873,611
Non-Executive Directors	Paul Boughton	**40,000**	-
	Jim Warwick	**40,000**	-
		32,123,711	41,873,611

[1] Includes shares held as family interests or by virtue of position as beneficiary or potential beneficiary of certain trusts

A reorganisation of share capital on 30 September 2014 changed the value of ordinary shares from £0.10 to £0.01 and increased their number one hundredfold. This change is showed by restating the number of ordinary shares for 2013.

The Directors received no options over ordinary shares in the year ending 31 December 2013 and the year ending 31 December 2014.

Jim Warwick
Chairman, Remuneration Committee

Directors' Report

The Directors present their annual report and the financial statements of the Company for the year ended 31 December 2014.

Principal activity

The principal activity of the Group during the year was the design, development and marketing of vehicle tracking devices and the provision of related data services. The Group has an overseas branch in France and an overseas subsidiary in the USA. The Parent Company is incorporated and domiciled in the UK. The registered office is Wellington House, East Road, Cambridge, CB1 1BH.

Research and development

Please see the Strategic Report on page 9 for further information about the Group's approach to research and development.

Future developments

The Company's intentions regarding investment and business development can be found on page 9.

Proposed dividend

In the year ending 31 December 2014, the Board decided to pay an exceptional dividend of 600p per £0.10 share (the equivalent of 6p per £0.01 share). This totalled £2.8m and was paid on 30 June 2014 to shareholders on the register as at 31 May 2014. The Board is recommending a final dividend of 3p per £0.01 share amounting to about £1.4m and giving a total dividend for the year equivalent to 9p per £0.01 share. If this is approved at the forthcoming AGM on 16 April 2015, the final dividend will be paid on 15 May 2015 to shareholders on the register as at 17 April 2015.

Substantial shareholdings

On 27 February 2015, the Company had been notified that eight parties had holdings of 3% or more in the ordinary share capital of the Company. The number of £0.01 shares and the percentage of the total shares held by each party is outlined below.

	Number of £0.01 shares	% of total
Andrew Walters[1]	17,855,986	38.3
Andrew Kirk	5,489,925	11.8
Miton Asset Management ltd	4,310,345	9.2
Kenneth Giles	3,371,800	7.2
David Bridge	2,663,000	5.7
William Hibbert	2,663,000	5.7
Ennismore Fund Management ltd	1,810,345	3.9
BlackRock Investment Management (UK) ltd	1,724,138	3.7

[1] Includes shares held as family interests or by virtue of position as beneficiary or potential beneficiary of certain trusts

Directors

The Non-Executive Directors who held office during the year are listed below:

- Avril Palmer-Baunack (Chairman)
- Paul Boughton
- Jim Warwick

The Executive Directors who held office during the year are listed below:

- Andrew Walters
- Andrew Kirk (resigned 1 September 2014)
- William Hibbert (resigned 1 September 2014)
- Kenneth Giles (resigned 1 September 2014)
- David Bridge

All Executive Directors have service agreements with the Company terminable by either party upon the minimum notice period being met. The minimum notice period is 12 months for Andrew Walters and David Bridge, and 6 months for Andrew Kirk, William Hibbert and Kenneth Giles.

The Company's Articles of Association require all Directors to stand for re-election each year at the AGM. The next AGM will take place on 16 April 2015.

Directors' responsibilities for the financial statements

The Directors are responsible for preparing the Strategic Report, Directors' Report and the financial statements in accordance with applicable law and regulations.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the consolidated financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable laws). Under Company Law the Directors must not approve the financial statements unless they give a true and fair view of the state of affairs and profit or loss of the Company and Group for that period. In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies and apply them consistently
- Make judgements and estimates that are reasonable and prudent
- State whether applicable IFRSs have been followed, subject to any material departures disclosed and explained in the consolidated financial statements
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Company financial statements
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial risk management policies and objectives
The Group manages its key financial risks as follows. Further details are provided in note 28.

Interest rate risk
The Group responds to interest rate risk by ensuring that it always has at least two times interest rate cover.

Liquidity risk
The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. Credit checks are undertaken on all new customers and cash flow is forecast and monitored as are working capital requirements.

Currency risk
This is managed by seeking to match currency inflows and outflows.

Directors' and officers' liability insurance
The Company maintains insurance cover for the Directors and key personnel against liabilities which may be incurred by them while carrying out their duties.

Auditors
The Directors have individually pursued all steps that they ought to have taken in their roles as Directors to ensure they are aware of any relevant audit information and that such information has been relayed to the Company's auditors. The Directors each confirm that there is no relevant information of which the Company's Auditors are unaware.

The Auditor, Grant Thornton UK LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

Approved by the Board of Directors and signed on behalf of the Board on 2 March 2015.

Andrew Walters
Managing Director

Independent Auditor's Report to the Members of Quartix Holdings plc - Company number 06395159

We have audited the Group financial statements of Quartix Holdings plc for the year ended 31 December 2014 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Changes in Equity, the Consolidated Statement of Cash Flows, and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS) as adopted by the European Union.

This Report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 19, the Directors are responsible for the preparation of the Group financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Group financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the Group financial statements:

- Give a true and fair view of the state of the Group's affairs as at 31 December 2014 and of its profit for the year then ended
- Have been properly prepared in accordance with IFRSs as adopted by the European Union
- Have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Certain disclosures of Directors' remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit

Independent Auditor's Report to the Members of Quartix Holdings plc (continued) - Company number 06395159

Other matter

We have reported separately on the Parent Company financial statements of Quartix Holdings plc for the year ended 31 December 2014.

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Cambridge

2 March 2015

Consolidated Statement of Comprehensive Income

Year ended 31 December	Notes	2014 £'000	2013 £'000
Revenue	3	**15,331**	13,180
Cost of sales		**(5,388)**	(4,590)
Gross profit		**9,943**	8,590
Administrative expenses		**(5,058)**	(3,877)
Operating profit		**4,885**	4,713
Exceptional items	4	**248**	-
Finance income receivable	8	**14**	12
Finance costs payable	9	**(104)**	(120)
Profit for the year before taxation	5	**5,043**	4,605
Tax expense	10	**(1,011)**	(742)
Net profit for the year and total comprehensive income attributable to the equity shareholders of Quartix Holdings plc		**4,032**	3,863
Earnings per ordinary share (pence)	11		
Basic		**8.68**	8.35
Diluted		**8.55**	8.27
Adjusted earnings per ordinary share (pence)	11		
Basic		**8.52**	8.35
Diluted		**8.39**	8.27

All of the activities of the Group in the current year are classed as continuing and there is no other comprehensive income.

Consolidated Statement of Financial Position

	Notes	2014 £'000	2013 £'000
Assets			
Non-current assets			
Goodwill	12	**14,029**	14,029
Property, plant and equipment	13	**187**	188
Total non-current assets		**14,216**	14,217
Current assets			
Inventories	14	**436**	220
Trade and other receivables	15	**1,933**	1,789
Cash and cash equivalents	16	**1,812**	779
Total current assets		**4,181**	2,788
Total assets		**18,397**	17,005
Current liabilities			
Trade and other payables	17	**2,008**	1,693
Borrowings	18	**993**	993
Deferred revenue		**1,704**	1,211
Current tax liabilities		**541**	441
		5,246	4,338
Non-current liabilities			
Borrowings	19	**993**	1,983
Deferred tax liabilities	20	**4**	24
		997	2,007
Total liabilities		**6,243**	6,345
Net assets		**12,154**	10,660
Equity			
Called up share capital	21	**467**	46
Share premium account	21	**4,379**	4,296
Equity reserve	22	**151**	6
Capital redemption reserve		**4,664**	5,079
Retained earnings		**2,493**	1,233
Total equity attributable to equity shareholders of Quartix Holdings plc	30	**12,154**	10,660

Approved by the Board of Directors and signed on behalf of the Board on 2 March 2015.

Andrew Walters
Managing Director

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £,000	Capital redemption reserve £'000	Equity reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 31 December 2012	4,426	4,296	699	-	1,750	**11,171**
Shares issued	-	-	-	-	-	**-**
Redemption of preference shares	(4,380)	-	4,380	-	(4,380)	**(4,380)**
Increase in equity reserve in relation to options issued	-	-	-	6	-	**6**
Transactions with owners	(4,380)	-	4,380	6	(4,380)	**(4,374)**
Profit for the year and total comprehensive income	-	-	-	-	3,863	**3,863**
Balance at 31 December 2013	46	4,296	5,079	6	1,233	**10,660**
Shares issued	6	83	-	-	-	**89**
Bonus shares issued	420	-	(420)	-	-	**-**
Redemption of preference shares	(5)	-	5	-	(5)	**(5)**
Increase in equity reserve in relation to options issued	-	-	-	83	-	**83**
Adjustment for exercised options	-	-	-	(12)	12	**-**
Warrants issued	-	-	-	74	-	**74**
Dividend paid	-	-	-	-	(2,779)	**(2,779)**
Transactions with owners	421	83	(415)	145	(2,772)	**(2,538)**
Profit for the year and total comprehensive income	-	-	-	-	4,032	**4,032**
Balance at 31 December 2014	467	4,379	4,664	151	2,493	**12,154**

Consolidated Statement of Cash Flows

	Notes	**2014** **£'000**	2013 £'000
Cash generated from operations	23	**5,845**	5,014
Taxes paid		**(930)**	(619)
Cash flow from operating activities		**4,915**	4,395
Investing activities			
Additions to property, plant and equipment	13	**(82)**	(108)
Interest received	8	**14**	12
Cash flow from investing activities		**(68)**	(96)
Financing activities			
Increase in long term borrowings		**-**	1,000
Repayment of long term borrowings		**(1,000)**	(1,000)
Interest paid		**(119)**	(131)
Redemption of preference shares	21	**(5)**	(4,380)
Proceeds from share issues		**89**	-
Dividend paid		**(2,779)**	-
Cash flow from financing activities		**(3,814)**	(4,511)
Net changes in cash and cash equivalents		**1,033**	(212)
Cash and cash equivalents, beginning of year		**779**	991
Exchange differences on cash and cash equivalents		**-**	-
Cash and cash equivalents, end of year	16	**1,812**	779

Notes to the Consolidated Financial Statements

1 Summary of significant accounting policies

Basis of accounting

These consolidated financial statements are for the year ended 31 December 2014. They have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS as adopted by the European Union (EU) and are effective at 31 December 2014.

These financial statements have been prepared under the historical cost convention.

The standards and interpretations in issue but not effective for accounting periods commencing on 1 January 2014 that may impact on Quartix Holdings plc going forward are listed below. Quartix Holdings plc has not adopted these early.

Outlook for adoptions of future standards (new and amended)

At the date of authorisation of the consolidated financial information, the following standards and interpretations which have not yet been applied in the consolidated financial information were in issue but not yet effective (and in some cases had not yet been adopted by the EU):

Number	Title	Effective
IFRS 9	Financial instruments	
IFRS 15	Revenue from contracts with customers	1 January 2017

During the year, the following standards came into effect:

Number	Title	Effective
IFRS 10	Consolidated financial statements	1 January 2014
IFRS 11	Joint arrangements	1 January 2014
IFRS 12	Disclosure of interests in other entities	1 January 2014
IAS 27 (revised)	Separate financial statements	1 January 2014
IAS 28 (revised)	Investments in associates and joint ventures	1 January 2014
IFRS 10, 11, 12	Amendments to transition guidance	

The Directors do not expect that the adoption of the standards listed above will have a material impact on the consolidated financial information of the Group in future periods.

Basis of consolidation

The Group financial statements consolidate those of the Company and all of its subsidiary undertakings. Subsidiaries are entities over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one-half of voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group obtains and exercises control through voting rights. Where subsidiary companies are acquired during the year, the profit or loss attributable to shareholders includes the profits or losses from the date of acquisition. Where subsidiary companies are disposed of during the year, the profit or loss attributable to shareholders includes the profits or losses to the date of disposal.

1 Summary of significant accounting policies (continued)

Going concern

The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the Group is able to generate sufficient liquidity.

The Group enjoys a strong income stream from its fleet subscription base while current liabilities include a substantial provision for deferred revenue which is a non cash item.

After assessing the forecasts and liquidity of the business for the next two years and the longer term strategic plans, the Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. The Group therefore continues to adopt the going concern basis in preparing consolidated financial statements.

Segmental reporting

The Group has concluded that it operates only one business segment as defined by IFRS 8. The information used by the Group's chief operating decision makers, who are considered to be the Operations Board, to make decisions about the allocation of resources and assessing performance is presented in a format consistent with that repeated in the financial statements. Assets are not directly attributable to any separate activity.

Revenue

Revenue is the amount receivable for goods and services, excluding VAT. It is measured at the fair value of consideration received or receivable, excluding sales taxes, rebates, and trade discounts. Revenue comprises the provision of telematics-based fleet and vehicle management solutions, and is recognised in line with the provision and installation of hardware, and the maintenance of software and provision of communications over the period of the customer contract. Amounts received in advance of the provision of services are included within deferred income.

Revenue from a 12 month contract is spread on a straight line basis over the life of the contract. The associated cost including installation of hardware is recognised as incurred and not spread over the life of the contract: likewise distributors' commissions are accounted for when incurred and not spread over the life of the contract.

Revenue from hardware sales is recognised upon transfer of economic benefit which is normally upon installation of the unit or despatch of the unit if customer does their own installation. Revenue from installation is recognised upon installation.

Revenue from other services including communication charges are recognised over the period in which services are provided on a straight line basis.

Intangible assets

Goodwill arising on consolidation represents the excess of the consideration transferred and the amount of any non-controlling interest in the acquiree over the fair value of the identifiable assets and liabilities (including intangible assets) of the acquired entity at the date of the acquisition. Goodwill is recognised as an asset and assessed for impairment annually or as triggering events occur. Any impairment is recognised immediately in profit or loss.

1 Summary of significant accounting policies (continued)

Property, plant and equipment
Property, plant and equipment is stated at cost, net of depreciation and any provision for impairment.

Disposal of assets
The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Depreciation
Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

- Tools and equipment — 25% straight line
- Office equipment — 25% straight line
- Leasehold improvements — The life of the lease if 5 years or less, otherwise 20% straight line

Research and development
Expenditure on research activities is recognised as an expense in the period in which it is incurred. In the event that an internally generated intangible asset arises from the Group's development activities then it will be recognised only if all of the following conditions are met:

- An asset is created that can be identified (such as software and new processes)
- It is probable that the asset created will generate future economic benefits
- The development cost of the asset can be measured reliably

Where no internally-generated intangible asset can be recognised, development expenditure is recognised as an expense in the period in which it is incurred.

Impairment testing of intangible assets and property, plant and equipment
Goodwill is tested for impairment at least annually. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount, which is the higher of fair value less costs of disposal and value-in-use. To determine the value-in-use, management estimates expected future cash flows and determines a suitable interest rate in order to calculate the present value of those cash flows. The data used for impairment testing procedures are directly linked to the Group's latest approved budget. Discount factors are determined individually for each cash-generating unit and reflect management's assessment of respective risk profiles, such as market and asset-specific risks factors.

Property, plant and equipment are tested for impairment if events or changes in circumstances (assessed at each reporting date) indicate that the carrying amount may not be recoverable. When an impairment test is conducted, the recoverable amount is assessed by reference to the higher of the value in use (net present value of expected future cash flows of the relevant cash-generating unit), or the fair value less cost to sell.

If a cash-generating unit is impaired, provision is made to reduce the carrying amount of the related assets to their estimated recoverable amount. Impairment losses are allocated firstly against goodwill, and secondly on a pro rata basis against intangible and other assets.

Non-financial assets other than goodwill that suffer impairment are reviewed for possible reversal of the impairment at each reporting date.

Operating lease agreements
Payments made under operating leases are charged to profit or loss on a straight line basis over the lease term. Lease incentives are spread over the term of the lease.

1 Summary of significant accounting policies (continued)

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in first out basis. Net realisable value is based on estimated selling price less additional cost to completion or disposal. Provision is made for obsolete, slow moving or defective items where appropriate and recognised as an expense in the period in which the write-down or loss occurs.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted at the Statement of Financial Position date.

Deferred income taxes are calculated using the liability method on temporary differences. Deferred tax is generally provided on the difference between the carrying amounts of assets and liabilities and their tax bases. However, deferred tax is not provided on the initial recognition of goodwill, nor on the initial recognition of an asset or liability unless the related transaction is a business combination or affects tax or accounting profit. Tax losses available to be carried forward as well as other income tax credits to the Group are assessed for recognition as deferred tax assets and are recognised to the extent that it is regarded as more likely than not that they will be recovered.

Deferred tax liabilities are provided in full, with no discounting. Current and deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the Statement of Financial Position date.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in profit or loss or equity as appropriate.

Financial assets

Cash and cash equivalents together with trade and other receivables are classified as loans and receivables, these are initially recognised at fair value. Loans and receivables are subsequent measured at amortised cost using the effective interest method, less provision for impairment. Any change in their value through impairment or reversal of impairment is recognised in the profit and loss.

Provision against trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the write-down is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted using the original effective interest rate.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial liabilities are recorded initially at fair value and subsequently at amortised cost using the effective interest method, with interest-related charges recognised as an expense in finance cost in the profit and loss.

A financial liability is derecognised only when the obligation is extinguished.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, together with other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

1 Summary of significant accounting policies (continued)

Equity

Equity comprises the following:

- "Share capital" represents the nominal value of equity shares
- "Share premium account" represents the excess over nominal value of the fair value of consideration received for equity shares, net of expenses of the share issue
- “Capital redemption reserve” represents the amount by which the Company's issued share capital is diminished when shares are redeemed or purchased wholly out of the Company's profits
- “Equity reserve” is used to reflect the expenses associated with granting share options to employees and the issue of warrants
- "Retained earnings" represents retained profits

Foreign currencies

Transactions in foreign currencies are translated into sterling at the exchange rate ruling at the date of the transaction. Monetary assets and liabilities in foreign currencies are translated at the rates of exchange ruling at the Statement of Financial Position date.

Any exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were initially recorded are recognised in profit or loss in the period in which they arise.

The Parent Company's functional currency is Sterling. The French branch also has a functional currency of Sterling. Quartix Inc has a functional currency of US Dollars.

Quartix Inc transactions in Dollars are translated at the average rate prevailing in the month of the transaction. Quartix Inc monetary assets and liabilities denominated in Dollars are retranslated into the respective functional currency of the entity at the rates of exchange prevailing on the reporting period date.

On consolidation, revenues, costs and cash flows of Quartix Inc are included in the Group Income Statement at average rates of exchange for the period. Assets and liabilities denominated in foreign currencies are translated into Sterling using rates of exchange ruling at Statement of Financial Position date and any differences arising are recognised as a separate component of equity.

Exceptional items

Exceptional items are material items of income and expense which by virtue of their size and nature are separately disclosed to assist in the better understanding of the Group’s performance. The following items are considered to be exceptional in these financial statements:

- Compensation for mis-sold hedging contracts
- Professional fees relating to the IPO

1 Summary of significant accounting policies (continued)

Employee benefits: share based payments

The Group operates a number of employee share schemes under which it makes equity-settled share-based payments to certain employees.

Where employees are rewarded using share-based payments, the fair values of employees' services are determined indirectly by reference to the fair value of the instrument granted to the employee. This fair value is assessed at the grant date, using the Black-Scholes method, and excludes the impact of non-market vesting conditions.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if share options ultimately exercised are different to that estimated on vesting.

Warrants

The Group has issued warrants to its Nomad (finnCap) as part of the placing agreement. Each warrant comprising the right to subscribe for one ordinary share at the placing price.

IFRS 2 is applied to the issue of warrants. The fair values of services received in exchange for the warrants is determined indirectly by reference to the fair value of the instrument granted. This fair value is assessed at the grant date, using the Black-Scholes method, and excludes the impact of non-market vesting conditions.

The expense is allocated over the vesting period, based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of warrants expected to vest differs from previous estimates. Any cumulative adjustment prior to vesting is recognised in the current period. No adjustment is made to any expense recognised in prior periods if warrants ultimately exercised are different to that estimated on vesting.

2 Key judgements and estimates

The Group make estimates and assumptions regarding the future. Actual results may differ from these estimates. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are addressed below.

Key judgement: capitalisation of development costs

The point at which development costs meet the criteria for capitalisation is critically dependant on the management's judgment of the probability and measurability of future economic benefits. No development was completed in the year ended 31 December 2014 whose benefits could be reliably measured apart from existing income streams. Hence, there is no capitalised development as at 31 December 2014.

Key estimate: impairment testing of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated (Quartix Limited). Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. Further details are given in note 12.

3 Segmental analysis

The Group has concluded that it operates only one operating segment as defined by IFRS 8. The information used by the Group's chief operating decision makers to make decisions about the allocation of resources and assessing performance is presented on a consolidated Group basis. Accordingly no segmental analysis is presented.

An analysis of turnover by type of customer and geography is stated below:

	2014 £'000	2013 £'000
By customer base		
Fleet	**11,038**	9,186
Insurance	**4,293**	3,994
	15,331	13,180

	2014 £'000	2013 £'000
Geographical analysis by destination		
United Kingdom	**14,534**	12,588
France	**771**	592
Republic of Ireland	**3**	-
United States of America	**23**	-
	15,331	13,180

During 2014 revenues of £4.3m (2013: £4.0m) derived from one insurance customer.

4 Exceptional items

	2014 £'000	2013 £'000
Compensation for mis-sold hedging contracts	**(763)**	-
Professional fees relating to the IPO	**515**	-
Exceptional items before taxation	**(248)**	-
Taxation on the above	**172**	-
Exceptional items after taxation	**(76)**	**-**
Exceptional items before tax as above	**(248)**	**-**
Add back warrants issued	**(74)**	**-**
Net exceptional operating cash flow	**(322)**	**-**

5 Profit for the year before taxation

The profit for the year for the Group is stated after charging:

	2014	2013
	£'000	£'000
Research and development expenses	**993**	1,085
Rentals under operating leases:		
Other operating leases	**6**	6
Land and buildings	**46**	43
Depreciation:		
Property, plant and equipment, owned	**83**	59
Share based payments expense	**83**	6
Warrants issued	**74**	-
Difference on foreign exchange	**25**	3
Audit services		
Fees paid to Company auditor for the audit of the Company and consolidated financial statements	**14**	7
Other services		
The audit of the Company's subsidiary pursuant to legislation	**16**	15
Tax advice	**-**	-
Other services	**9**	-
Transaction services	**69**	36
	1,418	1,260

6 Employee remuneration

Employee benefits expense

Expenses recognised for employee benefits is analysed below for the Group.

Staff costs, including Directors, during the year were as follows:

	2014	2013
	£'000	£'000
Wages and salaries	**2,599**	1,849
Social security costs	**255**	178
Share based payments	**83**	6
	2,937	2,033

There were no pension costs for the Group.

The average number of employees, including all Directors, during the year was as follows:

	2014	2013
Administration	**10**	7
Operations	**21**	16
Sales	**27**	19
Customer service	**9**	5
Research and development	**19**	14
	86	61

7 Key management remuneration

International Accounting Standards 24.9 states that key management personnel are those persons having authority and responsibility for planning, directing, and controlling the activities of the entity, directly or indirectly, including any Directors (whether Executive or otherwise) of the entity. The Group has identified 12 such individuals: five Executive Directors, three Non-Executive Directors, and four members of Senior Management.

	2014	2013
	£'000	£'000
Emoluments	**686**	352
Social security costs	**80**	43
Other benefits	**2**	2
Total short-term employee benefits	**768**	397

Key management had 573,000 share options outstanding at 31 December 2014 (2013: 652,500).

Details of Directors' remuneration is disclosed on page 17.

Highest paid Director

	2014	2013
	£'000	£'000
Emoluments	**79**	76
Social security costs	**10**	9
Other benefits	**-**	1
Total short-term employee benefits	**89**	86

No Director was a member of a pension scheme or other post-employment benefit to which the Group contributed in either the current or the prior years. There were no termination payments and no bonuses for Directors. The number of Directors who exercised share options in the year was nil (2013: nil).

8 Finance income receivable

	2014	2013
	£'000	£'000
Bank interest	**11**	10
Loan settlement discount	**3**	2
	14	12

9 Finance costs payable

	2014	2013
	£'000	£'000
Interest on bank loans and overdrafts	**104**	120

10 Tax expense

Analysis of tax charge in the year	**2014 £'000**	2013 £'000
Current tax		
UK corporation tax charge on profit for the year	**1,033**	826
Adjustments in respect of prior periods	**(2)**	(96)
	1,031	730
Deferred tax		
Origination and reversal of temporary differences	**(20)**	12
Tax on profit of ordinary activities	**1,011**	742

The relationship between the expected tax expense based on the effective tax rate of the Group at 21.50% (2013: 23.25%) and the tax expense actually recognised in profit or loss can be reconciled as follows:

	2014 £'000	2013 £'000
Result for the year before taxation	**5,043**	4,605
Tax rate (%)	**21.50**	23.25
Expected tax expense	**1,084**	1,071
Adjustments to tax charge in respect of prior periods	**(2)**	(96)
Expenses not deductible for tax purposes	**104**	22
Losses in the USA not provided	**102**	1
Research and development tax credit	**(237)**	(253)
Remeasurement of deferred tax	**2**	(3)
Tax adjustment on exercise of options	**(42)**	-
Tax on profit on ordinary activities	**1,011**	742

11 Earnings per share

The calculation of the basic earnings per share is based on the profits attributable to the shareholders of Quartix Holdings plc divided by the weighted average number of shares in issue during the year. The calculation of the adjusted earnings per share is the same as that for the basic earnings per share, except for the subtraction of exceptional items from the profits attributable to the shareholders (see note 4). All earnings per share calculations relate to continuing operations of the Group.

	Profits attributable to shareholders £'000	Weighted average number of shares	Basic profit per share amount in pence	Fully diluted weighted average number of shares	Diluted profit per share amount in pence
Earnings per ordinary share					
Year ended 31 December 2014	4,032	46,459,018	8.68	47,171,899	8.55
Year ended 31 December 2013	3,863	46,247,500	8.35	46,712,800	8.27
Adjusted earnings per ordinary share					
Year ended 31 December 2014	3,956	46,459,018	8.52	47,171,899	8.39
Year ended 31 December 2013	3,863	46,247,500	8.35	46,712,800	8.27

A reorganisation of share capital on 30 September 2014 changed the value of ordinary shares from £0.10 to £0.01 and increased their number one hundredfold. This change is showed by an increase in the weighted average number of shares. The 2013 earnings per share is restated for this reorganisation.

For diluted earnings per share, the weighted average number of ordinary shares is adjusted to assume the conversion of all dilutive potential ordinary shares. Dilutive potential ordinary shares are those share options and warrants where the exercise price is less than the average market price of the Company's ordinary shares during that year.

12 Goodwill and other intangible assets

Goodwill

	Goodwill on consolidation £'000
Cost and net book value	
At 1 January and 31 December 2013 and 2014	**14,029**

Goodwill arose on the consolidation of the Group following the acquisition of Quartix Limited in 2008. Under UK GAAP it was being amortised over its useful economic life estimated at 20 years. The carrying value of goodwill therefore represents the net book value at the date of transition to IFRS.

Goodwill is recognised as an asset and assessed for impairment annually or as triggering events occur. Any impairment is recognised immediately in profit or loss (see note 2).

The Group considers its subsidiary Quartix Limited to be the sole cash-generating unit (CGU) and as such, it is reviewed annually for impairment. The Group has determined its recoverable amount based on value in use calculations. The value in use was derived from discounted management cash flow forecasts for the business, using the budgets and strategic plans based on past performance and expectations for the market development of the CGU, incorporating an appropriate business risk. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs during the period based on industry sector forecasts.

These budgets and strategic plans cover a four year period. The growth rate in years one to three were based on detailed management expectations. The growth rate used for the fourth year is 2% which is in line with the long-term GDP forecasts. The discount rate used is 14% based on the Group's weighted average cost of capital. Sensitivity analysis is carried out on all budgets, strategic plans and discount rates used in the calculations.

Management's key assumptions are based on past experience and the current trading performance of Quartix Limited. These value in use calculations have not identified any requirement for impairment of the Goodwill stated above. Management is not aware of any probable changes that would necessitate changes in key estimates that indicate any impairment sensitivity.

Other intangible assets

The Group did not capitalise any other intangible assets.

13 Property, plant and equipment

	Leasehold improvements £'000	Tools and equipment £'000	Office equipment £'000	Total £'000
Cost:				
At 1 January 2013	-	12	223	235
Additions	-	-	108	108
Disposals	-	-	-	-
At 31 December 2013	-	12	331	343
Additions	12	-	70	82
Disposals	-	-	-	-
At 31 December 2014	12	12	401	425
Depreciation:				
At 1 January 2013	-	12	84	96
Provided in the year	-	-	59	59
On disposals	-	-	-	-
At 31 December 2013	-	12	143	155
Provided in the year	-	-	83	83
On disposals	-	-	-	-
At 31 December 2014	-	12	226	238
Net book amount:				
At 31 December 2014	12	-	175	187
At 31 December 2013	-	-	188	188
At 1 January 2013	-	-	139	139

14 Inventories

	2014 £'000	2013 £'000
Raw materials	**163**	115
Work in progress	**142**	76
Finished goods and goods for resale	**131**	29
	436	220

Included in the analysis above are impairment provisions against inventory amounting to £80,000 (2013: £80,000). The cost of inventories recognised as an expense and included in "cost of sales" amounted to £1.6m (2013: £1.5m).

15 Trade and other receivables

	2014	2013
	£'000	£,000
Trade receivables	**1,793**	1,723
Other receivables	**6**	2
Prepayments and accrued income	**134**	64
	1,933	1,789

All the amounts are short term. The carrying value of trade receivables is considered a reasonable approximation of fair value. All of the receivables have been reviewed for indicators of impairment. Certain trade receivables were found to be impaired and a provision for doubtful debts has been recorded as follows.

	2014	2013
	£'000	£'000
Provision at 1 January	**15**	20
Additional provision/(release of provision)	**-**	(5)
Provision at 31 December	**15**	15

In addition, some of the unimpaired trade receivables are past due as at the reporting date. The age of financial assets past due but not impaired is as follows:

	2014	2013
	£'000	£'000
Not more than 1 month	**118**	148
More than one month but not more than 3 months	**21**	16
More than 3 months but not more than 6 months	**-**	-
	139	164

16 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2014	2013
	£'000	£'000
Cash at bank and in hand	**1,812**	779

Quartix Limited uses Barclay's Money Transmission Plus to aggregate most sterling instant access balances and earn interest, which is currently 0.75%.

17 Trade and other payables

Amounts falling due within one year:

	2014	2013
	£'000	£'000
Trade payables	**1,093**	802
Social security and other taxes	**600**	561
Other payables	**101**	60
Accruals	**214**	270
	2,008	1,693

18 Borrowings: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loan	**993**	993

19 Borrowings: amounts falling due after more than one year

	2014 £'000	2013 £'000
Bank loan	**993**	1,983

The Group bank loans are secured by way of a debenture. The loans consist of a £1.0m standard term loan borrowed at an effective interest rate of 3.56% over LIBOR and repayable at a rate of £0.25m a quarter until November 2015. In addition, the Group has further borrowings of £1.0m at an effective interest rate of 3.88% over LIBOR. For this repayments of £0.25m a quarter start in February 2016.

20 Deferred tax

Deferred tax liabilities recognised by the Group at 31 December 2014 and 31 December 2013 are as follows:

Provision for deferred tax	2014 £'000	2013 £'000
Accelerated Capital Allowances	25	25
Short term temporary differences	(3)	(1)
Equity settled share options	(18)	
	4	24

Charge to profit and loss		
Accelerated Capital Allowances	**-**	12
Short term temporary differences	**(2)**	-
Equity settled share options	**(18)**	-
	(20)	12

There are unprovided tax losses related to the USA business of $262,000 and additional unprovided tax regarding equity settled share options of £206,000.

21 Equity

	Number of preference shares of £1 each	Number of ordinary shares of £0.10 each	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
Allotted, called up and fully paid					
At 1 January 2014	-	462,475	-	46	4,296
Shares issued at £1 for cash	5,000	3,900	54,500	6	83
Shares redeemed at £1 for cash	(5,000)	-	-	(5)	-
Shares reorganised	-	(466,375)	4,663,750	-	-
Bonus shares issued	-	-	41,973,750	420	-
At 31 December 2014	**-**	**-**	**46,692,000**	**467**	**4,379**

The preference shares carried no preferential right to dividend but could be redeemed at par at the discretion of the Company. All preference shares have been redeemed by the Company out of distributable reserves as at 31 December 2014.

A reorganisation of share capital on 30 September 2014 changed the nominal value of ordinary shares from £0.10 to £0.01 and increased their number one hundredfold due to a bonus issue. This change is showed by an increase in the number of ordinary shares.

22 Share based payments

All options have been restated to take account of a reorganisation of capital which took place on the 30 September 2014. This increased the number of shares one hundredfold and reduced prices likewise.

The Company has share option schemes for certain employees. Share options are exercisable at prices determined at the date of grant. The vesting periods for the share options range between vesting on issue and starting to vest after 14 months. Options are forfeited if the employee leaves the Company before the options vest.

In consideration for the performance by finnCap of its obligations under the placing agreement the Company issued 153,904 warrants to finnCap, on 6 November 2014 each warrant comprising the right to subscribe for one ordinary share at the Placing Price (£1.16). The Warrant Instrument also contains provisions relating to the cashless exercise of such warrants via surrender of warrants. The warrants may be exercised at any point up to the date that is 36 months after the date of Admission (6 November 2014) save that they are not exercisable before the date that is 12 months after the date of Admission except pursuant to certain acceleration rights, for example upon a takeover of the Company.

Movements in the number of share options and warrants outstanding and their related weighted average exercise prices are as follows:

		2014		2013
	Weighted average exercise price per share in pence	Options number	Weighted average exercise price per share in pence	Options number
Outstanding at 1 January	**26.6**	**1,089,800**	1.0	353,800
Granted	**75.6**	**323,654**	38.9	736,000
Lapsed	**0.1**	**(12,000)**	-	-
Exercised	**8.2**	**(324,500)**	-	-
Outstanding at 31 December	**47.1**	**1,076,954**	26.6	1,089,800
Exercisable at 31 December	**44.0**	**75,500**	1.0	180,000

The weighted average fair value of options and warrants issued during the year ended 31 December 2014 was £41.26.

22 Share based payments (continued)

At 31 December 2014 Quartix Holdings plc had the following outstanding options, warrants and exercise prices:

		2014		
Period when exercisable	**Expiry dates**	**Average exercise price per share in pence**	**Options number**	**Weighted average remaining contractual life in months**
Starting from June 2011	25 June 2016	1.0	83,800	18
From November 2014	6 November 2017	116.0	153,904	35
Starting from November 2014	1 November 2019	44.0	595,500	59
March 2015	19 December 2018	0.1	74,000	48
Starting from March 2015	3 January 2020	44.0	150,000	61
March 2016	16 December 2019	1.0	19,750	48
		47.1	**1,076,954**	**52**

		2013		
Period when exercisable	**Expiry dates**	**Average exercise price per share in pence**	**Options number**	**Weighted average remaining contractual life in months**
Starting from June 2011	25 June 2016	1.0	353,800	18
Starting from November 2014	1 November 2019	44.0	650,000	59
March 2015	19 December 2018	0.1	86,000	48
		26.6	**1,089,800**	**45**

A reorganisation of share capital on 30 September 2014 changed the nominal value of ordinary shares from £0.10 to £0.01 and increased their number one hundredfold. This change is showed by an increase in the number of options.

The fair value of share based payments have been calculated using the Black-Scholes option pricing model. Expected volatility was determined based on the historic volatility of comparable companies. The expected life is the expected period from grant to exercise based on management's best estimate. The risk free return is the rate offered for building society deposits at the time of the grant.

The following assumptions were used in the model for options and warrants granted during the year ended 31 December 2014:

	2014			2013	
Number granted	**19,750**	**153,904**	**150,000**	650,000	86,000
Grant date	**16 December**	**6 November**	**1 January**	1 November	19 December
Share price at grant date (pence)	**142.5**	**116.0**	**44.0**	44.0	44.0
Exercise price (pence)	**1.0**	**116.0**	**44.0**	44.0	0.1
Fair value per option (pence)	**142.0**	**47.1**	**22.0**	22.0	43.9
Expected life in years	**3**	**3**	**5**	5	2
Expected volatility (%)	**38.0**	**62.0**	**62.0**	62.0	62.0
Risk-free interest rate (%)	**0.5**	**0.5**	**0.5**	0.5	0.5
Dividend yield (%)	**3.0**	**-**	**-**	-	-

23 Notes to the cash flow statement

Cash flow adjustments and changes in working capital

	Notes	2014 £'000	2013 £'000
Profit before tax		**5,066**	4,605
Depreciation	13	**83**	59
Share based payment expense	5	**83**	6
Warrants issued	5	**74**	-
Interest income	8	**(14)**	(12)
Interest expense	9	**104**	120
Operating cash flow before movement in working capital		**5,396**	4,778
Decrease/(increase) in trade and other receivables		**(144)**	(806)
Decrease/(increase) in inventories		**(216)**	128
Increase in trade and other payables		**809**	914
Cash generated from operations		**5,845**	5,014

24 Leases

The Group's future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Land & buildings		Other	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
No later than one year	**50**	39	**12**	6
Later than one year and no later than four years	**30**	73	**13**	17
Later than five years	**-**	-	**-**	-
	80	112	**25**	23

Lease payments recognised as an expense during the year amount to £52,000 (2013: £49,000).

25 Related party transactions and controlling related party

The Group's related parties comprise its Board of Directors and its key management (see note 7). There were no related party transactions with Directors to disclose other than dividends received based on shareholdings disclosed in the Directors' Remuneration Report on page 17.

The Directors consider the Board and shareholding structure to mean there is no directly identifiable controlling party.

26 Purchase commitments

Quartix Limited has signed agreements with suppliers which commits the Group to purchase inventory to the value of £154,000 (2013: £209,000). There were no other contingent liabilities as at 31 December 2014 or 31 December 2013.

27 Capital commitments

The Group had a short term capital commitment of £39,000 at 31 December 2014 (2013: nil). This commitment was for the installation of telephonic equipment during the next financial year.

28 Risk management objectives and policies

Financial instruments

The Group uses various financial instruments; these include cash deposits and bank loans and various items such as trade receivables and trade payables that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations and manage working capital.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, credit risk and currency risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The Group's exposure to market risk for the changes in interest rates relates primarily to the Group's bank loans. The exposure to interest rate fluctuations on its loans has been managed by past loan repayments which mean that these loans are now low relative to the Group's cash flow. As at the 31 December 2014 each 1% increase in interest rates would add £20,000 to interest charges on an annual basis.

Liquidity risk

The Group seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The Group maintains cash to meet its liquidity most of which earn interest via Barclay's Money Transmission Plus. Liquidity needs are monitored on a weekly and monthly basis. The Group has no un-drawn committed overdraft facilities. Trade and other payables of £3.7m at 31 December 2014 will be settled through cash generated by the Group in its normal course of business, both through the collection of receivables and from cash generated from post year-end sales.

As at 31 December the Group's financial liabilities have contractual maturities as summarised below:

	2014	2013
	£'000	£'000
Trade and other payables		
Within six months	**1,306**	1,293
Bank loans		
Within six months	**543**	566
Six to twelve months	**531**	554
One to five years	**1,028**	2,102
	2,102	3,222

28 Risk management objectives and policies (continued)

Credit risk

The Group's exposure to credit risk is limited to the carrying amount of financial assets recognised at the Statement of Financial Position date, as summarised below:

	2014 £'000	2013 £'000
Loans and receivables		
Cash and cash equivalents	**1,812**	779
Trade and other receivables	**1,799**	1,725
	3,611	2,504

The Group's management considers that all the above financial assets that are not impaired for each of the Statement of Financial Position dates under review are of good credit quality, including those that are past due. See note 15 for additional information on trade receivables that are past due.

The Group's principal financial assets are cash deposits and trade receivables. Risks associated with cash deposits are limited as the banks used have high credit ratings assigned by international credit rating agencies.

The principal credit risk lies with trade receivables. In order to manage credit risk, the Directors require third party credit clearance from all customers and most customers (over 90%) pay by direct debit. The Group has one large customer whose debts can at times exceed £0.5m and the credit risk on this balance is carefully monitored.

Currency risk

The Group is exposed to transaction foreign exchange risk. The risk with the Euro has been mitigated by trading in France which generates marginally more Euros than the Group currently need. The Group plans to adopt a similar solution to the US Dollar by trading in the USA. Currently it purchases about $2.0m a year.

Transaction exposures, including those associated with forecast transactions, are managed through the use of bank accounts held in foreign currencies. The Group's trade receivables as at 31 December 2014, include an amount of £109,000 (2013: £73,000) denominated in Euros and an amount of £3,000 (2013: nil) denominated in US Dollars. As at 31 December 2014, cash at bank and in hand included £184,000 (2013: £44,000) denominated in US Dollars, and £28,000 (2013: £30,000) denominated in Euros.

The Group's trade payables as at 31 December 2014 include an amount of £77,000 (2013: £33,000) denominated in Euros and an amount of £302,000 (2013: £77,000) denominated in US Dollars.

It is estimated that a 5% strengthening of Pound Sterling to the US dollar would have increased net profit by £50,000 and vice versa. (This is assuming that Dollar denominated prices do not adjust for currency movements.)

It is estimated that a 5% strengthening of Pound Sterling to the Euro would have reduced net profit by £38,000 and vice versa.

29 Summary of financial assets and liabilities by category

The carrying amounts of the assets and liabilities as recognised at the Statement of Financial Position date of the years under review may also be categorised as follows:

	2014 £'000	2013 £'000
Loans and receivables		
Trade and other receivables, loans and receivables	**1,799**	1,725
Cash and cash equivalents	**1,812**	779
	3,611	2,504
Financial liabilities measured at amortised cost		
Trade and other payables	**1,306**	1,293
Bank borrowings	**1,986**	2,976
	3,292	4,269

30 Capital management policies and procedures

The Group's capital management objectives are to ensure the Group's ability to continue as a going concern and to provide an adequate return to shareholders, by balancing its trading performance with continuing investment in research and development.

The Group monitors capital on the basis of the carrying amount of equity less cash and cash equivalents as presented on the face of the Statement of Financial Position.

The Group makes adjustments to its capital in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets. Capital for the reporting years under review is summarised as follows:

	2014 £'000	2013 £'000
Capital		
Total equity	**12,154**	10,660
Less cash and cash equivalents	**(1,812)**	(779)
	10,342	9,881
Overall financing		
Total equity	**12,154**	10,660
Plus borrowings	**1,986**	2,976
	14,140	13,636
Capital-to-overall financing ratio (%)	**73**	72

31 Subsidiaries

As at the 31 December 2014 the subsidiaries of the Group were:

Subsidiary	Country of registration	Class of share capital held	Proportion held by the Company	Nature of business
Quartix Limited	England & Wales	Ordinary shares	100%	Vehicle Tracking
Quartix Inc	USA	Common shares	100%	Vehicle Tracking

Independent Auditor's Report to the Members of Quartix Holdings plc - Company number 06395159

We have audited the Parent Company financial statements of Quartix Holdings plc for the year ended 31 December 2014 which comprise the Parent Company Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This Report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this Report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' Report on page 19, the Directors are responsible for the preparation of the Parent Company financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the Parent Company financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion the Parent Company financial statements:

- Give a true and fair view of the state of the Company's affairs as at 31 December 2014
- Have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- Have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the Parent Company financial statements.

Independent Auditor's Report to the Members of Quartix Holdings plc (continued) - Company number 06395159

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- Adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us
- The Parent Company financial statements are not in agreement with the accounting records and returns
- Certain disclosures of Directors' remuneration specified by law are not made
- We have not received all the information and explanations we require for our audit

Other matter

We have reported separately on the Group financial statements of Quartix Holdings plc for the year ended 31 December 2014.

Alison Seekings
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants

Cambridge

2 March 2015

Company Balance Sheet

	Notes	2014 £'000	2013 £'000
Fixed assets			
Investments	3	**18,551**	18,468
Current assets			
Debtors	4	**245**	19
Cash at bank and in hand		**44**	45
		289	64
Creditors: amount falling due within one year	5	**(4,684)**	(6,802)
Net current liabilities		**(4,395)**	(6,738)
Total assets less current liabilities		**14,156**	11,730
Creditors: amount falling due after more than one year	6	**(993)**	(1,983)
Net assets		**13,163**	9,747
Capital and reserves			
Called up share capital	7	**467**	46
Share premium account	8	**4,379**	4,296
Equity reserve	8	**151**	6
Capital redemption reserve	8	**4,664**	5,079
Profit and loss account	8	**3,502**	320
Shareholders' funds		**13,163**	9,747

Approved by the Board of Directors and signed on behalf of the Board on 2 March 2015.

Andrew Walters
Managing Director

Notes to the Parent Company Financial Statements

1 Summary of significant accounting policies

Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Investments

Investments are stated at cost less provision for any impairment.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax is provided in full on timing differences, which result in an obligation at the Balance Sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Foreign currencies

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated at the rates ruling at that date. Translation differences arising are dealt with in the Profit and Loss Account.

Financial instruments

The Company does not enter into derivative contracts for hedging or speculative purposes.

Share-based compensation

The Company issues share options to employees of its trading subsidiary. The fair value of such options granted is calculated using the Black-Scholes option pricing model. The fair value is spread over the period from the date of grant to the date the options vest and are exercisable, based on the best estimate of the number of shares that will eventually vest and recognised as an additional cost of investment in the subsidiary.

Upon exercise of the share options the proceeds received are allocated to share capital and share premium.

2 Profit and loss account

No Profit and Loss Account is presented for Quartix Holdings plc as provided by section 408 of the Companies Act 2006. The Company's profit for the financial year was £5.95m (2013: £3.42m).

Auditors' remuneration attributable to the Company is as follows:

	2014 £'000	2013 £'000
Audit fees – statutory audit	**9**	7
Other services	**81**	36
	90	43

Details of Directors' emoluments are set out on page 17.

3 Investments

The amounts recognised in the Company's Balance Sheet relate to the following:

	Subsidiary undertakings £'000
Cost:	
At 1 January 2014	**18,468**
Increase due to granting of share options to subsidiary employees:	
New investments	**83**
Net book amount at 31 December 2014	**18,551**

During the year the Group set up a new subsidiary in the USA.

Subsidiary	Country of registration	Class of share capital held	Proportion held by the Company	Nature of business
Quartix Limited	England & Wales	Ordinary shares	100%	Vehicle Tracking
Quartix Inc	USA	Common shares	100%	Vehicle Tracking

4 Debtors: amounts falling due within one year

	2014 £'000	2013 £'000
VAT	**24**	12
Prepayments	**6**	-
Amounts owed by subsidiary undertakings	**215**	7
	245	19

All debtors fall due within one year of the Balance Sheet date.

5 Creditors: amounts falling due within one year

	2014 £'000	2013 £'000
Bank loans and overdrafts	**993**	993
Amounts owed to subsidiary undertakings	**3,540**	5,657
Trade creditors	**-**	69
Corporation tax	**102**	-
Accruals and deferred income	**49**	83
	4,684	6,802

6 Creditors: amounts falling after more than one year

	2014 £'000	2013 £'000
Bank loans	**993**	1,983

Included within the above are amounts falling due as follows:

	2014 £'000	2013 £'000
Between one and two years		
Bank loans	**993**	993
Between two and five years		
Bank loans	**-**	990

The Group bank loans are secured by way of a debenture. The loans consist of a £2.0m standard term loan borrowed at an effective interest rate of 3.56% over LIBOR. This is repayable at a rate of £0.25m a quarter until November 2015. In addition, the Group has access to further borrowings of £1.0m at an effective interest rate of 3.88% over LIBOR. For this repayments of £0.25m a quarter start in February 2016.

7 Called up share capital

	2014 £'000	2013 £'000
Allotted, called up and fully paid		
Nil (2013: 462,475) ordinary shares of £0.10 each	**-**	46
46,692,000 (2013: nil) ordinary shares of £0.01 each	**467**	-
	467	46

In 2014 there were no ordinary shares with a value of £0.10 as all figures have been adjusted to accommodate the change in the nominal value of ordinary shares to £0.01 per share on 30 September 2014.

Share options and warrants outstanding at 31 December 2014 were:

Period when exercisable	Expiry dates	Average exercise price per share in pence	Options number	Weighted average remaining contractual life in months
Starting from June 2011	25 June 2016	1.0	83,800	18
From November 2014	6 November 2017	116.0	153,904	35
Starting from November 2014	1 November 2019	44.0	595,500	59
March 2015	19 December 2018	0.1	74,000	48
Starting from March 2015	3 January 2020	44.0	150,000	61
March 2016	16 December 2019	0.1	19,750	48
		47.1	1,076,954	52

A reorganisation of share capital on 30 September 2014 changed the nominal value of ordinary shares from £0.10 to £0.01 and increased their number one hundredfold. This change is showed by an increase in the number of shares under option.

8 Reserves

	Share premium account £'000	Employee share schemes reserves £'000	Capital redemption reserve £'000	Profit and loss account £'000
At 1 January 2014	4,296	6	5,079	320
Profit for the year				5,954
Redemption of shares			5	(5)
Dividend paid				(2,779)
Bonus issue			(420)	
Shares issued	83			
Adjustment for options uptake		(12)		12
FRS 20 employee share schemes		83		
Warrants issued		74		
At 31 December 2014	4,379	151	4,664	3,502

9 Related party transactions and ultimate controlling party

The Company has taken advantage of the exemption not to disclose transactions with wholly owned subsidiaries.

The Directors are the Company's controlling and ultimate controlling related parties by virtue of their shareholding and directorships.

10 Contingent liabilities

There are no material contingent liabilities subsisting at 31 December 2014 or 31 December 2013.

11 Financial commitments

The Company had no financial commitments at 31 December 2014 or 31 December 2013.

12 Profit for the financial year

The Parent Company has taken advantage of section 408 of the Companies Act 2006 and has not included its own Comprehensive Income Statement in these financial statements. The profit for the financial year was £5.95m (2013: £3.42m)

Notice of Annual General Meeting

Notice is hereby given that the second Annual General Meeting (the "Meeting") of Quartix Holdings plc will be held at **Wellington House, East Road, Cambridge CB1 1BH** on **Thursday 16 April 2015** at **11.00 am** for the following purposes:

To consider, and if deemed fit, to pass the following as ordinary resolutions:

1. To receive and adopt the audited annual accounts for the year ended 31 December 2014.
2. To approve and declare a final dividend for the year ended 31 December 2014 of 3p per ordinary share. This will be paid on 15 May 2015 to shareholders on the register as at 17 April 2015.
3. To re-elect Andrew Walters as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
4. To re-elect David Bridge as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
5. To re-elect Avril Palmer-Baunack as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
6. To re-elect Paul Boughton as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
7. To re-elect Jim Warwick as a Director who, in accordance with the Company's Articles of Association, retires as a Director and is eligible for re-election.
8. To re-appoint Grant Thornton UK LLP as the auditors of the Company until the end of the next Annual General Meeting.
9. To authorise the Directors to determine the remuneration of the auditors.
10. To give the Directors general and unconditional authorisation for the purposes of section 551 of the Companies Act 2006 (the "Act") to exercise all powers of the Company to allot shares in the Company or to grant rights to subscribe for or to convert any security into shares in the Company up to a maximum nominal value of £155,000 (representing approximately 33% of the issued share capital of the Company as at 2 March 2015) to such persons at such times and on such terms they deem proper provided that this authority shall expire at the conclusion of the next Annual General Meeting of the Company or 30 June 2016, whichever is earlier, save that the Company may, before such expiry, make an offer or agreement which would or might require equity securities (as defined in section 560 of the Act) to be allotted after such expiry and the Directors may allot such securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired; and all prior authorities to allot securities (to the extent unutilised) be revoked, but without prejudice to the allotment of any shares or securities already made or to be made pursuant to such prior authorisation.

To consider, and if deemed fit, to pass the following as special resolutions:

11. That the Directors be and are empowered, pursuant to section 571 of the Companies Act 2006 (the "Act"), to allot equity securities (as defined in section 560 of the Act) for cash pursuant to the authority conferred upon them by resolution 10 above and to allot equity securities (as defined in section 560(3) of the Act (*sale of treasury shares*)) for cash in each case as if section 561 of the Act did not apply to any such allotment provided, however, that the power conferred by this resolution shall be limited to:

    a. The allotment of equity securities in connection with a rights issue, open offer or any other offer of, or invitation to apply for, equity securities in favour of holders of ordinary shares in the Company on the register of members at such record dates as the Directors may determine and other persons entitled to participate therein where the equity securities respectively attributable to the interests of the ordinary shareholders are proportionate (as nearly as may be) to the respective number of ordinary shares in the Company held or deemed to be held by them on any such record dates, subject to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements, treasury shares, record dates, or legal or practical problems arising or resulting from the application of the laws of any overseas territory or the requirements of any other recognised regulatory body or stock exchange in any territory or by virtue of shares being represented by depository receipts or any other matter whatever; and
    b. The allotment, other than pursuant to sub-paragraph 'a' above, to any person or persons of equity securities up to an aggregate nominal value not exceeding £23,500, representing approximately 5% of the ordinary share capital in issue as at 2 March 2015.

    This power shall expire at the conclusion of the next Annual General Meeting of the Company or 30 June 2016, whichever is the earlier, unless previously varied, revoked or renewed by the Company in general meeting provided that the Company may, before such expiry, make any offer or agreement which would or might require securities to be allotted, or treasury shares sold, after such expiry and the Directors may allot securities or sell treasury shares pursuant to any such offer or agreement as if the power conferred had not expired; and all prior powers granted under section 570 of the Act shall be revoked provided that such revocation shall not have retrospective effect.

12. That the Directors be generally and unconditionally authorised, for the purposes of section 701 of the Companies Act 2006 (the "Act"), to make market purchases, as defined in section 693(4) of the Act, of ordinary shares of £0.01 each in the Company on such terms and in such manner as the Directors shall determine, provided that:

    a. The maximum aggregate number of ordinary shares which may be purchased is 2,350,000 (representing approximately 5% of the ordinary share capital in issue as at 2 March 2015);
    b. The minimum price that may be paid for an ordinary share is its nominal value (£0.01);
    c. The maximum price that may be paid for an ordinary share shall be an amount equal to 105% of the average middle market quotations for the ordinary shares of the Company as derived from the AIM appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the ordinary share is purchased; and
    d. This authority shall expire, unless previously renewed, revoked or varied, on the date of the next Annual General Meeting or 30 June 2016, whichever is earlier, save that the Company may enter into a contract for the purchase of ordinary shares under this authority which would or might be completed, wholly or partly, after this authority expires.

By order of the Board on 2 March 2015.

David Bridge
Company Secretary

Notes to the Notice of Annual General Meeting

1 Entitlement to attend and vote

Pursuant to regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that in order to have the right to attend and vote at the meeting (and also for the purpose of calculating how many votes a person entitled to attend and vote may cast), a person must be entered on the register of members of the Company by no later than 6.00 pm on 14 April 2015, or, in the event that the meeting is adjourned, at 6.00 pm on the day which is prior to the day immediately preceding the day of any such adjourned meeting. Changes to entries on the register after this time shall be disregarded in determining the rights of any person to attend or vote at the meeting.

2 Information regarding the meeting

A copy of this Notice of Annual General Meeting and other information required by section 311A of the Companies Act 2006 is available online at www.quartix.net.

3 Appointment of proxy

Members of the Company are entitled to appoint one or more proxies to exercise all or any of their rights to attend, speak and vote at the Meeting instead of him or her. The person appointed does not need to be a member of the Company but they must attend the Meeting to represent the member. If you wish your proxy to speak on your behalf at the Meeting you will need to appoint your own choice of proxy (not the Chairman) and give your instructions directly to your appointee.

If you appoint more than one proxy, each proxy must only be appointed to exercise the rights attaching to different shares.

A proxy can be appointed using the form accompanying this Notice. Instructions for use are shown on the form. Please complete and return this form to the Company's registrars, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF not later than **11.00 am** on **14 April 2015**.

You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form. The notes to the proxy form give details of how to appoint a proxy via the CREST system.

4 Changing appointment of proxy

A member may change the person they have appointed as proxy using the same process as outlined above. The appointment received last before the latest time for receipt of proxies will take precedence over any previous appointments (see note 3). Any amended proxy appointments received after the relevant cut-off time will be disregarded.

5 Revoking proxy appointment

A member may revoke the appointment of a proxy by sending a signed note to the Company's registrars, Capita Asset Services, PXS 1, 34 Beckenham Road, Beckenham, Kent BR3 4ZF. If the member is a company, such a note must be executed under common seal or signed on the company's behalf by an officer of the company or an attorney for the company. Any power of attorney or other authority under which the proxy form is signed must be included with the proxy form. If a revocation is received after the specified time (see note 3), the proxy appointment will remain valid. Alternatively, if a member appoints a proxy but attends the Meeting in person, the proxy appointment will be automatically terminated.

6 Issued shares and total voting rights

At close of business on 2 March 2015 the Company's issued share capital comprised 46,692,000 ordinary shares of £0.01 each. Each ordinary share entitles the holder to one vote at a general meeting of the Company. Consequently, the aggregate number of voting rights in the Company at that time was 46,692,000.

7 Documents on display

Copies of the Directors' service contracts with the Company will be available for inspection at the registered office of the Company at least 15 minutes prior to and until the termination of the Annual General Meeting.

8 Communication

Any general queries by members about the Annual General Meeting should be addressed to the Company Secretary by letter or email at Quartix Holdings plc, Wellington House, East Road, Cambridge CB1 1BH or david.bridge@quartix.net.

Quartix

www.quartix.net