Quartix

Award-Winning Vehicle Tracking

Quartix Holdings plc
Annual Report 2015

Contents

Company Information

Company registration number:	06395159
Registered office:	Wellington House East Road Cambridge Cambridgeshire CB1 1BH
Directors:	Paul Boughton Andrew Walters David Bridge 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

Highlights

Financial highlights

- Group revenues increased by 28% to £19.7m (2014: £15.3m)
  - Fleet revenues grew by 17% to £13.0m (2014: £11.0m)
  - Insurance revenues increased by 56% to £6.7m (2014: £4.3m)
- Operating profit increased by 24% to £6.0m (2014: £4.9m)
- Profit before tax increased by 19% to £6.0m (2014: £5.0m)
- Adjusted[1] profit before tax increased by 25% to £6.0m (2014: £4.8m)
- Diluted earnings per share of 10.53p (2014: 8.55p)
- Adjusted[1] diluted earnings per share of 10.53p (2014: 8.39p)
- Adjusted[2] free cash flow increased by 20% to £5.4m (2014: £4.5m)
- Adjusted[2] cash inflow before tax increased by 23% to £6.8m (2014: £5.5m)
- Net cash increased to £3.0m (2014 net debt: £0.2m)
- Final dividend of 4.0p per share proposed
- Commitment to distribute excess cash by way of supplementary dividends

[1] Adjusted to exclude exceptional gain of nil for the year ended 31 December 2015 (2014: £248,000))
[2] Adjusted to exclude exceptional cash inflow before tax of nil for the year ended 31 December 2015 (2014: £0.3m)

Operational highlights

- Strong progress in the main fleet business:
  - 23% increase in subscription base to 73,744 units (2014: 59,765)
  - 23% increase in customer base to 7,849 (2014: 6,342)
  - Unit attrition rose to 11.3% (2014: 9.4%), but still compares favourably with our estimate of the industry average of around 14-15 per cent
  - 32% growth in new fleet installations
  - Strong growth in France, ending the year with 1,196 customers (2014: 890) and 7,910 vehicles under subscription (2014: 5,218), an increase of 34% and 52% respectively
  - During its first full year of trading the USA grew its customer base to 693 (2014: 120), with 3,179 vehicles under subscription (2014: 498).
- Excellent growth in the insurance telematics business:
  - 74% growth in insurance installations to 57,024 (2014: 32,842)

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.

Sales in the UK grew by 27%, reaching £18.4m (2014: £14.5m). The Group made excellent progress in France, where revenues increased by 48% to €1.4m (2014: €956,000).

2015 was our first full year of operations in the USA, having launched our product and opened an office there in 2014. We are very pleased with progress, having completed the year with 3,179 vehicles under subscription (2014: 498) across 693 fleet customers (2014: 120). Revenues increased from $37,000 in 2014 to $392,000 in 2015 and the prospects for future business development remain very encouraging.

Results

Group revenues for the year increased by 28% to £19.7m (2014: £15.3m).

Operating profit for the year increased by 24% to £6.0m (2014: £4.9m), at the same time as the Group continued to make significant investments in product and market development.

There were no exceptional items in the year (2014: gain of £248,000, 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).

Profit before tax increased by 19% to £6.0m (2014: £5.0m). Adjusted profit before tax and exceptional gains increased by 25% to £6.0m (2014: £4.8m).

Cash conversion was exceptionally good, resulting in free cash flow from operations after tax and investing activities of £5.4m (2014 adjusted for exceptional items: £4.5m), enabling the Group to eliminate the net debt of £0.2m as at 31 December 2014 and resulting in net cash of £3.0m at 31 December 2015, following the payment of £2.3m in dividends.

Earnings per share

Adjusted basic earnings per share rose by 26% to 10.69p (2014: 8.52p). Basic earnings per share rose by 23% to 10.69p (2014: 8.68p). Adjusted diluted earnings per share increased to 10.53p (2014: 8.39p).

Dividend policy

Our ordinary dividend policy remains unchanged with the dividend set at approximately 50% of cash flow from operating activities, which is calculated after taxation paid but before capital expenditure.

However, this policy is leading to an accumulation of cash and so in the future the Board will look to distribute the excess of gross cash balances over £2m on an annual basis by way of supplementary dividends, subject to a 2p per share de minimis level.

The surplus cash will be calculated using the year end gross cash balance and after deduction of the proposed ordinary dividend, and is intended to be paid at the same time as the final dividend. The earliest potential payment to be made will therefore be alongside the 2016 final ordinary dividend payment in 2017.

The policy will be subject to periodic review.

Dividend

In the year ended 31 December 2015, the Board decided to pay an interim dividend of 2p per ordinary share. This totalled £0.9m and was paid on 24 September 2015 to shareholders on the register as at 21 August 2015.

The Board is recommending a final dividend of 4p per share, giving a total dividend for the year of 6p per share. The final dividend amounts to approximately £1.9m in aggregate. Subject to the approval at the forthcoming AGM, the final dividend will be paid on 4 April 2016 to shareholders on the register as at 11 March 2016.

Governance and the Board

The Board is comprised of two Non-Executive Directors, myself included, and two Executive Directors, Andrew Walters and David Bridge.

I have 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, I am currently Head of Business Development at Brammer plc, leading its European acquisition programme. I also held senior positions at both Consort Medical plc and IMI plc and I am 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 April 2015, Avril Palmer-Baunack reluctantly decided not to seek re-election as a Director at the Company's AGM. This was in light of the required time commitment of her new role as Executive Chairman of BCA Marketplace plc. The Board thanks Avril for her significant contribution to and support for the Company.

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 29 March 2016 at the Group's registered office at Wellington House, East Road, Cambridge CB1 1BH.

Paul Boughton
Chairman

Strategic Report: Operational Review

Principal activities

Since 2001 Quartix has become one of Europe'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 significant market presence in the rapidly-growing insurance telematics market. It set up a French branch in 2011 and in 2014 expanded its operations into the USA. The operations in both the USA and France are focused entirely on the fleet sector.

Strategy and business model

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

Whilst the same technology is used for both commercial fleet tracking and insurance telematics, these markets exhibit different characteristics and the Group has established proven business models for each of them.

Fleet customers typically use the Group's services for many years, resulting in 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.

The value of recurring subscription and rental revenues is the key measure of our performance in the fleet sector

Insurance telematics customers use the Group's technology to monitor the driving style and habits of higher-risk drivers, normally 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. This is standard practice in the industry, as the level of attrition is relatively high.

The value of revenues is the key measurement of our performance in the insurance sector, as the market does not offer a recurring revenue or system rental opportunity.

People

Our business performance was recognised by several independent bodies in 2015: Megabuyte, the independent technology financial analysts, placed us second in the UK of all public and private tech companies; the London Stock Exchange Group named us as one of "1000 companies to inspire Britain"; and we were selected as Business of the Year in the Cambridge Business Excellence Awards.

Each of these awards and nominations is a reflection of the commitment, teamwork, creativity and dedication of our people. Our financial performance derives from the customer service we deliver, backed by the technology we develop. I would like to register my personal thanks to every one of our employees who made 2015 another great year for Quartix.

We are delighted to have been able to provide our employees with the ability to participate in the equity of the Company under our EMI share option scheme for the third year in a row. The Directors of Quartix Holdings plc are not included in these grants, which are intended for employees.

Operational performance

All of our business operations continued to perform at a high level in 2015. Although gross margins fell by 3.1 percentage points to 61.8%, this was largely due to the high level of growth in insurance sales, with a consequential adverse effect on the margin mix. Gross margin from fleet subscriptions remained strong. Return on sales was 31%, which was 1 percentage point down on the prior year as a consequence. Cash conversion was extremely strong with cash flow from operating activities after investing activities (free cash flow) representing 90% of operating profit. We expense all R&D investment and tracking system installation costs as they are incurred.

Capex investments totalled £262,000, as we invested in new IP-based phone systems, systems and servers to support our growth. In the case of the phone system we expect to see a payback in under 12 months.

Our accounts and operations teams continued to manage working capital well: trade debtors at the year end represented just 35 days of sales, and inventories increased by just £0.2m despite sales growth of £4.3m in the year.

During the course of the year we made significant investments in technology and training to improve the efficiency of our sales and marketing campaigns. Initial results from this appear encouraging, in that our overall marketing cost per new fleet customer was reduced.

Fleet

Our core fleet business, which accounted for 66% of Group revenue, delivered considerable progress in a further year of investment. Continued growth in the UK was combined with excellent progress in France, where our business made a positive contribution to the Group's results, and in the USA, where our first full year of trading saw us reach an installed base of 3,179 vehicles under subscription.

During the course of the year we won 2,184 new fleet customers (2014: 1,680). Sales leads continued to be generated through a broad range of media and channels. The efficiency improvements resulted largely from investments made in technology, processes and training, adding automation wherever possible and providing our sales and marketing teams with better information on the performance of each campaign. This investment will continue in 2016, and the knowledge and experience gained will be used across each of our three target markets.

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.

Vehicles under subscription increased by 16% to 62,655 during the year, and our fleet customer base reached 5,960. We won 1,195 new customers in 2015, and the gains in customer and vehicle base were broadly spread between the channels we use. UK fleet revenues were £11.7m (2014: £10.2m). We added a number of new key accounts during the year and have increased the number of fleet clients with 50 vehicles or more.

Our UK website continued to perform well in terms of search engine placement and enquiries, and we added significant new content to it, including many video tutorials. We also made very good use of webinars as an aid to training and supporting existing customers, and this will be developed further in 2016.

We will continue to increase telephone based sales capacity to support our fleet marketing initiatives, and will look to find additional channels and partners to help us develop the market. Sales conversion percentages from enquiries received during the year from our own marketing initiatives were 39%, underpinning the confidence we have in the competitiveness of our offering.

Fleet (continued)

Fleet France

We made excellent progress in the French market, increasing new installations by 51%, and ending the year with 7,910 vehicles (2014: 5,218) under subscription across 1,196 fleet customers (2014: 890). French fleet revenues increased by 48% to €1.4m (2014: €956,000), making a profitable contribution to the Group. We strengthened our French sales and support teams and will continue to do so. Our distributors also contributed strongly to growth during the year and we intend placing even greater emphasis on this channel in the future.

During 2016 we intend using many of the initiatives, media and channels which have proven to be so successful in the UK.

Fleet USA

Our first full year of trading in the USA was very successful: we concluded 2015 with 693 fleet customers (2014: 120) having a total of 3,179 vehicles under subscription (2014: 498). As in the UK and France, our fleet revenues derive from subscription income, which build over time. Nonetheless USA fleet revenues increased to $0.4m from just $0.04m in 2014, and our subscription base value continues to increase each month.

We see significant potential for growth in the USA in the next five years, and will continue to invest in digital marketing together with sales and support resources to back this up.

At the end of the year we had a total of 6 employees in our Chicago office, which falls under the responsibility of our US business director, who joined the company in October and is based in Cambridge. A specialist digital marketing and market research team will be recruited in Cambridge in order to increase the scale of our current digital marketing programmes for the US.

Insurance

Volume growth in insurance at 74% was higher than that experienced in 2014. We installed a total of 57,024 tracking systems. Revenue growth of 56% lagged volume growth, as previously agreed price reductions took effect from the start of the year. Although there continues to be some price pressure in this market, we continue to focus on the delivery of a very high level of data and service quality, and we believe that the growth achieved during the year reflects this.

The outlook for our insurance business is good, and our strategic partnership with Wunelli Limited remains of key importance to us in its development. We will continue to explore potential in the commercial vehicle insurance market, using a combination of the technology, knowledge and processes we have put in place for both parts of our business.

Research and development

The Group is committed to continued investment in research. During 2015 we continued to invest in ensuring that the functionality of our fleet tracking units is maintained in the light of market developments in user interface data and mobile apps. Developments arising from research work undertaken have included: mobile tracking apps for both the French and US markets and modifications to the Group's suite of web services for 3rd party integrators and customers. Other projects continuing into 2016, include: miniaturisation of the TCSV11 tracking system, the performance dashboards for our fleet customers and the SafeSpeed database, which compiles road speed distributions for more than 1million UK roads in real time and provides a very powerful tool for driver risk assessment.

The costs relating to these developments and other research, all of which were fully expensed in the year amounted to £1.1m (2014: £1.0m).

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, during 2015 we achieved greater efficiencies in sales and marketing and we are now in a position to increase investment further. This additional investment will include both external marketing spend and additional in-house capacity.

We will continue to enhance our e-commerce platform, and to evaluate the feasibility of self-installed versions of our products, particularly in France and the USA.

By carefully coordinated management of our future growth 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 are pleased with the breadth of 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.

Andrew Walters
Managing Director

Strategic Report: Financial Review

Strategy

Quartix's primary strategic focus is on building up a long term relationship with our fleet customers in a way that gives rise to recurring subscription revenues for our telematics services.

We have a policy of continuous improvement in our telematics services and this is funded by these revenues which also fund our overheads and infrastructure; moreover these revenues provide a return to shareholders for past investment in our telematics service.

One way in which we improve our fleet service is by providing units for the insurance telematics which can lead to innovations which are then offered to our commercial vehicle customers.

Key performance indicators ("KPIs")

Year ended 31 December	**2015**	2014	% change
Fleet installations (units)	**21,518**	16,355	31.6
Fleet subscription base (units)	**73,744**	59,765	23.4
Fleet customer base	**7,879**	6,342	22.6
Fleet attrition (annualised) (%) [1]	**11.3**	9.4	-
Fleet invoiced recurring revenue[2] (£'000)	**11,828**	9,816	20.5
Fleet revenues (£'000)	**12,957**	11,038	17.4
Insurance installations (units)	**57,024**	32,842	73.6
Insurance revenues (£'000)	**6,718**	4,293	56.5

[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.
[2] Invoiced rental and communications charges before provision for deferred revenue

In 2015 we achieve a 31.6% increase in fleet installations compared to 12.5% in 2014 as we expanded our sales operations in Europe and invested in our US operations. This was achieved while putting through a midyear price increase in the UK.

Our installed base grew by 23.4% to 73,744 units.

Attrition rose during the period to 11.3% but the rate of attrition still compares favourably with our estimate of the industry average of around 14-15 per cent.

Sales in France and USA where monthly rentals are lower grew at a higher percentage rate so our Group invoiced recurring revenues (before adjusting for deferred revenue) grew at a lower rate than our unit base by 20.5% to £11.8m (2014: £9.8m).

The growth in fleet revenues at 17.4% was less than the growth of our recurring revenues as a higher proportion of our customers chose to rent rather than buy.

Insurance unit installations were up 73.6% at 57,024 units compared to 32,842 in 2014. This led to a rise in insurance sales from £4.3m to £6.7m. The percentage rise in value being less than the rise in units as insurance income per unit installed dropped.

Financial Overview

Year ended 31 December £'000 (except where stated)	2015	2014	% change
Revenues			
Fleet	**12,957**	11,038	17.4
Insurance	**6,718**	4,293	56.5
Total	**19,675**	15,331	28.3
Gross profit	**12,150**	9,943	22.2
Gross margin	**62%**	65%	
Operating profit	**6,045**	4,885	23.7
Operating margin	**31%**	32%	
Net profit for the year	**5,014**	4,032	24.4
Earnings per share	**10.69**	8.68	23.2
Adjusted Earnings per share [1]	**10.69**	8.52	25.5
Cash generated from operations before exceptional gains [1]	**6,781**	5,523	22.8
Operating profit to operating cash conversion	**112%**	113%	

[1] Exceptional gains after tax of £nil (2014: £76,000) and exceptional cash flow of £nil (2014: £322,000) were recorded in the year and are excluded from these figures

Revenue

Revenue increased by 28.3% to £19.7m (2014: £15.3m). Fleet revenue benefitting from past investment was 17.4% up at £13.0m (2014: £11.0m). Sales to insurance based customers increased by 56.5% to £6.7m (2014: £4.3m).

Gross margin

We do not capitalise our installed units or our marketing costs and we generally provide free installation so a surge in installations can have an immediate cost impact but is an investment in the future.

Thus the increase in units installed and the increase in the insurance proportion of the sales mix together with a drop in insurance prices, compared to last year, meant that the percentage gross margin dropped from 65% to 62%, restricting the increase in gross profit to 22.2%.

Operating profit

We continued to invest in our product offering, in our sales structure and in marketing but limited this increase in overheads to 20.7% so operating profit grew at a slightly higher rate than gross profit at 23.7%.

Financial Overview (continued)

Net profit for the year

There were no exceptional items in the year whereas in 2014 there was a gain of £0.2m, 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.

Interest charges were lower in 2015 and the effective tax rate fell to 16% (2014: 20%) as a result of IPO costs in 2014 that were not deductible against UK corporation tax. Our low effective tax reflects a benefit from research and development tax allowances.

The overall impact of the above was that profit for the year rose by 24.4% to £5m (2014 £4.0m).

Earnings per share

Earnings per share increased by 23.2%. Excluding the 2014 exceptional item meant that adjusted earnings per share grew at a higher rate of 25.5%.

Statement of financial position

Cash at the year-end was £4.0m and bank debt in cash terms was £1.0m, resulting in net cash of £3.0m (2014: net debt £0.2m).

Inventories increased towards the end of the year as we were building our strategic reserves and developing new unit models.

Cash flow

Cash flow from operating items before tax and exceptional items was £6.8m (an increase relative to operating profit largely due to £0.5m increase in provision for deferred revenue and £0.1m of share based payments). The comparable figure for 2014 is £5.5m (Exceptional items in 2014 added £0.3m net to cash flow, giving operating cash flow before tax of £5.8m.)

Tax paid in 2015 was £1.1m, so cash flow from operating activity after taxation but before capital expenditure was £5.7m (2014: £4.6m before exceptional cash flow).

Dividend

The Board is recommending a final dividend of 4.0p per share, amounting to approximately £1.9m in aggregate. Subject to approval at the forthcoming AGM, the final dividend will be paid on 4 April 2016 to shareholders on the register as at 11 March 2016.

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.

Reliance on M2M network

The Group's service delivery is dependent on a functioning M2M network covering both the internet and mobile phones. The impact of not mitigating this risk is that the Group is exposed to an M2M outage. Quartix has dual site redundancy to cover a localised internet problem and we are constantly working on improving the reliability of our systems architecture.

Business disruption

Like any business the Group is subject to business disruption. This includes communications, physical disruption to our sites and problems with our key suppliers. The impact of not mitigating this risk is that the Group may not be able to service its customers. Quartix has a Business Continuity plan which is frequently updated and reviewed.

Retaining a key customer

As disclosed in note 3 during 2015 revenues of £6.7m were derived from one insurance customer. Losing this key contract could have a significant negative impact on cash flow in the short term as we have a high level of fixed overheads. Considerable resources are devoted to maintaining our relationship with this customer while at the same time the Group continues to build a reputation for excellent service with insurance customers.

Cyber Attack

The Group needs to make sure its data is kept safe and that there is security of supply. The reputational and commercial impact of a security breach would be immense. To combat this, the Group has a security policy and prepares a monthly security report which is reviewed by the Operations Board. This process includes the use of outside consultants for penetration testing and security review.

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 all new technical developments with the aim of adopting any which will provide a better channel for the information services which Quartix provides.

David Bridge
Finance Director

The Strategic Report, comprising the Operational Review and Financial Review, was approved by the Board of Directors and signed on behalf of the Board on 26 February 2016.

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").

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 from 16 April	Paul Boughton	1 May 2014	
Chairman until 16 April	Avril Palmer-Baunack	1 March 2014	16 April 2015
Executive Directors	Andrew Walters	1 May 2002	
	David Bridge	25 February 2008	
Non-Executive Directors	Jim Warwick	1 May 2014	

Board committees

There are three Board committees: Audit, Nominations, and Remuneration. Each Committee is comprised of Non-Executive Directors.

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 Avril Palmer-Baunack as in the light of the required time commitment of her new role as Executive Chairman of BCA Marketplace plc, she reluctantly decided not to seek re-election as a Director at the Company's AGM on 16th April 2015.

Position	Director	**Board meeting attendance** (invitations)
Executive Directors	Andrew Walters	10 (10)
	David Bridge	10 (10)
Non-Executive Directors	Paul Boughton	10 (10)
	Jim Warwick	10 (10)
	Avril Palmer-Baunack	2 (2)

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 Paul Boughton. 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.

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.

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 calendar 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.

Directors' Remuneration Report

Introduction

The Remuneration Committee is chaired by Jim Warwick and also comprises 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 2016 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 and the opportunity to enrol in the Governments' auto-enrolment pension scheme. At present the Remuneration Committee have concluded that no bonus, other benefits, nor compensation for loss of office will be paid. See below for a breakdown of the Directors' remuneration packages.

Non-Executive Directors

A non-executive director is typically expected to serve two three-year terms but may be invited by the Board to serve for an additional period. Any term renewal is subject to Board review and AGM re-election.

		Date of contract	Unexpired period at date of report
Paul Boughton	Chairman	1 May 2014	14 months
Jim Warwick		1 May 2014	14 months

Directors' detailed emoluments and compensation (audited)

		2015 (£)			2014 (£)
		Salary	**Pension**	**Total**	Total
Executive Directors	Andrew Walters	80,961	-	80,961	78,603
	Andrew Kirk[1]	-	-	-	53,903
	William Hibbert[1]	-	-	-	52,402
	Kenneth Giles[1]	-	-	-	31,442
	David Bridge[2]	80,961	337	81,298	78,603
		161,922	337	162,259	294,953
Non-Executive Directors	Avril Palmer-Baunack[3]	14,583	-	14,583	41,667
	Paul Boughton[4]	46,667	-	46,667	26,667
	Jim Warwick[4]	35,000	-	35,000	23,333
		96,250	-	96,250	91,667

[1] Salary paid up to the date of resignation on 1 September 2014
[2] Highest paid director in 2015
[3] Salary paid from date of appointment on 1 March 2014 to resignation on 16 April 2015.
[4] Salary paid from date of appointment on 1 May 2014

Directors and their interests in shares

		Ordinary shares £0.01 each	
Year ended 31 December		**2015**	2014
Executive Directors	Andrew Walters[1]	**17,855,986**	17,855,986
	David Bridge	**2,663,000**	2,663,000
		20,518,986	20,518,986
Non-Executive Directors	Paul Boughton	**40,000**	40,000
	Jim Warwick	**40,000**	40,000
		20,598,986	20,598,986

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

The Directors received no options over ordinary shares in the year ending 31 December 2015 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 2015.

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 under Strategic priorities on page 9.

Proposed dividend

In the year ending 31 December 2015, the Board decided to pay an interim dividend of 2p per ordinary share. This totalled £0.9m and was paid on 24 September 2015 to shareholders on the register as at 21 August 2015. The Board is recommending a final dividend of 4p per share amounting to approximately £1.9m in aggregate and giving a total dividend for the year equivalent to 6p per share. If this is approved at the forthcoming AGM on 29 March 2016, the final dividend will be paid on 4 April 2016 to shareholders on the register as at 11 March 2016.

Substantial shareholdings

On 24 February 2016, the Company had been notified that seven parties had holdings of 3% or more in the ordinary share capital of the Company. The number of ordinary shares and the percentage of the total shares held by each party is outlined below.

	Number of £0.01 shares	% of total
Andrew John Walters[1]	17,855,986	37.8
Andrew Martin Kirk	5,489,925	11.6
BlackRock Inc	3,727,390	7.9
Miton Group plc	3,331,345	7.1
David Shaw Bridge	2,663,000	5.6
William Arthur Hibbert	2,663,000	5.6
Kenneth Vincent Giles	2,586,800	5.5

[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:

- Paul Boughton (Chairman from 16 April 2015)
- Jim Warwick
- Avril Palmer-Baunack (Chairman until her resignation on 16 April 2015)

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

- Andrew Walters
- 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.

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 29 March 2016.

Directors' responsibilities statements

The Directors are responsible for preparing the Strategic Report, Remuneration 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 including FRS 101 Reduced Disclosure Framework). 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.

Directors' responsibilities statements (continued)

The directors confirm that:

- so far as each director is aware, there is no relevant audit information of which the company's auditor is unaware; and
- the directors have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditor is aware of that information.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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 is exposed to fluctuations in interest rates but this is not a significant risk, due to the low level of debt in the Group. Historically, the risk has been managed by ensuring that the Group 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. Cash flow is forecast and monitored as are working capital requirements.

Credit risk

The principle credit risk relates to trade receivables and is mitigated by third party credit clearance for those customers benefitting from free installation and, for most contracts, collection by direct debit. The Group seeks to manage credit risk associated with cash deposits by using banks with high credit ratings assigned by international credit rating agencies.

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 26 February 2016.

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 2015 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 (IFRSs) 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 20, 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 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 2015 and of its profit for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- 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 group financial statements are prepared is consistent with the group 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; or
- 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 2015.

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

26 February 2016

Consolidated Statement of Comprehensive Income

Year ended 31 December	Notes	**2015** **£'000**	2014 £'000
Revenue	3	**19,675**	15,331
Cost of sales		**(7,525)**	(5,388)
Gross profit		**12,150**	9,943
Administrative expenses		**(6,105)**	(5,058)
Operating profit		**6,045**	4,885
Exceptional items	4	**-**	248
Finance income receivable	8	**13**	14
Finance costs payable	9	**(69)**	(104)
Profit for the year before taxation	5	**5,989**	5,043
Tax expense	10	**(975)**	(1,011)
Profit for the year		**5,014**	4,032
Other Comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange difference on translating foreign operations		**(49)**	-
Tax benefit(expense)		**-**	-
Other comprehensive income for the year, net of tax		**(49)**	-
Total comprehensive income attributable to the equity shareholders of Quartix Holdings plc		**4,965**	4,032
Earnings per ordinary share (pence)	11		
Basic		**10.69**	8.68
Diluted		**10.53**	8.55
Adjusted earnings per ordinary share (pence)	11		
Basic		**10.69**	8.52
Diluted		**10.53**	8.39

Consolidated Statement of Financial Position

Company registration number: 06395159

	Notes	**2015** **£'000**	2014 £'000
Assets			
Non-current assets			
Goodwill	12	**14,029**	14,029
Property, plant and equipment	13	**317**	187
Deferred tax assets	20	**77**	-
Total non-current assets		**14,423**	14,216
Current assets			
Inventories	14	**638**	436
Trade and other receivables	15	**2,586**	1,933
Cash and cash equivalents	16	**4,040**	1,812
Total current assets		**7,264**	4,181
Total assets		**21,687**	18,397
Current liabilities			
Trade and other payables	17	**2,842**	2,008
Borrowings	18	**997**	993
Deferred revenue		**2,244**	1,704
Current tax liabilities		**407**	541
		6,490	5,246
Non-current liabilities			
Borrowings	19	**-**	993
Deferred tax liabilities	20	**-**	4
		-	997
Total liabilities		**6,490**	6,243
Net assets		**15,197**	12,154
Equity			
Called up share capital	21	**472**	467
Share premium account	21	**4,631**	4,379
Equity reserve	22	**177**	151
Capital redemption reserve		**4,663**	4,664
Translation reserve		**(49)**	-
Retained earnings		**5,303**	2,493
Total equity attributable to equity shareholders of Quartix Holdings plc	30	**15,197**	12,154

Approved by the Board of Directors, authorised for issue and signed on behalf of the Board on 26 February 2016.

Andrew Walters
Managing Director

Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium account £,000	Capital redemption reserve £'000	Equity reserve £'000	Translation reserve £'000	Retained earnings £'000	Total equity £'000
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**
Shares issued	5	252	-	-	-	-	**257**
Increase in equity reserve in relation to options issued	-	-	-	71	-	-	**71**
Adjustment for exercised options (see note 22)	-	-	(1)	(144)	-	144	**(1)**
Deferred tax on share Options	-	-	-	99	-	-	**99**
Dividend paid	-	-	-	-	-	(2,348)	**(2,348)**
Transactions with owners	**5**	**252**	**(1)**	**26**	**-**	**(2,204)**	**(1,922)**
Foreign currency translation differences	-	-	-	-	(49)	-	**(49)**
Profit for the year	-	-	-	-	-	5,014	**5,014**
Total comprehensive income	**-**	**-**	**-**	**-**	**(49)**	**5,014**	**4,965**
Balance at 31 December 2015	472	4,631	4,663	177	(49)	5,303	15,197

Consolidated Statement of Cash Flows

	Notes	2015 £'000	2014 £'000
Cash generated from operations	23	**6,781**	5,845
Taxes paid		**(1,092)**	(930)
Cash flow from operating activities		**5,689**	4,915
Investing activities			
Additions to property, plant and equipment	13	**(262)**	(82)
Interest received	8	**13**	14
Cash flow from investing activities		**(249)**	(68)
Cash flow from operating activities after investing activities (free cash flow)		5,440	4,847
Financing activities			
Repayment of long term borrowings		**(1,000)**	(1,000)
Interest paid		**(75)**	(119)
Redemption of preference shares	21	**-**	(5)
Proceeds from share issues		**257**	89
Dividend paid		**(2,348)**	(2,779)
Cash flow from financing activities		**(3,166)**	(3,814)
Net changes in cash and cash equivalents		**2,274**	1,033
Cash and cash equivalents, beginning of year		**1,812**	779
Exchange differences on cash and cash equivalents		**(46)**	-
Cash and cash equivalents, end of year	16	**4,040**	1,812

Notes to the Consolidated Financial Statements

1 Summary of significant accounting policies

Basis of accounting

These financial statements are consolidated financial statements for the Group consisting of Quartix Holdings plc, a company registered in the UK, and all its subsidiaries. These consolidated financial statements are for the year ended 31 December 2015 and are prepared in Sterling and are rounded to the nearest thousand pounds (£'000). They have been prepared in accordance with IFRS as adopted by the European Union (EU) ('IFRS') and in accordance with those parts of the Companies Act 2006 that are relevant to companies which report under IFRS.

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 2015 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	1 January 2018
IFRS 15	Revenue from contracts with customers	1 January 2018
IFRS 16	Leases	1 January 2019

Number	Title	Effective
Annual Improvements	(2010-2012 Cycle)	1 February 2015
Annual Improvements	(2012-2014 Cycle)	1 January 2016

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, with the exception of IFRS 16 which will require the operating leases held by the Group to be reflected within the Statement of Financial Position.

Basis of consolidation

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. A list of subsidiaries is included note 31.

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 calendar 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 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

- the provision and installation of hardware, and
- the maintenance of software and provision of communications

Amounts received in advance of the provision of services are included within deferred income.

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

Revenue from other services, including the provision of communications, are recognised over the period in which services are provided.

Revenue from a fixed term 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.

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.

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

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:

- Technical feasibility of completing the intangible asset
- The ability to use the asset.
- 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

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. The cash-generating units are the separate legal entities within the group as there is no segmentation in the subsidiaries.

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.

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.

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 from future trading profits.

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, other comprehensive income or equity as appropriate.

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, maturities of three months or less from inception, and which are subject to an insignificant risk of changes in value.

Financial assets

Trade and other receivables are classified as loans and receivables, and are initially recognised at fair value. Subsequently, loans and receivables are 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 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 when the obligation is extinguished.

1 Summary of significant accounting policies (continued)

Equity

Equity comprises the following:

- "Called Up 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
- "Translation reserve" represents the exchange difference arising on the consolidation of foreign operations.
- "Retained earnings" represents retained profits

Foreign currencies

The Parent Company's functional currency is Sterling. Whilst, the French branch invoices in Euros, it also has a functional currency of Sterling, since its results are included in Quartix Ltd's sterling accounts. Quartix Inc has a functional currency of US Dollars.

The consolidated financial statements are presented in sterling, which is the Group's presentation currency. Transactions in foreign currencies are translated into the respective currencies of Group companies 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. Foreign exchange differences arising on translation of monetary assets and liabilities are recognised in the Consolidated Statement of Comprehensive Income. Non-monetary assets and liabilities that are measured at historical costs in a foreign currency are translated using the exchange rates at the dates for the transactions.

Income and expenses for all the Group entities that have a functional currency other than sterling are translated at the average rate prevailing in the month of the transaction. The assets and liabilities are retranslated at the closing exchange rate at the reporting date.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities are recognised in the translation reserve, 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.

Employee benefits

The only pension provision and Employee benefit is participation in the UK Government's NEST pension scheme, which is a defined contribution scheme. Contributions to defined contribution pension schemes are recognised as an employee benefit expense within personnel expenses in the income statement, as incurred.

Dividends

Dividends attributable to the equity holders of the Company approved for payment during the year are recognised directly in equity.

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

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

The expense was recognised when granted, as there were no vesting conditions. No adjustment was made to the expense recognised in subsequent periods up to the date exercised in December 2015.

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 management's judgment of the probability and measurability of future economic benefits. No development expenditure was capitalised in the year ended 31 December 2015. The research and development expenditure primarily related to the on-going research work on the Group's existing fleet tracking unit to ensure that the functionality of the unit is maintained. The research work undertaken may successfully come to fruition in the development of a marketable product or technology but this development work cannot be identified or separated from the research work and therefore the entire expenditure has been expensed in the year.

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, being the design, development and marketing of vehicle tracking devices and the provision of related data services. 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. All revenues, costs, assets and liabilities relate to the single activity; and accordingly no segmental analysis is presented.

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

	2015	2014
	£'000	£'000
By customer base		
Fleet	**12,957**	11,038
Insurance	**6,718**	4,293
	19,675	15,331

	2015	2014
	£'000	£'000
Geographical analysis by destination		
United Kingdom	**18,390**	14,534
France	**1,025**	771
Republic of Ireland	**4**	3
United States of America	**256**	23
	19,675	15,331

During 2015 revenues of £6.7m (2014: £4.3m) derived from one insurance customer.

There are no material non-current assets based outside the UK.

4 Exceptional items

	2015	2014
	£'000	£'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:

	2015	2014
	£'000	£'000
Research and development expenses	**1,097**	993
Rentals under operating leases:		
Other operating leases	**12**	6
Land and buildings	**53**	46
Depreciation on Property, plant and equipment, owned	**132**	83
Share-based payment expense	**71**	83
Warrants issued	**-**	74
Foreign exchange (gains)/losses	**(18)**	25
Audit services:		
Fees paid to Company auditor for the audit of the Company and consolidated financial statements	**14**	14
Other services		
The audit of the Company's subsidiary pursuant to legislation	**16**	16
Other services	**3**	9
Transaction services	**-**	69

Earnings before interest, tax, depreciation and amortisation (EBITDA):	**2015**	2014
	£'000	£'000
Operating profit	**6,045**	4,885
Depreciation	**132**	83
EBITDA	**6,177**	4,968

6 Employee remuneration

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

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

	2015	2014
	£'000	£'000
Wages and salaries	**3,123**	2,599
Social security costs	**302**	255
Contributions to defined contribution pension plan	**8**	-
Share-based payment	**71**	83
	3,504	2,937

There were no pension costs for the Group until 2015.

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

	2015	2014
Administration	**13**	10
Operations	**21**	21
Sales	**35**	27
Customer service	**11**	9
Research and development	**21**	19
	101	86

7 Key management remuneration and directors' remuneration

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 identified thirteen such individuals: two Executive Directors, three Non-Executive Directors, and eight members of Senior Management.

	2015	2014
	£'000	£'000
Wages and salaries	**730**	686
Social security costs	**88**	80
Contributions to defined contribution pension plan	**1**	-
Share-based payment	**29**	30
Other benefits	**-**	2
Total employee benefits	**848**	798

Key management had 670,900 share options outstanding at 31 December 2015 (2014: 573,000). Key management held 32,342,711 shares at 31 December 2015 (2014: 33, 342,711) on which dividends were paid in the year.

Details of Directors' remuneration and the highest paid director is disclosed on page 18.

The Group introduced the NEST pension arrangements in 2015 for all employees. Two directors joined the scheme. No Director was a member of any other 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. At 31 December 2015 the directors held no share options (2014: nil) and no share options were exercised in the year.

8 Finance income receivable

	2015	2014
	£'000	£'000
Bank interest	**13**	11
Loan settlement discount	**-**	3
	13	14

9 Finance costs payable

	2015	2014
	£'000	£'000
Interest on bank loans and overdrafts	**69**	104

10 Tax expense

Analysis of tax charge in the year	2015 £'000	2014 £'000
Current tax		
UK corporation tax charge on profit for the year	**957**	1,033
Adjustments in respect of prior periods	**-**	(2)
Total corporation tax	**957**	1,031
Deferred tax		
Origination and reversal of temporary differences	**23**	(20)
Adjustments in respect of prior periods	**(5)**	-
Total deferred tax	**18**	(20)
Tax on profit of ordinary activities	**975**	1,011

The relationship between the expected tax expense based on the effective tax rate of the Group at 20.25% (2014: 21.50%) being the UK rate of corporation tax for the year and the tax expense actually recognised in profit or loss can be reconciled as follows:

	2015 £'000	2014 £'000
Result for the year before taxation	**5,989**	5,043
Tax rate (%)	**20.25**	21.50
Expected tax expense	**1,213**	1,084
Adjustments to tax charge in respect of prior periods	**(5)**	(2)
Expenses not deductible for tax purposes	**3**	104
Losses in the USA not provided	**116**	102
Research and development tax credit	**(262)**	(237)
Remeasurement of deferred tax	**(4)**	2
Tax adjustment on exercise of options	**(86)**	(42)
Tax on profit on ordinary activities	**975**	1,011

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 2015	**5,014**	**46,912,132**	**10.69**	**47,595,383**	**10.53**
Year ended 31 December 2014	4,032	46,459,018	8.68	47,171,899	8.55
Adjusted earnings per ordinary share					
Year ended 31 December 2015	**5,014**	**46,912,132**	**10.69**	**47,595,383**	**10.53**
Year ended 31 December 2014	3,956	46,459,018	8.52	47,171,899	8.39

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 2014 and 2015	**14,029**

Goodwill arose on the consolidation of the Group following the acquisition of Quartix Limited in 2008.

Goodwill is recognised as an asset and assessed for impairment annually or where there is indication of impairment. 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) for the assessment of goodwill 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 and two were based on detailed management expectations. The growth rate used for the third and fourth year is 2% which is in line with the long-term GDP forecasts. The discount rate used is 6.5% 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.

13 Property, plant and equipment

	Leasehold improvements £'000	Tools and equipment £'000	Office equipment £'000	Total £'000
Cost:				
At 1 January 2014	-	12	331	343
Additions	12	-	70	82
At 31 December 2014	12	12	401	425
Additions	5	-	257	262
At 31 December 2015	17	12	658	687
Depreciation:				
At 1 January 2014	-	12	143	155
Provided in the year	-	-	83	83
At 31 December 2014	-	12	226	238
Provided in the year	3	-	129	132
At 31 December 2015	3	12	355	370
Net book amount:				
At 31 December 2015	**14**	**-**	**303**	**317**
At 31 December 2014	12	-	175	187
At 1 January 2014	-	-	188	188

14 Inventories

	2015 £'000	2014 £'000
Raw materials	**335**	163
Work in progress	**161**	142
Finished goods and goods for resale	**142**	131
	638	436

Included in the analysis above are impairment provisions against inventory amounting to £80,000 (2014: £80,000). The cost of inventories recognised as an expense and included in "cost of sales" amounted to £2.4m (2014: £1.6m).

15 Trade and other receivables

	2015	2014
	£'000	£,000
Trade receivables	**2,313**	1,793
Other receivables	**126**	6
Prepayments and accrued income	**147**	134
	2,586	1,933

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, due to the age of the debt, and a provision for doubtful debts has been recorded as follows.

	2015	2014
	£'000	£'000
Provision at 1 January	**15**	15
Additional provision/(release of provision)	**33**	-
Provision at 31 December	**48**	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:

	2015	2014
	£'000	£'000
Not more than 1 month	**156**	118
More than one month but not more than 3 months	**64**	21
More than 3 months but not more than 6 months	**-**	-
	220	139

16 Cash and cash equivalents

Cash and cash equivalents include the following components:

	2015	2014
	£'000	£'000
Cash at bank and in hand	**4,040**	1,812

Quartix Limited uses Barclay's Money Transmission Plus to aggregate sterling instant access balances and earn interest, which is currently 0.5% on balances up to £3.0m.

17 Trade and other payables

Amounts falling due within one year:

	2015	2014
	£'000	£'000
Trade payables	**1,632**	1,093
Social security and other taxes	**783**	600
Other payables	**152**	101
Accruals	**275**	214
	2,842	2,008

18 Borrowings: amounts falling due within one year

	2015	2014
	£'000	£'000
Bank loan	**997**	993

19 Borrowings: amounts falling due after more than one year

	2015	2014
	£'000	£'000
Bank loan	**-**	993

The Group bank loan at December 2015 consisted of a £1.0m standard term loan with an effective interest rate of 3.88% over LIBOR secured by way of a debenture. For this repayments of £0.25m a quarter start in February 2016. At December 2014, the Group had further borrowings 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.

20 Deferred tax

Deferred tax liabilities recognised by the Group at 31 December 2015 and 31 December 2014 are as follows:

	2015	2014
Provision for deferred tax	**£'000**	£'000
Accelerated Capital Allowances	47	25
Short term temporary differences	(7)	(3)
Equity settled share options	(117)	(18)
	(77)	4
Charge to profit and loss		
Accelerated Capital Allowances	**21**	-
Short term temporary differences	**(3)**	(2)
Equity settled share options	**-**	(18)
	18	(20)

There are unprovided tax losses related to the USA business of $459,000 (2014: $262,000). In 2014 there was additional unprovided tax regarding equity settled share options of £206,000.

21 Equity

	Number of ordinary shares of £0.01 each	Share capital £'000	Share premium £'000
Allotted, called up and fully paid			
At 1 January 2015	46,692,000	467	4,379
Shares issued	483,704	5	252
At 31 December 2015	**47,175,704**	**472**	**4,631**

All the shares issued in the year to 31 December 2015 related to the exercise of share options.

22 Share-based payment

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 IPO 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 warrants were exercisable at any point up to the date that was 36 months after the date of Admission (6 November 2014) save that they were not exercisable before the date that was 12 months after the date of Admission except pursuant to certain acceleration rights. The warrants were exercised in December 2015.

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

		2015		**2014**
	Weighted average exercise price per share in pence	**Options number**	**Weighted average exercise price per share in pence**	**Options number**
Outstanding at 1 January	**47.1**	**1,076,954**	26.6	1,089,800
Granted	**192.9**	**170,400**	75.6	323,654
Lapsed	**0.7**	**(5,750)**	0.1	(12,000)
Exercised	**53.1**	**(483,704)**	8.2	(324,500)
Outstanding at 31 December	**76.5**	**757,900**	47.1	1,076,954
Exercisable at 31 December	**43.5**	**131,500**	44.0	75,500

The weighted average fair value of options and warrants issued during the year ended 31 December 2015 was 87.73p (2014: 41.26p).

The weighted average share price at the date of exercise of options and warrants issued during the year ended 31 December 2015 was 197.6p (2014: 47.8p).

On 30 September 2014, the Company reorganised its share capital. For options already granted at that date, each option holder is required to pay at least the new nominal value, of 1p per share. In order for each option holders' total exercise value to remain unchanged, the Board sought authority from its shareholders to capitalise reserves. That authority was granted in a shareholder resolution passed to effect the reorganisation on 30 September 2014.

Included in the share options exercised during the year, were 70,500 of options issued in December 2013, with an exercise price of £0.001 per share. These options are covered by the authority outlined above and the difference between the original exercise price and the nominal value of £634 has been charged to the capital redemption reserve to reflect the capitalisation.

22 Share based payments (continued)

At 31 December 2015 Quartix Holdings plc had the following outstanding options, warrants and exercise prices:

2015

Period when exercisable	Expiry dates	Average exercise price per share in pence	Options number	Weighted average remaining contractual life in months
Starting from November 2014	1 November 2019	44.0	520,000	47
March 2015	19 December 2018	0.1	1,500	36
Starting from March 2015	3 January 2020	44.0	50,000	49
March 2016	16 December 2019	0.1	16,000	36
Starting from July 2018	29 July 2021	219.0	150,000	67
March 2017	16 December 2020	1.0	20,400	48
		76.5	**757,900**	**51**

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	0.1	19,750	48
		47.1	**1,076,954**	**52**

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 2015:

	2015		2014		
Number granted	**150,000**	**20,400**	19,750	153,904	150,000
Grant date	**29 Jul**	**16 Dec**	16 Dec	6 Nov	1 Jan
Share price at grant date (pence)	**219.0**	**241.0**	142.5	116.0	44.0
Exercise price (pence)	**219.0**	**1.0**	1.0	116.0	44.0
Fair value per option (pence)	**72.0**	**203.4**	142.0	47.1	22.0
Expected life in years	**3**	**3**	3	3	5
Expected volatility (%)	**55.5**	**52.2**	38.0	62.0	62.0
Risk-free interest rate (%)	**0.5**	**0.5**	0.5	0.5	0.5
Dividend yield (%)	**2.3**	**2.3**	3.0	-	-

23 Notes to the cash flow statement

Cash flow adjustments and changes in working capital

	Notes	2015 £'000	2014 £'000
Profit before tax		**5,989**	5,043
Depreciation	13	**132**	83
Interest income	8	**(13)**	(14)
Interest expense	9	**69**	104
Warrants issued	5	**-**	74
Share based payment expense	5	**71**	83
Operating cash flow before movement in working capital		**6,248**	5,373
Decrease/(increase) in trade and other receivables		**(650)**	(144)
Decrease/(increase) in inventories		**(201)**	(216)
Increase in trade and other payables		**1,384**	832
Cash generated from operations		**6,781**	5,845

24 Leases

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

	Land & buildings		Other	
	2015 £'000	2014 £'000	**2015 £'000**	2014 £'000
No later than one year	**58**	50	**10**	12
Later than one year and no later than four years	**4**	30	**3**	13
Later than five years	**-**	-	**-**	-
	62	80	**13**	25

Lease payments recognised as an expense during the year amount to £65,000 (2014: £52,000).

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 18 and note 7.

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 £186,000 (2014: £154,000). There were no other contingent liabilities as at 31 December 2015 or 31 December 2014.

27 Capital commitments

The Group had no capital commitments at 31 December 2015 (2014: £39,000). The 2014 commitment was for the installation of telephonic equipment during 2015.

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, which is not significant, 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 2015 each 1% increase in interest rates would add £10,000 to interest charges on an annual basis (2014: £20,000).

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 £2.9m at 31 December 2015 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:

	2015	2014
	£'000	£'000
Trade and other payables		
Within six months	**1,906**	1,306
Bank loans		
Within six months	**521**	543
Six to twelve months	**509**	531
One to five years	**-**	1,028
	1,030	2,102

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:

	2015	2014
	£'000	£'000
Loans and receivables		
Cash and cash equivalents	**4,040**	1,812
Trade and other receivables	**2,439**	1,799
	6,479	3,611

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 relates to trade receivables and is mitigated by third party credit clearance for those customers benefitting from free installation and, for most contracts, collection by direct debit. The Group has one large customer whose debts have been as much as £0.9m 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 has adopted a similar solution to the US Dollar by trading in the USA. Currently it purchases about $3.0m a year, to purchase components for the fleet tracking unit as well as the investment in Quartix Inc (2014: $2.0m).

Transaction exposures, including those associated with forecast transactions, are managed through the use of bank accounts held in foreign currencies.

The Group's financial instruments dominated in currencies were:

	2015		2014	
	£'000	£'000	£'000	£'000
	US$	€	US$	€
Cash and cash equivalents	**418**	**109**	184	28
Trade receivables	**32**	**140**	3	109
Trade payables	**(483)**	**(126)**	(302)	(77)
	(33)	**123**	(115)	60

It is estimated that a 5% strengthening of Pound Sterling to the US dollar would have increased net profit by £100,000 and vice versa (2014: £50,000). (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 £23,000 and vice versa (2014: £38,000).

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:

	2015 £'000	2014 £'000
Loans and receivables		
Trade and other receivables	**2,439**	1,799
Cash and cash equivalents	**4,040**	1,812
	6,479	3,611
Financial liabilities measured at amortised cost		
Trade and other payables	**1,906**	1,306
Bank borrowings	**997**	1,986
	2,903	3,292

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:

	2015 £'000	2014 £'000
Capital		
Total equity	**15,197**	12,154
Less cash and cash equivalents	**(4,040)**	(1,812)
	11,157	10,342
Overall financing		
Total equity	**15,197**	12,154
Plus borrowings	**997**	1,986
	16,194	14,140
Capital-to-overall financing ratio (%)	**69**	73

31 Subsidiaries

As at the 31 December 2015 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

We have audited the financial statements of Quartix Holdings plc for the year ended 31 December 2015 which comprise the Parent Company Statement of Financial Position, Statement of Changes in Equity 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) including FRS 101 'Reduce Disclosure Framework'.

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 20, 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 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 2015;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- 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 parent company financial statements.

Independent Auditor's Report to the Members of Quartix Holdings plc (continued)

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; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- 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 2015.

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

26 February 2016

Parent Company Statement of Financial Position

Company registration number 06395159

	Notes	2015 £'000	2014 £'000
Fixed Assets			
Investments	3	**18,622**	18,551
Current assets			
Debtors	4	**529**	245
Current tax asset		**55**	-
Cash at bank and in hand		**213**	44
Total current assets		**797**	289
Creditors – amounts falling due within one year	5	**(1,422)**	(4,684)
Net current assets		**(625)**	(4,395)
Total assets less current liabilities		**17,997**	14,156
Creditors – amounts falling due after more than one year	6	-	(993)
Net assets		**17,997**	13,163
Capital and Reserves			
Called up share capital	7	**472**	467
Share premium account		**4,631**	4,379
Equity reserve		**78**	151
Capital redemption reserve		**4,663**	4,664
Retained earnings		**8,153**	3,502
Total equity attributable to equity shareholders of Quartix Holdings plc		**17,997**	13,163

Approved by the Board of Directors, authorised for issue and signed on behalf of the Board on 26 February 2016.

Andrew Walters
Managing Director

Parent Company 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 2013	46	4,296	5,079	6	320	**9,747**
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	-	-	-	-	5,954	**5,954**
Balance at 31 December 2014	467	4,379	4,664	151	3,502	**13,163**
Shares issued	5	252	-	-	-	**257**
Increase in equity reserve in relation to options issued	-	-	-	71	-	**71**
Adjustment for exercised options (see note 22 of Group accounts)	-	-	(1)	(144)	144	**(1)**
Dividend paid	-	-	-	-	(2,348)	**(2,348)**
Transactions with owners	5	252	(1)	(73)	(2,204)	**(2,021)**
Profit for the year and total comprehensive income	-	-	-	-	6,855	**6,855**
Balance at 31 December 2015	472	4,631	4,663	78	8,153	**17,997**

Notes to the Parent Company Financial Statements

1 Summary of significant accounting policies

Accounting convention

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101). The financial statements are prepared under the historical cost convention.

No profit and loss account is presented by the Company as permitted by Section 408 of the Companies Act 2006.

The financial statements are prepared in Sterling and are rounded to the nearest thousand pounds (£000).

Basis of preparation

The Company has transitioned to FRS 101 from previously extant UK Generally Accepted Accounting Practice for all periods presented. There are no adjustments to the comparative figures for the year ended 31 December 2014 or 31 December 2013 arising from the change in financial reporting framework. The accounting policies which follow set out those policies which apply in preparing the financial statements for the year ended 31 December 2015. The Company has taken advantage of the following disclosure exemptions under FRS 101:

a) Share-based Payment disclosure, as Quartix Holdings plc is the ultimate parent, the share-based payment arrangement concerns its own equity instruments and its separate financial statements are presented alongside the consolidated financial statements of the Group.
b) Financial Instruments disclosures, given that equivalent disclosures are included in the consolidated financial statements of the Group in which the entity is consolidated.
c) Fair Value Measurement disclosures.
d) Certain disclosures required by IAS 1 Presentation of Financial Statements, including certain comparative information in respect of share capital movements.
e) Statement of Cash Flows and related notes.
f) Related Party Disclosures relating to key management personnel compensation.
g) Disclosure of related party transactions entered into between two or more members of a group, given that any subsidiary which is a party to the transaction is wholly owned by such a member.
h) Capital management disclosures.

Going concern

As a holding company, its main source of income is dividends receivable from its trading subsidiaries and in particular Quartix Limited. After assessing the forecasts and liquidity of the Group for the next two calendar years and the longer term strategic plans, the Directors have a reasonable expectation that the Company will continue to receive dividends for the foreseeable further. The Company therefore continues to adopt the going concern basis in preparing its individual entity accounts.

Investment in subsidiaries

The Company's interests in investments presently comprise only interest in wholly owned subsidiary undertakings. Investments are recognised initially at cost. Subsequent to initial recognition the financial statements include the adjustments in respect of Share Based Payments or provision for impairment.

1 Summary of significant accounting policies (continued)

Impairment of assets

The Company assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the Company estimates the recoverable amount of the asset, being the higher of an asset's or cash generating unit's fair value less costs to sell and its 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.

A reversal of an impairment loss for an asset shall be recognised immediately in profit or loss, unless the asset is carried at revalued amount. Any reversal of an impairment loss of a revalued asset shall be treated as a revaluation increase.

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 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 from future trading profits.

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, other comprehensive income or equity as appropriate.

Dividends

Dividends attributable to the equity holders of the Company approved for payment during the year are recognised directly in equity.

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.

Financial assets

Trade and other receivables are classified as loans and receivables, these are initially recognised at fair value. Loans and receivables are subsequently 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 Company 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.

1 Summary of significant accounting policies (continued)

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Company 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. The Company does not enter into derivative contracts for hedging or speculative purposes.

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.

Employee benefits: Share-based payments

The Company operates a number of employee share schemes under which it makes equity-settled share based payments to employees of its trading subsidiary. The fair value of the employee services received in exchange for the grant of the options is recognised as an increase in the investment in the subsidiary, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards.

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.

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

Share capital and reserves

Share capital and reserves comprises the following:

- "Called up 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

2 Profit and loss account

No Statement of profit and loss 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 £6.86m (2014: £5.95m).

Auditors' remuneration attributable to the Company is as follows:

	2015	2014
	£'000	£'000
Audit fees – statutory audit	**14**	9
Other services	**1**	81
	15	90

Details of Directors' emoluments are set out on page 18.

3 Investments – non current

The amounts recognised in the Company's Statement of Financial Position 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**
At 1 January 2015	**18,551**
Increase due to granting of share options to subsidiary employees:	
New investments	**71**
Net book amount at 31 December 2015	**18,622**

There is no provision for impairment for the investment in subsidiaries.

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

	2015	2014
	£'000	£'000
Social security and other taxes	**5**	24
Prepayments	**5**	6
Amounts owed by subsidiary undertakings	**519**	215
	529	245

All receivables fall due within one year of the Statement of Financial Position date.

The amount owed by subsidiary undertakings is a US dollar loan to Quartix Inc which is repayable on or before 31 December 2016 but can be extended by mutual agreement. Interest is charge quarterly at 1% per quarter on the quarter end balance.

5 Creditors: amounts falling due within one year

	2015	2014
	£'000	£'000
Amounts owed to subsidiary undertakings	**388**	3,540
Bank loan (see note 6 below)	**997**	993
Current tax liabilities	**-**	102
Social security and other taxes	**4**	-
Accruals and deferred income	**33**	49
	1,422	4,684

6 Creditors: amounts falling due after more than one year

	2015	2014
	£'000	£'000
Bank loans	**-**	993

Included within the above are amounts falling due as follows:

	2015	2014
	£'000	£'000
Between one and two years		
Bank loans	**-**	993

The Company's bank loans at December 2015 consisted of a £1.0m standard term loan with an effective interest rate of 3.88% over LIBOR secured by way of a debenture. For this repayments of £0.25m a quarter start in February 2016. At December 2014, the Company had further borrowings 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.

7 Called up share capital

	2015	2014
	£'000	£'000
Allotted, called up and fully paid		
47,175,704 (2014: 46,692,000) ordinary shares of £0.01 each	**472**	467

Details of movements in share options and warrants and those outstanding at 31 December 2015 are disclosed in note 22 of the Group accounts.

8 Related party transactions and ultimate controlling party

The Company has taken advantage of the exemption not to disclose transactions with wholly owned subsidiaries. Details of Directors' remuneration and interests in shares are disclosed in the Directors' Remuneration Report (see page 18) and key management remuneration in note 7 of the Group accounts.

9 Contingent liabilities

There are no material contingent liabilities subsisting at 31 December 2015 or 31 December 2014.

10 Financial commitments

The Company had no financial commitments at 31 December 2015 or 31 December 2014

11 Risk management objectives and policies

Financial Instruments

The Company uses various financial instruments; these include cash deposits and bank loans and various items such as group receivables and group payables that arise directly from its operations. The main purpose of these financial instruments is to manage working capital.

The main risks arising from the Company'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 Company's exposure to market risk for the changes in interest rates, which is not significant, relates primarily to the Company'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 Company's cash flow. As at the 31 December 2015 each 1% increase in interest rates would add £10,000 to interest charges on an annual basis (2014: £20,000).

Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs of the Group. It maintains cash to meet the Group liquidity, most of which earn interest via Barclay's Money Transmission Plus. Liquidity needs of the Group are monitored on a weekly and monthly basis. The Company has no un-drawn committed overdraft facilities. As at 31 December the Company's financial liabilities have contractual maturities as summarised below:

	2015	2014
	£'000	£'000
Bank loans		
Within six months	**521**	543
Six to twelve months	**509**	531
One to five years	**-**	1,028
	1,030	2,102

Credit risk

The Company'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:

	2015	2014
	£'000	£'000
Loans and receivables		
Cash and cash equivalents	**213**	44
Amounts owed by subsidiary undertakings	**519**	215
	732	259

Risks associated with cash deposits are limited as the banks used have high credit ratings assigned by international credit rating agencies. The amount owed by subsidiary undertakings relates to advances made to Quartix Inc, in US Dollars (see below and note 4).

11 Risk management objectives and policies (continued)

Currency risk

The Company is exposed to transaction foreign exchange risk. The Group mitigates its risk to the US Dollar by trading in the USA; however the Company is exposed to exchange movements on its US Dollar loan to Quartix Inc to fund its start-up losses and working capital requirements.

The Company's financial assets denominated in currencies (all US dollars) were:

	2015	2014
	£'000	£'000
Loan and receivables		
Cash at bank	1	-
Amounts owed by subsidiary undertakings	519	215
	520	215

The Company's net profit would not be materially impacted by 5% strengthening of Pound Sterling to the US dollar or Euro.

Notice of Annual General Meeting

Notice is hereby given that the third Annual General Meeting (the "Meeting") of Quartix Holdings plc will be held at **Wellington House, East Road, Cambridge CB1 1BH** on **Tuesday 29 March 2016** 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 2015.
2. To approve and declare a final dividend for the year ended 31 December 2015 of 4.0p per ordinary share. This will be paid on 4 April 2016 to shareholders on the register as at 11 March 2016.
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 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.
6. 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.
7. To re-appoint Grant Thornton UK LLP as the auditors of the Company until the end of the next Annual General Meeting.
8. To authorise the Directors to determine the remuneration of the auditors.
9. 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 £157,250 (representing approximately 33% of the issued share capital of the Company as at 26 February 2016) 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 2017, 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:

10. That the Directors be and are empowered, pursuant to section 570 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 9 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 £23,590, representing approximately 5% of the ordinary share capital in issue as at 26 February 2016.

This power shall expire at the conclusion of the next Annual General Meeting of the Company or 30 June 2017, 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.

11. 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 2,359,000 (representing approximately 5% of the ordinary share capital in issue as at 26 February 2016);
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 2017, 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 26 February 2016.

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 23 March 2016, or, in the event that the meeting is adjourned, at 6.00 pm on the date which is two days prior to the date 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 Wednesday **23 March 2016**.

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 26 February 2016 the Company's issued share capital comprised 47,175,704 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 47,175,704.

7 Documents on display

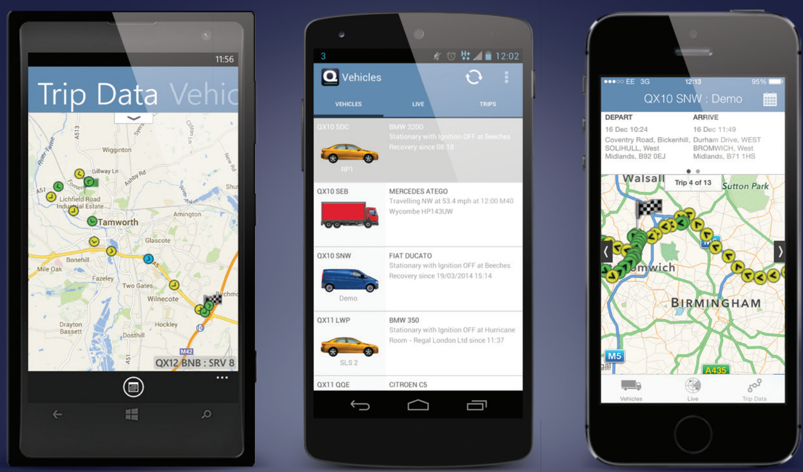
Copies of the Directors' service contracts with the Company will be available for inspection at the registered office of the Company at least 15 minutes prior to and until the termination of the Annual General Meeting.

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

Award-Winning Vehicle Tracking



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www.quartix.net www.quartix.fr www.quartix.com